



## Palestine Under Occupation III

Mapping Israel's Policies and Practices and their Economic Repercussions in the Occupied Palestinian Territory

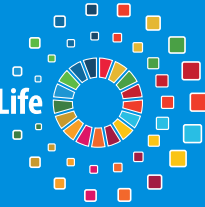


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and their Economic Repercussions in the  
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# Key messages

- *Israel's policies and practices constitute a matrix of control and domination: control of the land and domination of the people.*

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- *Israel's matrix of control and domination has undermined the Palestinian economy, leading to its evisceration, as well as to asymmetric dependency on Israel.*

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- *Establishment of a Palestinian State and attainment of the SDGs have become almost impossible.*

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- *Israel's matrix of control and domination entails grave violations of international law and deprives the Palestinians of their basic right to self determination.*

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- *A rights-based approach to the Question of Palestine, grounded in international law and human rights, has become vital.*

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- *The international community has a responsibility to support the Palestinian people in reducing economic dependency on Israel, improving their resilience, and achieving sustainable development.*

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- *Peace can only be attained through full application of international law and principles of justice, and full enjoyment of peoples in the region of their rights.*

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# Executive summary

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Since 1967, Israel's policies and practices in the Occupied Palestinian Territory (oPt) have been blighting Palestinian society, economy, and environment. They are at the core of Israel's overarching strategy of fragmentating the Palestinian people, to maintain domination over them and prevent and pre-empt any challenge to the "Jewish character" of the State of Israel. In maintaining a military occupation and preventing establishment of a viable Palestinian state in line with international law, these policies and practices and their repercussions flagrantly negate equality in rights between Israelis and Palestinians. This study shows in some detail that they constitute a matrix of control and domination:

**Controlling the land.** Administrative, political, and physical fragmentation of the oPt has been instrumental in entrenching Israeli control over Palestinian land and resources: the West Bank is divided into three areas A, B and C; East Jerusalem is totally segregated from the rest of the oPt; and the Gaza Strip is blockaded and isolated from the West Bank. Measures used by Israel for acquisition and direct control of land include formal annexation, declaration of land as state land, closure of large areas as military zones, seizure of "absentee property", confiscation for ostensible public needs, and declaration of privately owned land as unregistered public land. In addition, Israel controls and exclusively exploits the natural resources, including water aquifers and springs, the Dead Sea and its minerals, and the maritime areas of Gaza, while denying the Palestinians the

possibility of exploiting the Gaza gas field and restricting the fishery area off Gaza.

Meanwhile, Israeli settlements in the West Bank serve as a means for controlling resources, limiting movement, and stunting Palestinian development.

**Dominating the people.** To maintain dominance over the Palestinians under its occupation, Israel employs a two-fold approach: demographic control and suppression of all forms of resistance. Israel's control of the population registry allows it to impose demographic fragmentation and control, using various residency-status regulations. This is coupled with imposing restrictions on movement between the oPt and Israel and within the oPt. A clear manifestation in this respect is the revocation of residency status of Palestinian residents of East Jerusalem, which amounts to *de facto* expulsion, while in the rest of the West Bank, Israel's strict permit regime for Palestinian movement, residency, and construction is compounded by violence and intimidation and has created a coercive environment that seeks to displace the population in area C of the West Bank. Moreover, Israel suppresses all forms of Palestinian resistance to its policies, practices and the occupation in general, including by disproportionate use of force, typified by recurrent military assaults on the Gaza strip; military orders controlling the life of the Palestinians in the West Bank; several forms of collective punishment; excessive and arbitrary arrests, detention and imprisonment that amount to institutionalized ill treatment and

torture. Thus, the system of domination over the Palestinian people comprises demographic fragmentation, subjugation, suppression, and control of everyday life.

These sets of policies compliment and interact with each other to form a matrix of control and domination.

Stunted economic development is an expected result of the Israeli policies of control of the land and domination over the people. Furthermore, Israel pursues de-development of the oPt and evisceration of its economy, through a web of measures, including wilful destruction of means of production, chiefly in the Gaza Strip; an imposed customs union; a restrictive system of business permits in area C of the West Bank; constraints on use of natural resources; restrictions on importation of goods through almost arbitrary dual-use lists; curbs on banking and financial operations; and impediments to access to foreign markets.

