Ahead For Developing Visions and Strategies of the Occupied Palestinian Territories (OPT)

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The Israeli-Palestinian conflict has been one of the most intractable and damaging conflicts. With the signing of the Oslo peace accord and the Paris protocol the Palestinian economy enter into a new era of economic arrangements. The PA was thus to involve itself in the task of state building and creating a viable economy in preparation for sovereignty, with assistance from international donors. All parties to the conflict Palestinian, Israeli, donors and international organizations have used this phrase but there are severe obstacles to this goal in the Palestinian context.

In this brief, I will analyse these obstacles in detail. The study will start with a brief summary of economic performances, followed by analysing the continuous Israeli and American policies and then risk of decreasing International Aids, followed by analysing the weakness and the power points of Palestinian society with an inter-governmental attempts to remove or to reduce these weakness points and strengthen the power points and then to foster economic development, followed by an in-depth analysing of Palestinian developing visions and strategies. After some observations on the policies necessary to sustain and deepen economic development, it will conclude by analysing the role of the security and stability in the economic development and the role of state in achieving the developed structure.

Overview
Palestine, as it stands today, consists of two physically separated land masses, namely the West Bank (including East Jerusalem) and Gaza Strip with a total area of 5,661 km2 and 362 km2, respectively. The once-fertile heights of Palestine have been denuded; barren lands and deserts have replaced forests and green plains. Desertification and soil erosion are evident, particularly in the Eastern Slopes of the West Bank. Polluted and salty water runs now in the Jordan River more than ever. The Dead Sea has sunk so low that it is now two separated seas and still dropping.

Palestine is characterized by the presence of two contradictory planning schemes that aim at exploiting its natural resources to serve two peoples: these are the endogenous Palestinian population and the Israeli settlers and army, which has been controlling the area since 1967. The fragile Palestinian environment has been the first casualty of this reality. It has been exposed to pressures ensuing from the practices of the Palestinian population, on the one hand, and from the practices of the Israeli Occupation, on the other hand, which have significantly contributed to changing the environmental features of the Occupied Palestinian Territory (OPT).

Analysing the internal and external atmosphere shows clearly the complications that are related to the Palestinian liberation period. This requires employing and activating all the efforts and the resources to achieve liberation form occupation, which lasted for more than 40 years. This liberation conditions have not been achieved yet because of many factors. These factors include weakness of Arab world, ineffective decisions of the UN, weakness of peace camp in Israel and the American connivance with Israel. Thus, the Palestinian authority is demanded to employ and to focus all the efforts to achieve political independence and to meet the grown needs of the Palestinian society, in terms of security, health, education and law and to decrease unemployment and poverty. Moreover, the Palestinian national Authority is required to offer a competitive atmosphere for private investment and exports development.
Although the developed economic analysis had shown distortions in the Palestinian economy, the Palestinian have important and firmly established points of strong that can be trusted to build and to face the challenged Israeli occupation and development. This needs directing investment correctly for the Palestinian resources, to reach the right development in the future. Hence, the Palestinian development partners should put and specify their developed strategies and visions to achieve their political and social aims, which should match their legitimate political visions that were, stated the decisions of the Palestinian national council.

Although no one expected miracles to happen after Israel unilaterally pulled its settlers and troops out of Gaza, the speed at which economic and humanitarian conditions have deteriorated in the teeming 360- sq-km Palestinian enclave was not foreseen either—nor was the scope and intensity of the decline in such a short period of time.

This unfortunate turn of events following the Israeli evacuation of Gaza last few years raises a whole host of questions as to what exactly happened there. The first and most obvious question, of course, is: What went wrong? Is it that Gaza’s rapid economic decline was inevitable, or could it have been avoided? What factors account for this dramatic free fall in conditions? To what extent does Gaza’s post-disengagement economic predicament have to do with the Israeli one-sided move itself? And to what degree is the sudden change in the Palestinian political terrain responsible for Gaza’s economic plight? Was disengagement a missed opportunity that could have been used to rebuild Gaza and jump-start its moribund economy, or was it bound to be a disaster? Finally, and probably most importantly, what lessons can be learned from this sad episode? However, this brief might not be in position to response for these questions; this refers to the fact that the objective of this study is to provide an account of the weakness points and the power points of the Palestinian society in achieving the developed structure. The goal here is not so much to dwell on the statistics of the still on-going predicament, but to go beyond the available numbers and present an analysis of the current situation in order to identify core problems, detect patterns, and to provide an objective analysis of what exactly the desired developed structure, and draw some relevant conclusions.

The Development Paths of the Palestinian Territories

In recent world history. Its resolution has long been one of the most sought-after objectives of the international community. The Oslo Accords signed between the Israelis and Palestinians in 1993-95 offered the first real hope for its peaceful resolution. Under these accords, the Palestinian Authority (PA) was established with the task of building new institutions from scratch and developing a policy and legal framework for the West Bank and Gaza (WBG) that could provide the basis for a future Palestinian state. Considerable progress was made toward these objectives, until the outbreak of the second “Intifada” in 2000. Despite efforts to put the peace process back on track (the “road map”), the situation continued to deteriorate, culminating with the election of the Hamas-led government in 2006, the subsequent Israeli blockade and the effective division of WBG into separate political blocs for Gaza and the West Bank. The PA persisted with reforms, implemented since 2007 by Prime Minister Fayyad’s government with assistance of the international community. In May 2011, the PA and Hamas signed a reconciliation agreement that calls for the formation of an interim unity government and national elections within a year.

The regional paths of real GDP per capita and unemployment in the WBG have been severely affected by the conflict and Israeli restrictions; they have diverged since 2006 with the tightening of controls on Gaza. Convergence will depend on the phasing out of the restrictions and reintegration of the two territories’ economies.
The WBG’s real GDP per capita has fluctuated widely since 1994. From 1994 to 1999, the rising GDP per capita trend reflected the increased private sector confidence and institution-building as the PA took over key administrative responsibilities from the GoI. From 2000 to 2002, real per capita GDP declined sharply with the unfolding of the second Intifada and sharp intensification of trade restrictions.

From 2003 to 2005, real GDP per capita recovered to the 1994 level, in response to the limited relaxation of restrictions. It then declined again reflecting the onset of Gaza’s blockade, before recovering in 2007 following the advent of Prime Minister Fayyad’s government. By 2009, the WBG’s real GDP per capita recovered to its 1994 level.

The dynamics of overall real GDP per capita reflects a wide divergence in output paths between the West Bank and Gaza. The West Bank’s real GDP per capita has grown steadily since 2007, and is projected to be about 50 percent above its 1994 level by 2013. In contrast, Gaza’s real GDP per capita has been on a downward trend since 2006, with its recovery starting only in 2010 with the easing of the blockade.

The early years since 1994 witnessed a steady fall in the West Bank’s and in Gaza’s unemployment rates to 10 percent and 17 percent. However, since the second Intifada, Gaza’s rate has, until recently, remained exceptionally high at an average of about 34 percent, while the West Bank’s rate has been on a broadly declining trend. This divergence reflects the tighter restrictions in Gaza on external trade and on the employment of workers in Israel, the higher sensitivity of its output to such restrictions given its small domestic market, higher uncertainty faced by the private sector due to more frequent hostilities, as well as the degradation of public institutions and infrastructure since 2006.

**Economic Growth Since 1994**
The low trend output growth and wide fluctuations experienced by the WBG’s economy since 1994 suggest that, had there been no restrictions since 1994, the WBG output per capita would have been significantly higher than it actually was. To estimate the extent of this “growth performance gap,” the output path of the WBG was compared to hypothetical output paths for the WBG simulated using the neoclassical growth model, on the basis of: (i) the WBG’s growth performance during 1968–87, when borders with Israel were more open; and (ii) the growth performance since 1994, of a group of countries with real GDP per capita comparable to that of the WBG in 1994. The results indicate sizable growth performance gaps and thus ample potential for high growth in case of continued easing of restrictions.

The WBG’s per capita output from 1968 to 1987, a period without conflict or restrictions, was decomposed into trend output per capita, and deviations from that trend. Trend output per capita grew at 4.4 percent per year during 1968–87, while it grew at -0.6 percent during 1994–2010. Had the WBG since 1994 had the same trend output growth as during 1968–87, real GDP per capita in 2010 would have been 88 percent higher than it actually was.

