



MUNDP 2020
COMMITMENT TO DEVELOPMENT

RESEARCH REPORT

ECONOMIC AND SOCIAL COUNCIL (ECOSOC)

**ISRAELI ECONOMIC RESTRICTIONS ON THE PALESTINIAN
TERRITORY**

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Basic Overview of the Issue

The issue of Israel's control over the West Bank and the Gaza Strip has become increasingly controversial over the years. The military and political tension between Israel and the PLO has fiscal and economic ramifications concerning both of the parties involved.

While this conflict is often said to have been going on for centuries, it has only begun to develop at the beginning of the 20th century, as a result of the adoption of nationalist ideals to Palestinian Jews and Arabs. Since the foundation of the State of Israel in 1948, this controversy has yet to have been solved. In the meanwhile, both Arabs and Jews have claimed this territory as rightfully theirs. Palestine's economic state since the foundation of Israel has sharply deteriorated, primarily due to the ravages of armed conflicts, but as seen in the later years, also due to the economic restrictions put in place by the Israeli state.

The primary economic impediments of this problem arose much later than the geopolitical ones, when the most significant of the restrictions were put in place during the Oslo Accords around the mid-1990s: Multiple peace agreements that were signed in the 1990s between the two parties brought along economic burdens for Palestine, whereupon economic independence of the Palestinian territory was compromised in attempts to reach an agreement that both sides could accept.

Explanation of Important Terms

GDP

Gross Domestic Product. A measure of a country's wealth.

Economic Restrictions

An economic restriction, in its essence, is a set of limits placed on a country or organization's economic activities. Examples include restricting flow of cash or materials into and out of a region, controlling the movement of goods within a region, enforcing strict customs regulations. Any act that goes against the principles of free trade.

Tariff

A tariff is a tax on imports and exports. Tax rates usually differ depending on the item being exported or imported.



Detailed Background of the Issue

Historical Context

Before the foundation of Israel (1900-1948)

In the 1900s, the Palestinian region consisted of a mixture of Arab and Jewish residents. The two groups were living in peace with each other under the British mandate. In fact, although media often labels the conflict between Israel and Palestine as “ages old”, the beginning of the 20th century marks also the inception of it. During this time, nationalism was spreading throughout the world-likewise, the Arabs in the region started to develop a sense of “palestinian identity”, and more Jewish people started expressing their beliefs in and support for Zionism - the idea that Judaism is not only a religion, but a nationality.

As a result of these newly spreading beliefs, both Arab and Jewish Palestinians were now rallying to establish a government of their own. Though initially, more Arabs were living in the area, more Jewish people started settling in this region. Then, World War II caused considerably more Jewish people to believe in the necessity of a Jewish state, which would shield them from religious persecution. During this time, violence between Arabs and Jews grew due to their individual purposes- to create a national state- which were seen as incompatible at the time.

The UN Plan

In 1947, a plan was approved by the United Nations to divide the Palestinian region into two separate states: Israel, which was to be the Jewish state; and Palestine, the Arab state. Jerusalem, being home to holy sites of all three abrahamic religions- Judaism, Christianity, and Islam- was to be designated as an international zone. This plan was accepted by Jews, but Arabs viewed the plan as an act of colonialism, leading to the Arab-Israeli War (1948-1949), after which Israel significantly increased its territory, taking the western half of Jerusalem amongst other areas. Later, a huge number of Palestinians were expelled from these areas, resulting in a refugee crisis.

Israel's Occupation of Palestine

In the 1960s, the Palestinian Liberation Organization was created. This organization opposed the Israeli government's rule over Palestinian land in many ways, including through violence. When the Six-Day War of 1967 ended, Israel occupied all of the land which was designated as “Palestinian Land” under the UN Plan-the Gaza Strip and the West Bank



(Figure 1). Israelis started settling into the West Bank. The most important long term effect of these Israeli settlements, considered illegal by international communities, is that they make the establishment of an independent Palestinian state much harder. Fighting between Israelis and Arabs continued to escalate, until the point where Palestinians' frustration over the Israeli occupation reached a critical state. Shortly after, the Palestinians launched the First Intifada, a series of riots and attacks targeting Israelis residing in the West Bank- the area occupied by Israelis which had been given to Palestinian Arabs according to the UN plan. The escalation of violence motivated leaders on both sides to achieve peace.