After 1967, Israel's strategy regarding the Palestinian economy was based on subordination and partial integration of Palestinian markets through free movement of people and goods between Israel and the oPt and allowing Palestinian labour flows into the Israeli economy. While integration of labour increased income inflows during the period 1967-1973, it weakened Palestinian productive sectors. In the late 1980s, Israel adopted a different strategy, one of movement restrictions and segregation of the Palestinian economy, which has led to de-development through extensive allocation of resources for settlements, notably after Oslo Accords.

The study has mapped Israeli policies, practices, and their eviscerating economic repercussions in an input-output matrix,

showing how Israeli policies hinder productivity of each sector of the economy and prevent expansion of economic activities. De-development of the productive capacity has led to contraction of agriculture and manufacturing, with the share of agriculture in GDP decreasing from 33.2 per cent in 1972 to 8.1 per cent in 2019, and that of mining, quarrying and manufacturing languishing at less than 15 per cent. The de-development process and the deteriorating living conditions of the Palestinians have increased their need to work in Israel and to rely on commodities supplied through Israeli markets. Indeed, Israel, through the matrix of control and domination has eviscerated the Palestinian economy, locked it into a dependency relation, and subjugated it to Israeli diktat.

Based on mapping Israeli policies and practices and their economic repercussions, the study suggests three sets of policy options for the Palestinian Authority and the international community to mitigate the impact of Israeli occupation on the Palestinian economy. These policy options are classified according to their targets: improve access of Palestinians to their resources and infrastructure; reduce dependency of the Palestinian economy on Israel; and support tenacity and resilience of the Palestinian people in the oPt.

However, effectiveness of any policies remains questionable while Israel continues to violate the rights of the Palestinians to their resources, infrastructure, and markets. Israeli strategies and policies towards the oPt have constituted violations of international humanitarian law and international human-rights law and persist at the expense of the individual and collective rights of the Palestinian people. Israel has been violating the principle of inadmissibility of annexation of an occupied territory.

Furthermore, it is becoming increasingly evident that it is also violating the Law of Occupation; namely, the principle of temporality of a belligerent occupation. Indeed, Israeli policies and practices, including those eviscerating the Palestinian economy, are inconsistent with the Charter of the United Nations and the principal concepts of international law: the right of peoples to self-determination and the prohibition of acquiring territory by force.

Thus, an international-law and rights-based approach to the Question of Palestine has become vital. Such an approach would be grounded on human rights, including the right to self-determination, the right to development, and the right of return of Palestine refugees, while requiring the international community to shoulder the responsibility for imposing a rights-based framework by making Israel accountable, ending its impunity, and forcing it to abide by international law.



# Contents

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Acknowledgements	iii
Key messages	v
Executive summary	vii
Introduction	1
<b>1. Israel's policies and practices in the Occupied Palestinian Territory</b>	<b>11</b>
A. Overview of Israeli strategy in the oPt since 1967	11
B. Matrix of control and domination	14
C. Controlling economic activity	36
<b>2. Impact of Israeli policies and practices on the Palestinian economy</b>	<b>41</b>
A. Erosion of productive sectors	41
B. Restrictions on access to resources	44
C. Undermining infrastructure and institutions	57
D. Restrictions on access to markets	63
<b>3. International law perspective towards Israel's policies in the Occupied Palestinian Territory</b>	<b>67</b>
A. Self-determination	68
B. Annexation	71
C. Laws of occupation	73
D. Accountability	76
<b>4. Conclusion</b>	<b>79</b>
A. Israeli policies and practices in the oPt	79
B. Economic de-development, dependency, and evisceration under the matrix of control and domination	79
C. Violations of international law	80
D. Role of international community	81
E. Policy alternatives	81
F. Future research	83
Annex. Mapping Israeli policies and their repercussions on the Palestinian economy. Input-Output matrix framework	85
References	97
Endnotes	107
<b>List of tables</b>	
Table 1. Share of employment in Israel of total Palestinian employment in per cent	38
Table 2. Facts about East Jerusalem	62
<b>List of figures</b>	
Figure 1. Conceptual framework of the Palestinian economy under occupation	9
Figure 2. Matrix of control and domination	15
Figure 3. Palestinian and settler population numbers in the West Bank, including East Jerusalem	20
Figure 4. Number of people leaving and entering Gaza through Rafah Crossing	28