The standard growth accounting framework was applied to decompose the WBG’s output into contributions from capital, labor, and Total Factor Productivity (TFP). The WBG’s average TFP growth per year during 1968–87 is estimated at 1.8 percent, while for 1994–2010 it is -0.5 percent. Had the WBG since 1994 had the same TFP growth as during 1968–87, real GDP per capita in 2010 would have been 56 percent higher than it actually was.

The WBG’s performance was evaluated against other countries whose Purchasing Power Parity PPP-adjusted real GDP per capita was at about 20 percent above or below that of the

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1. Long-Term Policy Options for the Palestinian Economy, Word Bank Group, 2011
2. The Impacts of Israeli Measures on the Palestinian Economic, PCBS 2010
3. Recent experience and prospects of the economy of the West Bank and Gaza, Sep 2011
WBG in 1994. Among those countries ranked by the yearly growth of trend real GDP per capita since 1994 the WBG comes second lowest with growth of trend output per capita of -0.6 percent. The median trend growth rate was 4.0 percent. Had the WBG since 1994 had the trend output growth at the median rate, real GDP per capita in 2010 would have been 78 percent higher than it was.

The standard growth accounting framework was applied to decompose each country’s output growth into contributions from capital, labor, and TFP. The WBG’s average TFP growth per year since 1994, at -0.5 percent, was the second lowest in the group. The median TFP growth among the other countries was 3.0 percent per year. Had the WBG TFP grew since 1994 at the median TFP growth of 3.0 percent, the WBG’s real GDP per capita in 2010 would have been 110 percent higher than it actually was.

The conflict and restrictions have raised external financing requirements for emergency and social spending. Given limited overall aid from donors, this has led to a diversion of aid from public investment to recurrent spending. Had all aid disbursed since 1994 been channeled to public investment, all else equal, real GDP per capita would have been 9 percent higher in 2010 than it actually was. Countries were next ranked by the volatility of their output as measured by the standard deviation of output from trend. The WBG has the second highest volatility in the group, with a standard deviation of 9.5 percent, compared to the median standard deviation of 4.7 percent.

Post-redeployment: Sudden Economic Free Fall

In the first few months that followed the Israeli pullout, the security situation in Gaza quickly deteriorated, owing to an upsurge in internal strife, continued firing of homemade rockets into Israel by Palestinian militants, and continued Israeli air strikes and artillery shelling into the Gaza Strip. Israeli restrictions on Gaza border crossings also continued, with the daily number of workers and business people crossing into Israel dropping to one-third of the pre-redeployment average, while Gaza exports through the Karni cargo terminal did not show any improvement even after the signing of the November 15, 2005, agreement on movement and access. Such an environment of instability and border constraints following the Israeli withdrawal from Gaza failed to provide the conditions necessary to lift post-redeployment Gaza from its economic stagnation.

Three factors can be identified to explain what went wrong with the post-redeployment Gaza economy. These factors are related to the timing of redeployment, the terms of redeployment, and the purely technical nature of the international efforts made to make redeployment work. One year after redeployment, the combination of these three factors, in various degrees and in a mutually reinforcing manner, has contributed to the redeployment’s dismal failure to produce any tangible economic benefits for Gaza.

The Timing of Redeployment

The Israeli pullout plan was introduced and implemented at a time when Palestinian-Israel relations were at a very low point.

The Terms of Redeployment

It has always been argued that Gaza’s economic recovery depends, first and foremost, on its unfettered access to markets, including those of Israel and the West Bank, and on the continued flow of Gaza workers to Israel, at least for the foreseeable future.

The “Technical” Nature of the International Efforts

To a large extent, the current Palestinian economic crisis is the product of an extremely unfavorable political environment with built-in constraints that is making the economy function way below its potential. In such an environment, technical remedial measures, by themselves and absent any positive changes on the political front, will not be sufficient to produce sustained economic gains. Such measures would have a better chance of success, and hence be more effective, if implemented
in the context of an active drive to bring an end to the ongoing political conflict that brought the Palestinian economic crisis into existence in the first place.

The implications of the above analysis should be clear by now. Any future attempts to revive the hard-hit Palestinian economy, including that of Gaza, require an approach that is comprehensive in nature, tools that transcend traditional technical fixes and generous financial packages, and policies that go beyond what has been tried so far and failed to produce a sustained, long-term transition to stability and growth. The experience of post-redeployment Gaza has also proven not only that one-sided measures, in and of themselves, are grossly inadequate, but that once implemented on the ground, they tend to have a life of their own and have the potential and the power to produce disastrous unforeseen outcomes.

And in this context, although it might be somewhat difficult to establish a direct link between redeployment and the devastating economic and humanitarian crisis currently unfolding in Gaza (and in the West Bank as well), an argument can still be made that the Israeli departure from Gaza, in the way it was implemented and in the manner it was perceived by Palestinian militants, has helped to create the environment that made a worsening of conditions possible. By the same logic, Gaza’s economic crisis, some years after redeployment, should also suggest one additional lesson: that unilateral actions to fix what one-sided policies have helped to create are ultimately bound to complicate the situation further, and to make conditions even worse.

Based on the above analysis its clear that the only advantage of the redeployment for Gaza is the internal movement by the opening of the Erez –Rafah main road and by access into the areas that was prohibited, event the benefits that were expected from the transfer of settlement land and assets did not realized due to unilateral redeployment from one hand and the weakness of the Palestinian security whereas, some of the settlements land was occupied by some factions, while the assets was impaired or purloined by the ‘civilian’. What quite remarkable that, in lieu of the advantages of the redeployment, we found contrast on the ground whereas; the redeployment had created worse position than it was prior to redeployment.

Risk of Continuous Israeli Policy and Its Economic and Social Impacts:

The Palestinians have suffered from gross deterioration on the economic and social levels, since the Israeli practices targeted demolishing all components of development that can help develop everyday life or improve the level of living. This occupation has played the biggest role throughout the decades in creating all the obstacles in the way of achieving an ongoing development in Palestine. The Palestinian economy, during the current uprising⁴, has been subject to various Israeli practices that aimed at undermining any success it accomplishes. The Israeli occupation practiced policies that have made the success of the Palestinian development semi-impossible. Some of the obstacles that the Israeli occupation has followed are as follows⁵:

The comprehensive closure of the Palestinian territories, forming military checkpoints, stopping the movement and separating the Gaza Strip governorates from those of the West Bank. Deterring the import and export to and from the Palestinian territories. Closing the international crossing borders (al-Karama, Rafah and al-Mintar). Obstructing the mobility of the Palestinian trade cargos between governorates. Depriving the PNA of getting the custom

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⁴ The Impacts of Israeli Measures on the Palestinian Economic, PCBS 2006-7
⁵ Most of those obstacles was asserted by internal and external institutions such as Word Bank, UNCTAD, IMF, MAS, MOP and The Palestinian Center for Planning and Policies. And for more details about those obstacles refer to Work Bank Four Years-Intifada, Closure and Palestinian Economic Crisis An- Assessment, 2004.
(clearance) revenues. Imposing a freeze on the industrial and trade territories. Dividing the Palestinian territories into separated cantons. Abeyance production factors, the thing that led to an increase in the rates of poverty, unemployment in addition to other consequences. It is remarkable that the grants and the international financial helps were not exploited well in improving the constitution of the Palestinian economy and helping it to disintegrate its dependency on the Israeli economy. The Israeli occupation, during the years of occupation, meant to make the Palestinian economy depend on its Israeli economy. Accordingly, the West Bank and the Gaza Strip turned to function as markets for the Israeli products and a source for a cheap work force. The occupied Palestinian territories also became the second main importer of goods after the USA. This policy led to create structural disorder in the Palestinian economy, so that the serviceable activities were increased on the expense of the developmental activities, leading to undermining the production capacity of the Palestinian economy. The Israeli scathing restrictions against the Palestinian economy continued during the transitive period, which started in 1993, under claims of 'security needs'. This has caused hope of economic prosperity of peace to fade away.