The Oslo Accords

Just after the First Intifada had ended, the leaders of the two sides met- consequently signing the Oslo Accords. This is an interim agreement on the administration of the West Bank and Gaza Strip. This was perhaps the first significant step taken in hopes that one day, an independent Palestinian state could be established and the two states- Israel and Palestine- could coexist peacefully. This peace agreement led to the creation of the Palestinian Authority.

With respect to the agreements, Palestinian territories consist of the Gaza Strip and the West Bank, as seen in Figure 1. The West Bank is divided into three areas: Area A is designated for Palestinian civil and security self-rule, whereas sectors that fall under the Area B category are governed by Palestinian civils, but Israel steps in for security control. Lastly, in Area C, Israel is in control of security and mostly all governance. As seen in Figure 1, much of the West Bank is designated as Area C, in which the Palestinians don't have as much independence of government.

Hence, though autonomous, the Palestinian Authority isn't fully independent from Israel, especially in terms of economic freedom. As a compromise to achieve peace and establish the Palestinian Authority, a degree of dependence on Israel had to be accepted on



Figure 1. Map of Israel and Palestine



the Palestinians' part, which is the root of most of the economic restrictions. The details of the arrangement were ironed out in the later years, and finalized in the Oslo II Accords in 1995. The Paris Protocol, also known as the Protocol on Economic Relations, is also within this accord, and it elaborates on the details of matters such as trade regulations and import/export restrictions.

The Later Years

The Camp David Summit in 2000 had promised to finalize the discussion of peace between the two states. When it failed to produce satisfactory results, this led to frustration and desperation on the Palestinians' part, which was expressed in terms of violence- leading to the Second Intifada (2000-2005). The Second Intifada was much more damaging than the first one, for both sides. It is a very important turning point in the Israel-Palestine conflict: The Second Intifada made Israelis very skeptical that reaching a peaceful solution was possible. At this point, the Israeli politics turned towards isolating the threat, which meant building walls and establishing checkpoints for stricter regulations. Essentially, the goal shifted from solving the conflict to managing it. The rise of tensions between the two sides and more strictly enforced regulations, the Palestinian economy started to suffer more- as any kind of limitation- or hindrance- on trade often destabilizes an economy.

Israeli restrictions

Tax Collection

As agreed upon in the Oslo Accords, Israel acts as an intermediary for tax revenue collection between Palestinians and the Palestinian Authority (PA). Israel collects tax on behalf of the PA, but this money isn't directly transferred. As the government of Palestine pays Palestinian prisoners imprisoned in Israeli jails and the families of the Palestinians who were killed while attacking Israeli citizens, Israel deducts an amount of the tax that has been collected from Palestinians before transferring the money to the PA. It is equally possible that tax revenue could be withheld as a way of applying political pressure.

Blockades

A blockade is in effect in the Gaza Strip (see Figure 1) in order to mitigate the weapon smuggling activities of Hamas. A barrier has been constructed along the West Bank, and there are land, sea, and air blockades on the Gaza Strip. Though the blockades and barriers don't completely restrict the movement of Palestinian goods and cash in and out of the



territory, the throttling of import and exports slows down the development of economy.

Economical impediments posed by conflict

This section does not cover any economic restrictions that have been politically imposed by the State of Israel on Palestine. However, it evaluates the effect of the ongoing conflict between the two sides on Palestinian economy.