Figure 5.	Erez Crossing: Movement of people by year	29
Figure 6.	Erez Crossings: exits and entries of patients	30
Figure 7.	Monthly average exit of goods from Gaza	39
Figure 8.	Truckloads entering Gaza	39
Figure 9.	Evolution of shares of sectors in Palestinian GDP	42
Figure 10.	Shares of gross capital formation and total savings in GNDI	43
Figure 11.	Employment and value-added in agriculture and fishing in the West Bank and the Gaza Strip	45
Figure 12.	International aid to the Palestinian Authority	48
Figure 13.	Share of ICT sector's value-added of GDP	50
Figure 14.	Unemployment rate in the oPt by region during the period 2000-2019	51
Figure 15.	Unemployment rate in the oPt by gender during the period 1995-2020	52
Figure 16.	Share of workers in Israel and settlements and number of closure days	52
Figure 17.	Average daily wage for Palestinian workers in the oPt and in Israel in 2015 prices	53
Figure 18.	Hotel activity in the West Bank, including East Jerusalem	56
Figure 19.	Number of Palestinian hotels in East Jerusalem	56
Figure 20.	Percentage of Households in the oPt connected to public water and wastewater networks	57
Figure 21.	Share of transportation and storage activities of Palestinian GDP	59
Figure 22.	Number of house demolitions in East Jerusalem and other areas of the West Bank, 1989-2017	60
Figure 23.	Number of house demolitions in East Jerusalem and other areas of the West Bank, 2018-2021	61
Figure 24.	Total number of house demolitions and value-added of the construction sector in the West Bank	61
Figure 25.	Exports and imports of the oPt in constant prices	64
Figure 26.	Shares of trade with Israel from total foreign trade	65
Figure 27.	Value added per employee in the sector of wholesale and retail trade	66

#### List of maps

Map 1.	West Bank map: Areas A, B and C	3
Map 2.	Growth of settlements and outputs in the West Bank	19
Map 3.	Map of Israeli checkpoints and roadblocks in the West Bank	33
Map 4.	Map of the West Bank with residential areas not connected to a public water network and the poverty map	59

# Introduction

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More than 54 years of Israeli occupation have had a cumulative, multi-layered and inter-generational impact on Palestinian society, economy and environment. Throughout this protracted period, Israel has employed policies, measures and practices that caused deterioration of the living conditions of the Palestinians, de-development of the Occupied Palestinian Territory (oPt), evisceration of the Palestinian economy and entrenchment of its asymmetric dependency on Israel, and exacerbation of Palestinian institutional dependency on foreign aid.

The United Nations Economic and Social Commission for Western Asia (UN-ESCWA) is mandated<sup>1</sup> to support the Palestinian people and Palestinian institutions in mitigating the impact of the occupation, as well as in attaining Palestinian inalienable rights.

This study focuses on the impact of the Israeli occupation on economic development, as measured by growth in per capita income and economic diversification. Even from this admittedly limited perspective, development requires economic, political and social systems that prioritise growth and provide an environment conducive to sustainability, whereas Israeli policies have not only eroded the wellbeing of the Palestinians under military occupation, but also, more importantly, have also debilitated the very political, economic and social systems that could make development possible, let alone sustainable. This has, over time, eviscerated the economy and caused de-development, a process explained by Sara Roy as

**...“the process which undermines or weakens the ability of an economy to grow and expand by preventing it from accessing and utilizing critical inputs needed to promote internal growth beyond a specific structural level”.**<sup>2</sup>

Since 1967, Israel’s policies and practices in the oPt have undergone several shifts in form and intensity. Their main objective, however, remained the same: to obstruct establishment of a viable independent Palestinian state (the two-state solution), while also preventing integration into Israel of the Palestinian population (the one-state solution). The Oslo Accords (1993 and 1995),<sup>3</sup> along with associated agreements, including the Paris Protocol (1995),<sup>4</sup> made for an interim arrangement that was intended to pave the way, within a timeframe that should not have exceeded ten years, for the establishment of a Palestinian state in line with international law, particularly Security Council resolutions 242 (1967) and 338 (1973). However, three decades later, these agreements remain the main institutional framework that governs the oPt and guide international development assistance. This is so even as the prospects of Israeli withdrawal from the occupied territory and the establishment of an independent, viable and sovereign Palestinian State, in line with international law, are dimmer today than ever.

While Israeli policies changed focus in the late 1980s from integrating the Palestinian economy into the Israeli economy to segregation and isolation of the oPt, they continued, across time,

to deprive the Palestinians of access to the inputs needed for growth; thus, ensuring that the Palestinian economy is completely dependent on the Israeli economy; a forced dependency that undermines severely the potential for an independent, viable Palestinian state.

## A. Purpose of study

With the future of the peace process increasingly uncertain and the prospects of the two-state solution slipping away, assessing the obstacles to enhancement of human wellbeing in the oPt has become even more relevant to social and economic development planning and policy interventions.