The Israeli occupation authorities have followed different ways and practices to undermine the Palestinian economy and to make it subordinate to the Israeli economy comprehensively, as well as incapable to form an independent economy. The subjugation of the Palestinian economy to the Israeli economy has had many negative economic results. The occupation has succeeded in making the Palestinian economy rely entirely on that of Israel through: Tying the Palestinian labor force in the Israeli market. Tying the occupied territories to the Israeli Electricity Station. Limiting the exporting outlets through its military crossings and through the Green Line – was imposed by the Israeli occupation between the 1948 territories and the 1967 territories. Limiting the import of the agricultural and industrial raw materials from Israel or through it. Not granting import license to import industrial machines in order to prevent establishing new factories. Transferring the industries that need intensive human power to the occupied Palestinian territories. Not allowing the establishment of funding organizations. And Imposing high taxations on merchants and imposing fines that can reach up to 120% in case the merchant was late in paying the due taxes imposed on him.

The development in Palestine, as a result of these Israeli measures, has become a semi impossible process because of this entire subordination to the Israeli economy. Furthermore, the development process obstructed according to the Israeli will, and therefore this prevents the Palestinian economy from progressing or covering the Palestinians' basic needs. Beside all these obstacles, there are other obstacles that the Israeli occupation has practiced. These obstacles are unworkable owing to the disruption of the internal marketing capacity of the local products.

Imposing closure of border crossings, restrictions imposed on the internal movement, closure of the international border crossings and Israeli coercive practices – represented in siege and aggression against the Palestinian people, and these practices are the severest and longest of its kind since 1948 (the catastrophe of Palestine) – resulted in negative impacts that have dangerous economic, social and physiological effects

**Economic impacts** 1- Decline in productivity 2- Severe decline in the overall economic indexes 3- Dividing of Palestinian market into smaller markets 4- Decline in the investment in the Palestinian territories 5- Increase in prices and increase in inflation rate 6- Loss of income and decline of family expenditure 7- Changing consumption behaviors 8- Increase in the rate

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7. Requirement for developing palestinian economic, Omar Abed-Razeg, Prof at Al-Najah University 2003
9. More details about border crossings especially Gaza crossings will be discuss in the disengagement section.
of the economic dependency 9- Increase of distortions in the Palestinian economy structure 10- Spread of the emergency employment projects to cue unemployment

**Social impacts:** 1- Increase in unemployment and Poverty rates 2- Collapse of the private and public properties 3- Increase in the number of martyrs, wounded, handicapped and jailed

**Psychological impacts:** The coercive Israeli measures and violations against the Palestinians have dangerous psychological impacts on them. Palestinian students are always under constant fear as they sleep under heavy Israeli artillery bombing, which is always aimed at the streets, schools and random places. Such coercive measures have caused behavioral problem such as bedwetting, insomnia. Students also lose desire to play with their peers\(^{10}\), and they lose concentration. This of course leads to decline in their school achievement.

The Israeli siege, the longest since ever the occupation authorities started using the policy of besieging the Palestinians within their occupied territories, has had socio and psychological impacts that have also affected the Palestinian labor force, especially after the increase in the percentage of unemployment and of the poverty level. Those also have psychological impact on the population. When the father loses his income, is still required to secure the needs of his family. Most of the times, he is unable to secure such needs, the thing that worries him and causes him to suffer depression\(^{11}\). This causes many problems in his family relations, which become plain. The laborer might also feel depressed, and this could develop into a psychological sickness and physiological disorders. Moreover, the Israeli siege has critical impacts on the family and social environment of the laborers who work under the siege.

*For Roy*, the Oslo Accords, in effect, allowed Israel to continue colonizing Palestinian land and were an extension of the 1967 Allon Plan and the 1978 Drobless Plan. The Oslo process, therefore, did not represent the end of Israeli occupation but its continuation, albeit in a less direct form.

*According to Khan*, since Israel believed that it was unlikely that a sovereign Palestinian state would put the security of Israel at the top of its agenda, it insisted on controlling a range of rents that were critical for the survival of the emerging Palestinian state’. Despite an initial stable period between 1994 and 1999, the PA was set for economic stagnation and political crisis.

*Khan argues* that client status and asymmetric containment create contradictory conditions for state formation. He criticizes the ‘good governance’ agenda of the Roadmap as being deeply problematic not only because it was based on an abstract neoliberal model of how a democratic state is supposed to work, but because the direction of causation that anti corruption, democracy and liberalization leads to economic prosperity is highly questionable and contradicts the historical record of state building. In the case of the Palestinian Authority, this was triply problematic

**Risk of Continuous American Policy:**

Ideas of modernizing the region were the priorities of the American Administration. Bush decided before invading Iraq that the aim is spreading democracy and supported that by a balance of $25 million to spread democracy. Then he issued an American initiative\(^{12}\) for American partnership with Middle East; consequently, he presented what is called ‘The Great Middle East’, which is related to establish democracy, modernize education and reform

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\(^{10}\) Palestinian Center for Human right Monthly reports of Israeli Siege Various issues : www.pchr.org

\(^{11}\) The Impact Of Israeli Measures on the behavior of Palestinian Children (Debate organized by the Palestinian Center for Planning and Policies Gaza September 2005)

\(^{12}\) Great Middle East that was presented by the American president George Bush to Congress in May 2004
political systems. Money was dedicated to set up a space channel land radio station. A magazine also was published and pressure took place upon systems to achieve the desired performance. However, address alone is not enough to show its creditability since it does not obtain that from itself. So, the question that needs a clear answer is: "Does democracy spreading goes in harmony with the American interests?" Here we are contemplating in the aim of the address because we do not believe that the American State is carrying a message (whether from God or history as Bush refers in many addresses after the 11th of September) and that this address expresses its capitals and strategic interests since power is the motive. This has been clear after the invasion of Iraq when Pentagon signed thousands of contracts whose values were millions of US dollars with American companies and specify that the priority is for American companies. Companies that are connected with important people in the American administration (World com) which was suffering of financial troubles reached to bankruptcy obtained great portion of such contracts. It seems that reconstruction of Iraq from damage, which was caused by the American army itself, is the gate to shocking plunder that means to monopolize oil resources and to cause great debts to the Iraqi state that will lead it to be owned by the monopolizing American companies. It means that plundering was before spreading democracy and that was the first aim of the American State and monopolizing companies that finance war against terrorism. The American economy used to suffer of crisis from the beginning of 1970s of the twentieth century. This led to aggravating the problems of the companies that suffered of abundance in production crisis; the results were clear in the end of 1980s and the beginning of the twenty first century (tens of companies were bankrupted and other tens were in real crisis). This was reflected on the American state which suffered of feebleness in its balance of trade which refers to disorder in the relation with other capitals and money fleeing. It is true that the American economy was suffering of such collapse, but the downfall of communist block led to the fact that the United States plays vital rule since it is militarily superior which was absolute after disappearance of the opponent (USSR). Such thing started by invading Iraq in 1990-1991 and announcing the American conception of the new world under the name of "New World System" in order to overcome the crisis of the American economy, treat stagnancy and balance of trade disorder (import is more than export) and employ the American escaping capital, which does not find any outlets to be employed; thus, it escapes to speculator in financial markets, which threaten the capital American economy. In other words, war against terrorism is continuity of the first war against Iraq. War against Yugoslavia, interference in Somalia, Indonesia, Grenada and Haiti…etc is the political form that aims at rearranging the word in the way that serves the American interests (monopolizing oil to find solution to the rising crisis and practice pressure upon other capitals and curtail them and monopolize markets for the sake of investment and exporting goods). Occupation, military and political domination is the mean to monopolize markets and control oil.

Therefore, war for world economy monopoly and laying the foundation of making the American companies the only dominated power along with diverting the other capitals to interior capital, as it is done in Iraq, where they can be active but only through American companies. Interior contracts means that American companies can obtain contracts and markets and then allow other companies to carry our part of the project or all of it according to what is determined by the main company which is American one.