The occupation of Gaza and the West Bank has resulted in losses to the agricultural sector. 35% of Gaza farmland is found within the buffer zone designated by the Israeli army. Farmers who have land on these ground are under the danger of getting caught in the crossfire should a conflict arise. This leaves farmers with the decision to leave their land or continue farming under dangerous circumstances. Military establishments, such as roadblocks, checkpoints, and trenches, impede the economic freedom of the locals. In either case, the enforcement of a buffer zone- a neutral zone that lies between two areas, usually put in place to mitigate conflict- leads to agricultural loss.

A similar case is observed in the West Bank. The region is divided into regions A, B, and C, as per the Oslo II Accord. A considerable percentage of fertile farmland in the West Bank is found within this area.

In short, the Israeli occupation of the area will continue to pose difficulties for economic growth on the Palestinian side. Without a solution to the tension between the two authorities, a solution that would fully fix the economic situation in the Palestinian region is impossible.

Major Parties Involved

Israel

Founded in May 14, 1948, the relationship between the Israeli government and Palestine has always been conflicted. Israel justifies the economic restrictions set in the Palestinian territory by saying that such limits are necessary to prevent terrorists from building weapons and developing their organizations. Being the state enforcing the economic restrictions on Palestine, Israel is also naturally responsible (alongside the Palestinian Authority) for ensuring the welfare of Palestinian citizens, a job which the government is undertaking to some extent. Despite this, Israel needs to invest more in the region to offset the effects of the restrictions.



Palestinian National Authority

The Palestinian National Authority, abbreviated either as PA or as PNA, is a type of interim self-governing body formed after the Gaza-Jericho Agreement of 1994. It was established to govern the Areas A and B of the Gaza Strip. The conflict between the Fatah and Hamas parties has deteriorated the body's central authority in the region, which has inevitably had economic consequences. Nowadays, the PA uses "The State of Palestine" on national documents. In November 2012, a UN vote has recognized the State of Palestine as a "non-member UN observer state".

Before the Palestinian National Authority came to be, the PLO, led by Yasser Arafat, could be considered as a symbolic precedent, and the driving force of the Palestinian struggle. When the PLO first made headlines in the 1960s, the organization claimed rights on all of the territory which was in Israeli control. Afterwards, the organization compromised on its original claim, settling to acquire only some of this land.

Since the foundation of Israel in 1948, the Palestinian economy has been on the decline. While conflict has naturally produced negative consequences for the economy, the Oslo Accords have instituted the aforementioned restrictions. This has been followed by Israel's response to the Second Intifada, with the enforcement of stricter military restrictions as politics shift towards managing the conflict instead of solving it.

United States of America

The United States of America has been politically invested in the Middle Eastern region for decades. America has, on various occasions, provided diplomatic, military, and financial support for Israeli occupation of the West Bank. Though they side with Israel, America has tried to play the role of a conflict mediator between the two sides.

The degree to which they've succeeded in this role is debatable, though. The Clinton Administration had encouraged the Israeli-Palestinian peace talks by with the Camp David Summit in the summer of 2000. However, the US' peace brokering soon proved ineffective when the talks collapsed. In the long term, this initiative did more harm than good, as it was the reason the second intifada was launched- which led to more drastic military action being taken on Israelis' side.



Chronology of Important Events

Date	Description of Event
1947	The UN approves of a plan to divide Palestinian land between two states: Israel and Palestine. Jerusalem, belonging to neither, is to be designated an international zone.
May 14, 1948	The State of Israel is founded.
1960s	The Palestinian Liberation Organization is created.
1967	The Six-Day War erupts. In the outcome, Israel massively widens its borders, taking all of the Gaza Strip and the West Bank.
1987-1993	Palestinians launch the First Intifada, chiefly with displays of violence towards Israeli residents in the West Bank.
1993	The Oslo I Accord is signed between Israel and the PLO in Washington, D.C.
April 29, 1994	The Protocol on Economic Relations (AKA The Paris Protocol) is signed.
1994	The Palestinian National Authority is established.
1995	The Oslo II Accord is signed between Israel and the PLO in Taba, Egypt.
2000	The Camp David Summit takes place.
2000-2005	The Camp David Summit is unsuccessfully concluded, leading to the Second Intifada. Israeli military enforcement on the Gaza Strip and West Bank drastically increases.