While the united States is carrying out such policy making use of its power to impose market economy in the countries that it occupies or in other countries that are supposed to adopt

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13 Palestinian Center for Planning and Policies (MOP), Debate about the(American Policy and its effects on Palestinian Development Future), 2004
14 The effects of Iraq War on the region (Debates by Dr. Ahmad Mansour, Aljazeera TV, September 12, 2003
market economy, it also set up external control to the local economy and so plunder the local superabundant which leads to deepening poverty in which those people live in and make them die of hunger. Great Middle East concentrates on that as a synonym of democracy, freedom, strengthening woman, supporting civil society and modernizing education. It emphasizes adoption with conditions of world trade organization and the freedom of financial services. In addition to that, it assures curtailting the state interference in the economic field and treating with foreign capital in the same way with local one and even protecting and distinguishing it. (as it is stated in investment act that was approved by Primer in Iraq.) It seems that economy is reformed according to the basics that were dominant before tendency to independence and development whose core was establishing local productive forces especially in the field of industry). Market will import all the goods, the thing that will deepen the defect in the balance of trade and fleeing capital, and monopolized by foreign capital that works at the most profitable sectors such as oil, services and monetary. This will lead to weakening tendency towards establishing productive forces and plundering local superabundant which will lead to expanding poverty and unemployment and then refusal, indignation and social tension and class fighting. Contrasting will reach its peak by pinpointing the fighting parts.

In such circumstances, the form of authority will not be democracy that the United States wants to impose; on the contrary it will aim at establishing despotic systems connected with local mafias that are related to imperial monopolizing companies. Economy monopoly, superabundant plunder and preventing growth of productive forces (which means accumulation of capital, absorbing employment and effecting most of society sectors) does not go in harmony with democracy because it establishes aggravation and rage of dispute; thus, it empower the tendency towards terminating it by force. It was the basis behind supporting all the autocratic regimes in South America, South East Asia and other spots.

Democracy supposes the economic effectiveness and steady development in the productive forces then tendency to lighten class contradictions. Plundering, concentrating on producing goods that are produced in centers, tendency to exorbitant profit and neglecting most economy sectors will not give the chance to establish democratic country.

Thus, if the basic upon which the American state depends on is plundering, economic formation which is constituted a starting point to the imperial vision of global economy will not make stability possible because it will push public sectors to fight for living, the thing that will impose violent interference by the colonial authority or the national authority that it established. Since economic interests are the absolute priority in the American policy, spreading democracy will be the ideological cover to that although it will create weak democratic forms. The form in which the American administration dealt with Iraq might be an indicator to that since it depended on sectarian basis in forming the modern Iraqi state which is a basis that does not allow democracy to be established because democracy depends on citizenship not religious or ethnic origin

Great Middle East\textsuperscript{15} represents a challenge unique chance for the international community. The three missing things that were highlighted by the Arab book for both reports of the United Nations concerning human reinforcement in 2002-2003: freedom, knowledge and enhancing women to create situation that threaten the national interests for all the members of the eight. As many deprived people of their political and economic rights as we find, we will notice increase in extremism, terrorism, international crime and unlawful immigration. Statistics describe the current situation in the Great Middle East as being terrifying: Total income of countries of Arab League (22 countries) is less than its counterpart in Spain\textsuperscript{16}.

\textsuperscript{15} The text of "Great Middle East" was published in Al Hayat newspaper in London on 13th of February 2004 and presented to the eight summit held in the United States in June 2004. Also it was published by various arab newspapers and TV.

\textsuperscript{16} Arab Human Development Report 2002-2004 (Arabic version)
40 percent of adult Arab – 65 million – are illiterate; women constitute two third of this number. 50 million of youth will join employment market by 2010 and 100 million by 2020. There is need to create no less than 6 million jobs to have the capacity for those new comers. If the current percentage of unemployment continues, the percentage will reach 25 million by 2010. One third of the inhabitants in the region got less than 2 dollars a day. To improve life standards, economic growth must increase twice as its current level which is less than 3 to 6 percent at least. 1.6% can use internet properly. This number is less than any other area in the world including countries of Africa in southern Great Desert. Women occupy 3.5% of parliament comparing with 8.4% in Africa to the south of Great Desert.

51% of youth said that they would immigrate to other countries according to the report of Arab human reinforcement of 2002; their aim is European countries. These statistics reflect that the region is at crossroads. Great Middle East may continue at the same way to add more youth who lack appropriate levels of education, jobs and political rights. This will be considered as a direct threat to the stability of the region and the joint interests of the members of the eight. The alternative is the way to reform. The report represents masked and urgent appeals to move in the great Middle East. These appeals are carried out by dynamic and academic people and private sector all over the region. Some leaders responded to such appeals and carried out some steps towards political, social and economic reforming. The 8 group supported in turn these efforts by their own initiatives to reform the Middle East. Euro-Mediterranean Partnership and partnership between the United States and the Middle East initiative

Efforts related to transparency / fighting corruption

World Bank highlighted corruption as the main obstacle against development. It became deep-rooted in many countries in the Middle East. The 8 can:

1- Encourage adopting transparency and corruption fighting principles concerned the 8.
2- Support overtly the initiative of cooperation and economic development organization / UN program for development in the Middle East - North Africa in which national strategies for fighting corruption and enforcing government calling for account is discussed by prime ministers, donors, IFIs and Non Governmental Organizations.
3- Launching one or more trial programs of the 8 about transparency in the region.
4- Bridging the economic gap of the Middle East requires economic divert that resembles the one that was carried out by the former communist countries in Eastern Europe.
5- Releasing private sector abilities in the area will be the turning point in this regard, especially small and medium projects which constitute the main motive for economic growth and job creation. Growing expert class in the field of business will be an important factor of growing democracy and freedom. The 8 can undertake the following steps: Financing growth initiative
6- Reinforcement of the effectiveness of financial sector is a vital factor to reach higher portions of growth and job creation. The 8 can release an integral financial initiative includes the following factors:

Lending small projects There are some institutions that are concerned in financing small projects; however, workers in this field face great financial gaps. Only 5 percent get the needed finance and no more than 0.7% of the needed money is presented for this factor.

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17 All the above mentioned data was collected from Arab Human Development Report various issues (Arabic version)
The 8 can avoid such shortage by financing small projects with concentrating on financing for profit especially projects that are managed by women. Lending profitable institutions can survive and do not need any additional finance to continue and grow.

We estimate that they can lend from $400 million to $500 million paid within 5 years to enable 1.2 million economic activist to get rid of poverty; 750,000 of those are women. Great Middle East Monetary institution The 8 can participate in financing an institution that resembles international monetary institution to help in developing business projects on the medium and large levels aiming at economic integral in the field of business in the region. It may be better if this institution is managed by a group of leaders of private sector in the 8 group who can provide experience for Great Middle East. Great Middle East Development Bank: The 8 along with lenders from the Great Middle East itself can establish a regional institution for development that resembles the European Bank for construction and development to aid the countries that aim at reform to offer basic needs of development. The new institution can unify the financial abilities of the richest countries in the region and focusing on projects for expanding education, health care and infrastructure. Great Middle East Development Bank is the entrance of technological support and strategies of development of region countries. Decisions of lending or grants must be determined by the ability of the country that borrows to make tangible reform.

Partnership for better financial system: The 8 can offer participation in reforming the financial systems in the advanced countries in the region to reform the financial services and to improve the integration of them in the world financial system. The objective of such participation is to release free financial services and expanding them in the whole region by presenting variety of technical aids and experience in the field of financial systems with concentrating on implementing reform plans that lighten the control of the country on: The financial services, Updating banking services, Presenting, improving and expanding financial means that support market economy and, Establishing organizational frame that support financial services freedom.

Palestinian Agreement with U.S.A and other Free Trade Zones

The United States and Israel had signed an agreement of free trade zone in April 1985. This agreement stated the gradual decreasing of custom taxes and other fees of imports to eliminate them within 10 years. The agreement included the commercial relationships and other privileges for Israel since it is considered as the agreement stated as a developing country. The United States had decided to deal with Palestinian Territories as an economic region within the Israeli economy, so it is included in the agreement of the free trade zone positively and negatively in terms of origin roles which will be applied to the two economies as if they were united economy. The overt aim of this agreement as stated by the U.S was to support the political process between Israel and the Palestinian and to develop the regional cooperation between Israel, Egypt, Jordon and the Palestinian authority.

Moreover, the agreement gave the permission for American products to enter the Palestinian market without any limits. The Palestinian Authority is obliged to make every effort to terminate the Arab boycott to Israel. The Palestinian authority had signed other agreement for free trade with other areas, like EFTA. Furthermore, the Palestinian authority had signed other agreements with many countries for free trade zones on the basis of the principles of free trade zone as it is the case with Canada. This agreement works within the framework of Oslo and Paris protocols, and it stated that Canada is going to support a developed program in

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18 More details can be obtained from PLO website: www.plo-nad.org
19 For more details refer to the Ministry of Planning, foreign profile sector or the PLO website mentioned above.
Gaza and West Bank. Also, the agreement concentrated on exchanging products and services between both countries, with protection to Palestinian industry in fields of growing products.

After analyzing similar agreements, with Canada for example, to general\textsuperscript{20} and special standards, we find some similarities with the Palestinian European partnership. But, the main difference is affecting the standard of recognizing Palestinian sovereignty. This agreement deals with Palestine as depended economy on the Israeli one and not as an independent entity, which violates the principle of sovereignty. On the other hand, the American Israeli agreement deals with Israel as the most favored nation principle and Palestine as a part that can get benefit from relationship with U.S.

**Risk of Decreasing Donor’s Aid**

Donor assistance to the Palestinian people has had a critical role in supporting the development of the OPT and in sustaining basic humanitarian and emergency support services. Donor assistance to the Palestinian people preceded the Oslo Accords and was primarily channelled through UNDP, UNRWA and other UN agencies and international NGOs present at the time. With the signing of the Oslo Accords, a significant and substantial donor community response (over 40 donors) resulted in an average annual disbursement rate nearly US$500 million ‘between’ 1994-1999\textsuperscript{21}.

The relation between International Aids and Political and Economic Conditions: The available data shows the strong connection between the international aids and political and economic developments. It is clear that the amount of aids had been increased during the Israeli siege. Those aids increased with the length of this siege and vice versa. There were two exceptions: The first was in 1999 where there was no siege\textsuperscript{22}. The international aids increased for the negotiations had started between the new Israeli government chaired by Ehud Barak and the Palestinian National Authority. This period witnessed American concentration on the Israeli - Palestinian route. The other exception was in the beginning of 2000 when a long siege was imposed, but the international decreased in the end of 2000. The expected reason was the unfulfilled negotiations, or the huge aids of 1999.

Those developments\textsuperscript{23} reflected the desire of the donating countries to keep the process of settlement continuous, by presenting aids or presenting compensations. On the other hand, the amount of the international aids was a reflection to the desire of the donors\textsuperscript{24} to continue peace process either by tempting them by aids or by compensating them about the losses they had as a result of the siege. Nevertheless, there was connection between the situation in the Palestinian Territories and the amount of aids. Through examination, we found that the

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\textsuperscript{20} Two criteria were adopted for evaluation the agreement the first consists Seven general criteria as follows: Market access, The most favored nation principle, nation treatment, exchange of information and transparency in rules and regulations, good faith in the understanding of the terms of agreement, the principle of reciprocity, exceptions are usually granted. And the second criteria consists of terms that are specific to the Palestinian case as the following: Recognizing Palestinian sovereignty, diversification of trade partners, creating job opportunities, developing exports and promoting investments, recognition of less advantages status, the significance of public revenues. (MOP)

\textsuperscript{21} Data compiled from the PA Ministry of Planning database, Directorate of Aid Management and Coordination at \url{http://db.mop.gov.ps/amc/}. Also UNCTAD, IMF and World Bank.

\textsuperscript{22} For more details concerning the siege refer to the Israeli ploicies section in this research.

\textsuperscript{23} Palestinian Center for Planning and Policies (MOP), Analysis Study for development and trends of International Aids, 2004.

\textsuperscript{24} It was asserted by various debates arranged by some institutions such as MAS, Palestinian Center for Planning and Policies (MOP), the Islamic University (towards enhancing the capacity of the Palestinian economy 2003)
amount of international aids is harmoniously goes with unemployment rates in the Palestinian territories.

**General Evaluation of the International Aid:**

Despite of some achievements in fields of improving societal services (education and health), developing the infrastructure and financing huge deficit of the budget in the last years by aids, yet these aids did not succeeded in putting an end for the negative effects of the Israeli policy against Palestinians. In addition to that, those aids did not decrease the Palestinian dependence on such aids, and did not improve opportunities of self growing. The main reason for this failure is related to the planned aims of donating those aids, which were represented in supporting the political process between Palestine and Israel, by developing the Palestinian economy, ending all kinds of violence and putting the bases of democracy and human rights. But unfortunately, all these aims were more important than the Palestinian development. On the contrary, those aims mistakenly had excused Israel from its economic responsibility toward the re- occupied areas of Palestine for five years by enabling the official parts of the PNA of providing basic services for the citizens.

Thus, the real source of development and social welfare exists in giving the Palestinians their rights of self determination and establishing their own independence state. Whatever the size of those aids was, and whatever the Palestinian ability to mange such aids was, those aids are still limited to achieve Palestinian development, the contribution of those aids will be limited unless being accompanied with change in the Israeli behavior with Palestinians. During the last years, those aids had failed in compensating Palestinians about damages and losses for properties and people. Moreover, they did not decrease the Palestinian dependence on the external factors, which are represented in the aids themselves. For example in 2005, ministry of Finance had delayed the declaration of The Budget unless it has enough commitment that international aids will be paid to the PNA.

Although there are many experiences indicate the possibility of extending the social participation in managing some aids programs and projects, still those experiences are limited and isolated, and they cannot be generalized in all cases. The international aids had achieved some aims related to helping poor people by limited loan program, but those aids were not enough to meet all the humanistic needs of those people, and the majority of them remained poor and unemployed. Furthermore, one of the disadvantages of those aids was the lack of connection between development and relief work. Another disadvantage was consuming one fifth of those aids as higher wages for consultants and experts of donors’ countries and the larger benefits distorted the local market. Their contribution was nothing, except some tons of accumulating papers on shelves and in drawers. The available information had shown that the manner of those aids in terms of quality and quantity was affected by the political process and progress in it with Israel. So, this confirms the main aim of the donating countries, which is supporting peace process and providing all the necessary requirements to make it successful. This was also clear through the World Bank’s report, which covered the economic results of the Israeli Plan of Disengagement.

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25 It is estimated that over US$ 200 million in donor-financed capital assets was destroyed by the end of 2002.
26 Palestinian Human Development report Arabic version 2005
27 Palestinian Ministry of Finance( MOF) Budget Address: www.mof.gov.ps
29 Questionnaire for Palestinian public vision about the performance of the PNA and its developmental role and international aid, Bir Zeit University June 2004
30 Disengagement, the Palestinian economy and the settlements, World Bank Group, June 2004
Although the amount of the aids for Palestinians was huge, their benefits were limited actually because of the lack of coordination between the concerned institutions \(^{31}\) of the Palestinian Authority and other civil societies. The management for those aids by the Palestinian Authority was improvised and unsystematic in terms of determining tools of spending. Furthermore, the Palestinian institutions were using those aids in a contradict way to their principles and aims and in way that is extemporaneous which led to waste many important resources despite the existence of many factors for managing those aids in public and private sectors. The behavior of the Palestinian was characterized by being competitive of getting such financing chances even if it contradicts their objectives. In fact this matter was clear in fields of human rights, woman, democracy and reforms. Thus, this lack of coordination affected negatively those aids and Palestine in general, and the work of donating countries was not better than their counterparts in the Palestinian institutions. It should be noticed that sustainable development requires adherence to long strategies and principles which function regardless of changes which may occur in the political realm.

Accordingly, the PNA calls\(^{32}\) on the international community to respect the three following principles relating to aid to the PT. 1- Aid should not undermine state-building. 2- Focus should be on development rather than emergency programs. 3- Aid to the PNA must be understood within the context of occupation.

However, persistent shortfalls in donor aid during 2011 have led to a liquidity crisis. Aid disbursements thus far in 2011 have been far below the expected amounts ($0.4 billion disbursed as of end-August compared to $0.7 billion envisaged for that period). The impact of the aid shortfalls has been compounded by the appreciation of the shekel, and lower-than-expected budgetary revenue. This has led to the accumulation of substantial domestic payment arrears, including on wages for the first time since 2007, and borrowing up to the commercial banks’ limits.

Towards a better Use and more effective of the International Aid:

Establishing coordination between the official institutions of the Palestinian Authority and the institutions of civil society. It is useful in this regard to establish a permanent coordinating council in an managerial frame and chaired by the ministry of planning, including other ministries which are in relationship with the international aids, other civil societies and national organizations. This council should have many duties, such as forming regular and emergent plans to employ the international aids and establishing a complete database for projects and programs executed by those aids. The Palestinian authority made a positive step concerning this issue by establishing central administration in the ministry of planning to supervise spending those aids. This can be good beginning in this regard.