Relevant International Documents

- The Oslo Accords (Oslo I), September 13, 1993

-The Oslo Accords were the first attempt to set up an interim government responsible for the Palestinian territories whilst peace talks were underway. For the details of this agreement, please refer to the detailed background section.

- The Paris Protocol, AKA the Protocol on Economic Relations, 29 April 1994

- Signed between Israel and the PLO.

-The 1993 Oslo Accords were shortly followed by The Paris Protocol. This protocol defines the economic relationship of Israel and the Palestinian National Authority, but in doing so, it technically integrates Palestinian economy into the Israeli economy. This was part of a larger agreement called the Gaza-Jericho Agreement, also called the 1994 Cairo Agreement, in which the specifics of the aforementioned government's autonomy were decided.

- The Oslo Accords (Oslo II), 28 September 1995

-Many parts of the earlier agreements were incorporated into this final agreement, in which further details on the interim agreement of Israeli-Palestinian authorities were clarified.

- UN Resolution A/RES/61/25, "Peaceful settlement of the question of Palestine"

- Adopted by the General Assembly on 1 December 2006

-The text of this resolution condemns "all acts of violence and terror against civilians on both sides, including the suicide bombings, the extrajudicial executions and the excessive use of force". Both the Israeli and Palestinian sides are condemned for their use of excessively violent measures, which has proven to be one of the reasons why the economy still faces hindrances.

Past Attempts to Resolve the Issue

Ever since the foundation of the Israeli State in 1949, the conflict between Palestinian Arabs and Israelis has never ceased. The UN Plan of 1947 which set out to divide the Palestinian Territory between Arabs and the Jews would have meant that both sides could govern their own states independently, but conflicts continued, leading to complications



which have yet to have been solved. There have been many attempts at peace talks, involving a multitude of intermediary states. The most recent positive result of these talks is the Oslo II Accord. The accord defines economic relations between Israel and the Palestinian Authority. This agreement, though mutualistic in its nature, does not provide the Palestinian Authority with enough economic freedom to enable significant growth.

The Camp David Summit of 2000 is when Israeli-Palestinian peace talks collapsed, causing the Second Intifada. As a result of this, the two sides have grown much more distant politically.

The UN's involvement in the issue has usually been to condemn Israel's occupation of the West Bank and the Gaza Strip, which is considered illegal in the international community, but to also condemn both sides' use of excessive violence in the area. However, the UN can't take more drastic actions with regards to this conflict, in order not to interfere with the sovereignty of the states.

Solution Alternatives

The reason why all solution attempts thus far have not produced satisfactory results is the fact that all attempts failed to consider the perspectives of both parties. It is inevitable that both sides have to compromise considerably in order to reach such a result. In fact, solutions must focus on this lack of willingness to compromise, and in order to do so, delegates may choose to investigate ways to break down the deep-seated cultural beliefs, political opinions, and other various biases that are associated with this conflict. This is a key aspect of solving this issue, as peace cannot be sustained without understanding and respect.

Obviously, one cannot simply command either the Israeli State or the Palestinian Authority to take a specific action; the sovereignty of the states should be respected whilst coming up with solutions. However, suggestions to increase transparency and improve communication in future meetings of these states is a viable step to reach an actionable plan.

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Useful Links

The Israeli-Palestinian Conflict: An Interactive Database – <http://ecf.org.il/about-db/#start>

CIA World Factbook – <https://www.cia.gov/library/publications/the-world-factbook/>

Reuters – <https://www.reuters.com/>

The Guardian – <https://www.theguardian.com/international/>

The New York Times – <https://www.nytimes.com/>