Connecting the process of development and the relief work by the plans of absorbing international aids of the concerned institutions of the Palestinian Authority. So, it is important to concentrate on projects of infra-structure and investment in education since they are basis of long term development. In addition, it is possible to direct investment to agriculture and handicrafts in local markets since they are important factors in creating opportunities.

Reinforcing the societal participation in forming policies and putting regular and emergent plans of development. This needs big role for local societies in managing the projects of the aids. Local supporting committees should be established. Moreover, it is important to assure the public participation by giving them the right to discuss the draft of the Palestinian budget before and during its ratification in the legislative council. In fact, civil societies can be

\(^{31}\) Palestinian Center for Planning and Policies (MOP), Debate about the(Donor Investment in Palestinian Development The promise, Challenges and Achievements, 2005.

\(^{32}\) Palestinian Ministry of Planning, Emergency Support Programe to the PT, 2006
effective in cooperation with ministry of finance and the legislative council. Supporting programs of limited loans, especially for middle income people who can not obtain banking loans. And the PNA should pay much attention to the Palestinian informal sector and its needs and devise lending strategies for small-scale projects

Analyzing the Palestinian Weakness Points

In Palestinian Territories, political risks have a much larger impact on economic development than economic risks. This is because economic policies are created and implemented by politicians. Political risk include underdeveloped institutions and too much government intervention in the economy.

Underdeveloped Institutions: In most developing countries, governmental institutions are either absent, inefficient, or extremely weak. Even in countries with the requisite institutions, incompetent and/or unqualified civil servants, burdensome bureaucratic procedures, resistance to change, inept management, departmental rivalries, and pervasive cronyism greatly limit the government’s effectiveness. Poor governance has three main consequences: 1- Unstable economic and political policies 2- Creates obstacles to economic growth and 3- Fosters corruption

Perhaps the most significant risk is the lack of the rule of law. The rule of law helps maintain clear rules and procedures for upholding individual and property rights. This helps provide a predictable and secure environment for people to produce, trade, and invest. It also provides protection against the abuse of power by the state or other actors. The poor are especially affected when there is no rule of law. For in contrast to the wealthy, the poor have fewer ways to protect their rights.

Governmental Intervention: While scholars have different views regarding the proper role of the government in managing and directing the economy, The Palestinian Authority just like most governments in developing countries have assumed more control than their counterparts in developed countries, thus numerous problems quickly arose. They included: 1- A lack of trained bureaucrats. 2- Public organizations lacked an incentive to work, innovate, control costs, or allocate resources efficiently. Consequently, they were often inefficient and wasteful. 3- Different parts of the government were often poorly coordinated in the absence of market signals.4Governments were often dominated by narrow interest groups which were more concerned in their own welfare rather than society at large, and individuals knew more about their “needs and wants” than the government!

These factors had a devastating effect on development. However, the government will continue to play a significant role in development and it should focus more on providing macroeconomic stability rather than microeconomic intervention for which it is poorly equipped.

Social Risk
While not primary risk to economic development, social risk can also slow economic growth and limit economic development. Tow of the most important risks are population growth and environmental devastation.

Population Growth: As noted in World Bank Reports that 80 percent of the world's population live in the developing world (the part of the world with the least amount of resources). In the Palestinian Territories, (The birth rate according to the census in 2006 is 39.45 births per thousand population and the death rate is 3.8 deaths per thousand population) the population is growing faster than the ability of society to provide the education and skills necessary to improve economic growth. In addition, a rapidly growing population lowers per
capita income growth, especially for those who are already poor, live in rural areas, and depend on agriculture.

**Environmental Devastation:** In traditional economic growth models, the cost of destroying the natural resources base was not included in GDP figures. However, as a result of increasing environmental degradation and declining economic growth rates in the Palestinian Territories, more attention has been directed to the links between environmental issues and development. Damage to water supplies, land, and forests slows economic development by increasing health related costs, reducing agricultural productivity, and increasing the income gap between rich and poor. In other words, the destruction of environmental resources lessens developmental potential.

**Analyzing the Palestinian strength Points**

**Skilled Human Capital Base:** The interest in developing human capital was a permanent feature in the Palestinian developmental experience. That was achieved mainly through the interest of the Palestinian family in education and the increase of the rate that the Palestinian family devote for education from its budget. Community organizations also helped providing education service nearly supportively and widely.

Human capital was an element of the main uniqueness of the Palestinian people during the last centuries. It is more likely to be so in the future too. All the historical development that Palestine passed through participated in playing an important role in forming this reality. The rape of the biggest part of the resources and the treasures of Palestine—lands, water and frustration of investment climate for long time- directed the Palestinian people towards the investment in man through education. The interest in educating sons became greater. It also becomes a rooted tradition in the Palestinian families away from the changes that the labor market in the Palestinian economy witnessed. It couldn’t always provide the best work opportunities to use the Palestinian qualified persons. Since the early stage the portion of employing Palestinian human capital extended to reach the regional countries, especially Saudi Arabia, Arab Gulf countries and other countries.

**The Palestinian Civil Society and Accumulated Social Capital:** The occupied Palestinian territories are distinguished by the creation and the development of civil community. It is also distinguished by special vitality, especially on the field of development work and community service which form big possibilities for community participation on the various levels of planning and executing the strategies and programs. Hundreds of governmental and semi governmental institutions join developmental activities which extend from all the Palestinian communities in cities, villages, and camps to keep community weave (community strengthen) for fighting occupation authorities which aim to marginalize and dismantle the Palestinian community. During the years of occupation, the Palestinian community was able to form a number of links, relationship and values which participated in weaving the community and protecting the collective identity and memory.

Civil Community institutions do some direct developmental activities which aim at improving the quality of the life of hundreds of thousands of citizens, especially the poor and weak ones. Their activities include providing health and education services and social care. In addition, there are activities which are directed to creating job opportunities, facing poverty, providing small loans and operating safety networks for various Palestinian social classes in the society. The last years witnessed qualitative development that those organizations entered new work fields which focus on human rights, democracy and women and children rights. Those organizations worked nationally or regionally, West Bank and Gaza, which expand the

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33 For more details, see Palestinian human development report, 2006-7 the education sector.
34 Palestinian human development report, 2006-7
number of those who benefit from them. Generally, they are also distinguished by highly skilled financial and administrative abilities and professional employees.

Human resources development report (2002) pointed that the development in the Palestinian community desire toward the participation in decision making, activating its interest in education and culture, showing higher level of flexibility and accommodation with the update were a direct outcome of common premier superstructure which was established by the Palestinian after 1967. The formation of social capital helped in supporting the steadfastness and the unity of the Palestinian community during present Intifada, uprising. It was presented in social and financial helps that harmed Palestinian families received.

The support presented by the families and relatives occupied the first place, according to the number of aids that are provided, which is %23.3. Follows the aids provided by labors unions\(^5\) which represents %21.5, then the UNRWA, which presented about %19.5 of such aids. Next, the institutions which belong to the Authority- including Social Affair Ministry-benevolent and religious institutions- including almsgiving committees afforded approximately %6.8 and the political groups and Parties share is about 2.5%. The portion of the aids provided by international associations and developmental institutions\(^6\) reached 2.5%. Furthermore, the portion of the aids provided by the Arab countries, local banks, reconciliation committees, friends and acquaintance reached 9.5%.

**Geographical Location and Tourist’s Attraction:** Geographical location and climate variousness are considered some of the strength factors of the Palestinian economy that can be exploited after eliminating occupation. Palestine has a strategic location to the world since it is a connecting link between Asia and Africa. It also has unique and various tourism factors that make it center of attraction for tourists from all over the world since it has historical and religious places that are considered holy for divine religions. Moreover, it has certain climatic factors that give it great tourism value in specific seasons. The factors of tourism include the Palestinian tourism factors, the possibility of expanding religious tourism, regional, medical, conferential and entertaining places. Palestine has a competitive characteristic in its tourism attraction especially offering religious places. Tourism activity was connected with establishing other complementing cultural activities, reconditioning the archeological, holding cultural activities, developing services presented to tourists including restaurants and hotels, establishing entertainment centers, improving travel services and setting up and improving traditional industries such as souvenirs, wood, glass, embroidery and leather products. Improving the infrastructure\(^7\) and services can be a factor of strength in activating tourism.

Palestine is distinguished by various climatic atmospheres. Its moderate climate encourages tourists and pilgrims from all over the world especially from West Europe and South America who can exploit the moderate climate in summer and warm one in winter.

**Good Characteristics for Palestinian Workforce and People:** The age structure of the Palestinian people constitutes mainly from youth\(^8\) and this characteristic is strongly related to approving change, education, skill acquirement and operating modern technology. Palestinian

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\(^5\) Ministry of labors, public affair department unpublished papers. The others data were collected from the Palestinian Center for Planning and policy by Dr. Usama Nofel Researcher at the mentioned center.

\(^6\) PCBS, Annual report 2007.

\(^7\) PCBS data indicate that the number of hotels increased from 67 in 1996 to 108 in 2000, distributed as follows: 43 in Jerusalem, 50 in the West Bank and 15 in the Gaza Strip. With the political crisis they dropped to 69 in 2002, and in 2005 there have been between 75 and 80 hotels operating in the WBGS. Other facilities, such as restaurants, travel agencies, souvenir shops and factories, have also decreased dramatically since 2000.

workforce is distinguished by being highly educated to some extent, the thing that qualifies it to join the new industries including those depend on modern technology.

**Palestinian Vital and Experienced Private Sector:** Private sector has constituted the main part of the Palestinian development in unsuitable investment conditions\(^{39}\) which were a result of the hostile policies of occupation towards development. From the very beginning, occupation authorities applied a well planned policy to obstacle and breakdown the raising of the private sector. This was achieved by imposing many complicated administrative procedure to issue licenses for each step of investment, production and trade. However, hundreds of private institutions were established in most of the fields of economy depending completely on self finance and self ability. Development of many supporting organizations contributes in increasing its vitality. These organizations were active and reorganized after the PNA establishment in 1994. Some of these organizations and institutions are: Industries Union, Investment encouraging Authority, Agricultural, industrial and Trade Chambers Union, Standards Palestinian businessmen society and others. These institutions are working to develop suitable and competitive investment atmosphere and to develop the competitive characteristics of the Palestinian industries by developing and promoting exports, encouraging and facilitating local and foreign investment and representing private sector interests in its relation with the Palestinian National Authority. In other words, the characteristics and experience that the private sector has including bitter ones increased the ability of this sector to take risks and make it able to be adapted with them. Hence, you will find Arab and foreign countries as partners on a high level of experience and ability to exploit hundreds of profitable investment chances in Palestine after occupation in different fields of investment such as tourism, industry, service, agriculture and modern technology as well.

**Ahead For Developing Visions and Strategies**

Analyzing the internal and external atmosphere shows clearly the complications that are related to the Palestinian liberation period. This requires employing and activating all the efforts and the resources to achieve liberation form occupation, which lasted for more than 40 years. This liberation conditions have not been achieved yet because of many factors. These factors include weakness of Arab world, ineffective decisions of the UN, weakness of peace camp in Israel and the American connivance with Israel. Thus, the Palestinian authority is demanded to employ and to focus all the efforts to achieve political independence and to meet the grown needs of the Palestinian society, in terms of security, health, education and law and to decrease unemployment and poverty. Moreover, the Palestinian national Authority is required to offer a competitive atmosphere for private investment and exports development. Although the developed economic analysis had shown distortions in the Palestinian economy, the Palestinian have important and firmly established points of strong that can be trusted to build and to face the challenged Israeli occupation and development. This needs directing investment correctly for the Palestinian resources, to reach the right development\(^{40}\) in the future. Hence, the Palestinian development partners should put and specify their developed strategies and visions to achieve their political and social aims, which should match their legitimate political visions which were stated the decisions of the Palestinian national council. The Palestinian developed strategy and vision that are expected to lead the society and economy to be reached need to learn form the international development experience in the last two decades in field of development\(^{41}\). This experience assured that man is, absolutely, the main mean of development. Choosing human development is practical way to express the refusal of being inferior to the Israeli economy that depends on laying the foundations of


\(^{40}\) Kanafani, N. The Palestinian economic under harsh conditions, unpublished paper 2004

\(^{41}\) MOPIC, Palestinian Center for Research and Studies, unpublished paper 2004
continuing the subordination of the Palestinian economy to it as an alternate of cheap workforce and a market for Israeli products.

Investment in human capital goes with the belief and traditional importance of the Palestinian families in education since educating sons and daughters is considered one of the priorities in spending it. Such investment represents strong bases for the process of development. Increasing rate of Palestinian students at schools and universities is a clear indication for the importance of this type of investment. Such indications show the great store of human capital from which a human development will be released highly both in quality and quantity. Furthermore, this rate may represent the starting point of building the Palestinian economy with different institutions and production structures. Thus, UNDP might be informed that it is a must to offer education indicator that depends on reading, writing and total number of preparatory and secondary school students. The result was that Palestine occupies a superior position among the Arab countries; its rate is 0.86 in comparison with middle income countries which have 0.6, and 0.76 for the other countries of the world.

The human capital played crucial role in forbidding the collapse of the Palestinian social structure under the effect of wars, and misleading policies of Israel. So, Palestinians should adhere to their principles and should strengthen the spirit of cooperation and solidarity to be able to face the Israeli occupation. Concentrating on the human investment and preparing the human capital are the best strategy for Palestinian development. Also, Palestinians need to connect this strategy with relieved work, in order to enable this work to build the future bases for Palestinian economy.

The Desired Economic Structure:

There is a Palestinian agreement to adapt economy depending on the leading and pioneering role of the private sector in the frame of modern state that is able to. This sector will be incooperate with other modern institutions of the country employ their economic and organized abilities to lead development and to create a competitive atmosphere to attract investments under the govern of law, social responsibility, equality of distribution socially and geographically; economy that is able to merged with its Arab depth, open economy and able to build strong partnership with Arab investments to attract foreign investments. The previous developed economic analysis had shown that the human resources are the most important resource available in the Palestinian economy. Thus, any further strategies aim at developing Gaza and West Bank should concentrate on promoting sectors of cognitive condensation. Such activities of cognitive condensation and concerned companies in this regard are available in all of the industrial sectors. They constitute fields of great extra value that depends on creating skills. So, Diverting towards cognitive condensation that is able to be continuous must concentrate on two fields of the economic fields:

1- Improving the cognitive condensation activities that have high extra value
2- Promoting and improving dynamic cognitive industries

In fact, the standard for living of any nation depends on its ability to adapt high productive standards. Hence, the responsible about economic decisions should improve the average of exportations and other activities, which can compete in fields of knowledge and proficiency instead of depending on traditional products, and this requires study and calculation for current resources of Palestine, in order to recognize the possibility of using those resources in knowledgeable sectors.

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42 Palestinian Human Development report 2005
43 Palaestinian human development report education sector (Arabic version) 2005
De Castro and Butler\textsuperscript{44}, had found new industries that have dynamic abilities, like banking services, ICT services and other consultative services. In addition, they had discussed the possibility to develop high added value activities, especially in the crowded traditional industries and in industries that depend on high quality, creation, marketing, high technology and cheap production factors.

Related to forces of production, that are mentioned in a part of this research, and human development, we can specify some sectors that have some abilities that have in turn competitive abilities since our plan for way of development that is enriched with knowledge needs gradual changes in the structure of the Palestinian economy. The basis of these changes should be improving our products and our services to have cognitive condensation and to be have more competitive abilities. Therefore, we need to employ competences in Palestinian industries and services, like education, information technology, consultative service, tourism, folklore, agriculture and marble, which had given Palestine a pioneering position. Thus, Palestinians need to exceed and accelerate their cooperation with Arab and foreign economies in order to achieve the aim of development and to achieve the utmost benefit for Palestinian citizens.

Developed Strategic Aims:

The development aims and strategies are placed to enhancement the points of strength and to treat the points of weakness in the Palestinian development environment.

The interlock of national duties and developed democratic ones is remarkable feature of the developed environment of Palestinian. This means that goals of both sides are overlapped. Nevertheless, it is common to instruct those developed duties to serve the national duties during the pre liberation period, and after liberation. Those duties should serve the process of sustainable development. Following are some specified developed strategic aims for both stages:

Short Range: Finding solutions for Poverty, unemployment and preventing the immigration of labors and competences by creating job opportunities and employing programs especially technical and managerial competences since Palestine is going to need them in establishing the Palestinian modern economy after independence.

Developing human capitals and enforcing social one. Eliminating all the distortions of the social and economic structure. Protecting the National Authority from disassociation and guaranteeing offering its vital services.

Linking relief efforts with the development activity. In other words, improving the economic development by relief efforts to assure sustainable development after independence.

Investing in different stages of education, scientific research and culture in a way that guarantee productivity, efficiency and competitive quality that are able to prepare the Palestinian competences for the process of development and knowledge-based economy.

Continuing the comprehensive process of reform of the National Authority to improve the governmental sector to manage development.

\textsuperscript{44} De Castro, E.A & Jensen-Butler, C. 2004 strategies for economic development, the role of Gaza and the future of the refugee camps\textsuperscript{5} in Cobham, (Summary Arabic version) Palestinian center for planning and policies MOP.
**Long Range:** Completing the process of reforming the National Authority on vocational bases, to build institutions and law state.

Developing human capital in a way that guarantee achieving the Palestinian development vision that calls for establishing strong Palestinian economy that depends on cognitive basis.

Developing social and economic structure that is able to gain knowledge and exploit modern technology to comply with the alternatives of the Palestinian people to maintain good economic presence, playing positive role and occupying elevated position both regionally and internationally after establishing the independent state.

Developing suitable investment atmosphere that is attracts and promotes local and foreign investment. Private sector is to play its leading role in economic development.

**The Role of State in Achieving the Developed Structure:**

The vision should be able to be achieved and approved by the partners of the Palestinian development, and if this vision is characterized by objectivity in terms of being able to be carried out. The demanded vision won't be achieved by itself. It needs hard work and accurate planning. It is well known that required action to affect variables behavior in the economic structure to reach the targeted case should be achieved in an institutional and legal frame. It is better to be achieved by using economic means not administration and orders. State or legal authority is supposed to play the role of organizing, directing and planning part to the economic activities on the basis of development vision.

State can, via its three authorities (legislative, executive and judicial), affect the elements of society; companies, individuals and institutions, by its administrative, legislative and judicial authorities. This effect can be done by its various policies. Some of these economic policies are: trade policy, financial policy, monetary policy, producing and distributing public goods, industrial policy, agricultural policy, political tourism and others. In addition there are social policies such as educational policy, healthy policy and social kind and others. Those tools must be used in harmony to achieve development goals. Meanwhile, any misuse of those elements will lead to contradiction within the way they affect. Thus, many countries put limited developed strategies to assure achieving their aims, and it is important for countries to make all the partners participate whether the private sector and or the civil society in forming the political decisions, coordinating them and applying programs and mechanism of carrying out these policies. The ability and efficiency of the state can be shown in directing and recruiting the elements of development in achieving the acceptable priorities from all the partners of development in different sectors and in the way that lead economy to achieve the agreed upon development vision.

**The Challenges Ahead and Conclusion**

*It is obvious that lack of sovereignty over land and natural resources has denied the Palestinian people their rights to regulate land use and to manage the utilization of their own resources, without exceeding the carrying capacity of land. Without ability to regulate land use over a contiguous piece of land, natural ecosystems cannot be maintained; the status of the environment cannot be properly monitored; and environmental protection cannot be implemented. On the other hand, the plans of the Israeli Occupation (the controlling power in the area) in the OPT have been geared by political factors, aiming at grabbing as much as possible of the Palestinian land to implement the Israeli colonizing strategy and to change the demographic characteristics.*
It is evidence that the Israeli Occupying Authorities have focused on exploiting the Palestinian natural resources to ensure a good standard of living for the Israeli settlers. They have utilized the Palestinian water resources far and beyond any rational and equitable allocation system. They have established a comprehensive water network covering all parts of Israel and another efficient water network within the OPT. They have imposed restrictions that have limited Palestinians’ resources use at all sectors of life. And, last but not least, they have hindered the economic development of the Palestinian people and damaged their physical environment.

There are exogenous and endogenous constraints to Palestinian economic development but the fundamental constraint to development of Palestinian economy related to the fact that Palestinian people do not have a real state; The Palestinian Territory is treated as a politically independent, as though it is the Palestinian aspirations, but the fact on the ground is different. The Palestinian territory has effectively remained since 1967, and even since the signing of the Oslo agreement in 1993, under the economic and political control of Israel. Not surprisingly, the Palestinian economy therefore depending on the Israel’s criteria that can regulate in the light of its own sovereign interests. The Palestinians have until now no alternative but to accept considerably less than normal sovereignty for a now-prolonged interim period featuring significant limits to its economic autonomy. Economic growth will decline and unemployment rise unless the Government of Israel (GoI) steps up the removal of restrictions on economic activity in the WBG. The Government of Israel must phase out remaining restrictions as soon as possible, to maintain the growth momentum, rebalance the composition of output, and reduce regional disparities.

The American hegemony still antipathetically affects the Palestinian condition. The United States lost the rule of being an impartial mediator many years ago. It is not expected or hopeful that the American policy might change soon to deal with the Palestinian cause in a fairer way. The increasing American support to Israel especially regarding the settlement blocks in West Bank and unilateral disengagement from Gaza Strip is considered a backward step comparing with Road Map, which was adopted by the United States and the other parts of the Quartet. The general international policies are connected with the interests of each country; nevertheless, making any kind of breaking through is not something easy to be obtained so soon and needs an effective united Palestinian situation and to radical change in the way the Arab and Islamic world dealing with the Palestinian cause.

It is very clear that the international aids are going to decrease if the Israel occupation for Palestinian lands returns. So, Israel is going to be responsible for developing Palestinian projects and welfare hereby forth Geneva Convention. Donors do not accept to bear the responsibilities of occupation. Still, this change does not mean ending UNRWA aids and aids from others for Palestinians. On the other hand, it is expected that Arab countries are going to increase their aids to compensate the decrease of international aids. This threat cannot be dropped, so it is important to say that those international aids are not permanent. Thus, they should not be permanent strategy in the Palestinian policy regarding economy management, and they should be treated as being unguaranteed temporary factors to help Palestinian in achieving development. So, Palestine should do their and should be very wise in using such aids, and should keep searching for alternative factors to get rid of depending on those aids. Therefore the Palestinian requires searching new cooperation mechanism and strategies to face the coming potential risks.

It should be noticed that sustainable development requires adherence to long strategies and principles which function regardless of changes which may occur in the political realm. Accordingly, the PNA calls on the international community to respect the three following principles relating to aid to the PT. 1- Aid should not undermine state building. 2- Focus should be on development rather than emergency programs. 3- Aid to the PNA must be understood within the context of occupation.
The donors should disburse the pledged aid in a timely and predictable manner, to prevent liquidity problems and expenditure arrears.

As this study has shown, there are numerous economic, political, and social factors, both internal and external, which are responsible for the poverty, inequality, and low economic productivity which characterize Palestinian Territories. It is also important to note that, these factors are interconnected. Therefore, economic development strategies must address more than simple economic issues.

While there are significant obstacles to development and growth, we must also keep in mind Palestinian Authority have improved their level of economic development. By adopting appropriate polices at home and with help from the international community, poor civilians can dramatically improve the living standards of citizens.

Despite the difficult conditions, steady reforms in the public finance management system have enabled the Palestinian Authority to tightly control expenditures, apply budget preparation and execution practices, but not yet established fiscal transparency and accountability in line with international standards. Still with the absence of a comprehensive development visions and strategy, Palestinians perceive the PNA as corrupt and inefficient, Bureaucracy; stumble and nepotism

Concerted actions by the PA, the Government of Israel, and donors are essential to stem the risks. The PA should maintain its solid record of accomplishment by accelerating key structural reforms. These reforms include implementing civil service reform, restoring the viability of the public pension system, continued improvement of the social safety net, full phasing out of electricity subsidies, and improving the legal and regulatory framework for businesses.

The WBG economy has not been significantly affected by the recent global crisis, due to the lack of strong trade and financial links with the rest of the world, and conservative banking practices. So far, the spillovers from the regional events in 2010-11 have also been limited. The Palestinian economy, however, is facing increased risks, and growth in the West Bank has slowed down. This slowdown is due to continued fiscal retrenchment, declining aid, a consequent liquidity crisis, as well as slower easing of Israeli restrictions since mid-2010.

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