Understanding the trends, dynamics, and impacts of Israeli policies and practices would allow for more effective planning for development and relief, in support of the efforts of the Government of Palestine, including those aiming to protect, as far as possible under a belligerent occupation, the lives and livelihoods of Palestinians, reduce aid dependency, and prepare the ground in the short or medium term for a possible resumption of economic development or a new political framework.

As part of its mission of offering support to Palestine as a member State and in compliance with UN resolutions supporting the rights of the Palestinian people,<sup>5</sup> the United Nations Economic and Social Commission for Western Asia (UN-ESCWA) is mandated to produce economic and social studies that explore ways in which the Palestinian people can overcome

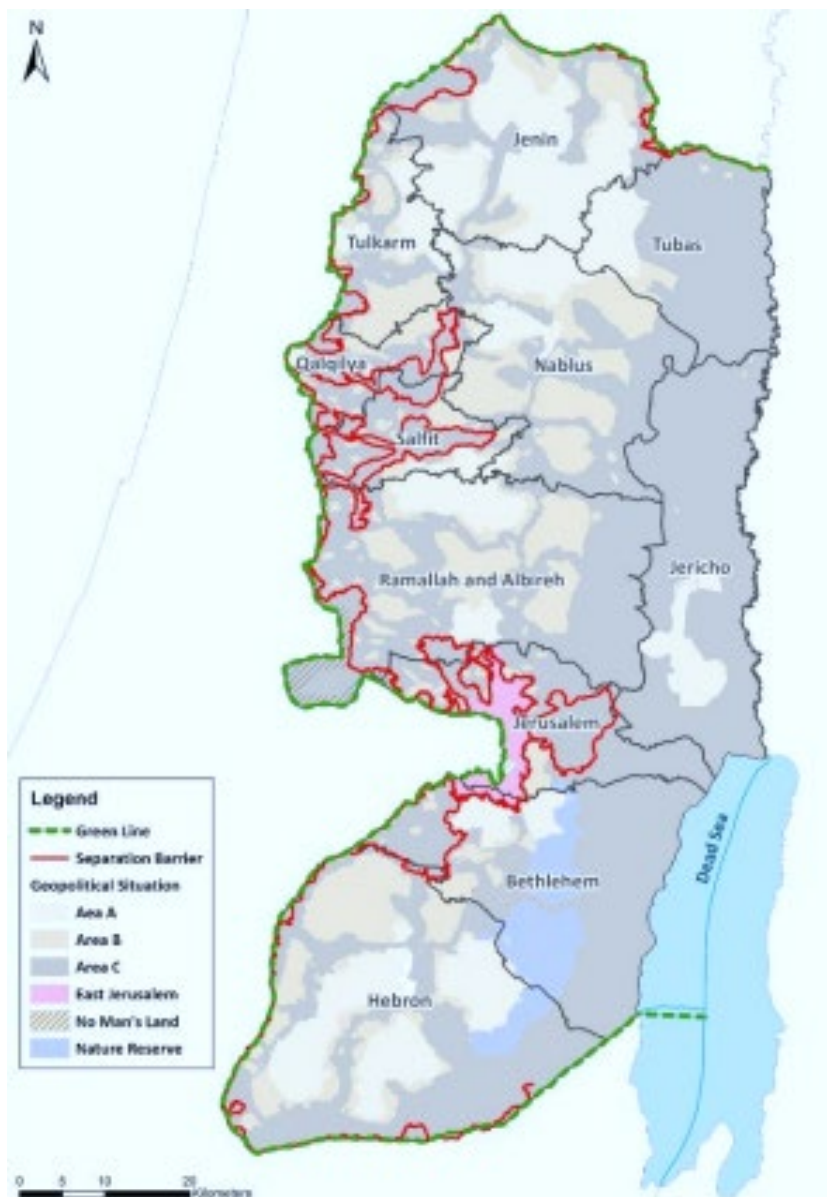
the economic and social repercussions of Israeli occupation policies and practices. In ministerial resolution 330 (XXX),<sup>6</sup> ESCWA was requested to develop, based on solid data and scientific analyses, work assessing the cumulative long-term impact of the Israeli occupation.

Every Israeli policy impacts, directly and indirectly, several economic sectors and various aspects of Palestinian lives. Instead of attempting to establish one-to-one correspondence between policy and impact, the current study examines Israeli policies and practices in the oPt as part of a comprehensive matrix whose purpose is to control the land and dominate the people; a matrix of control and domination. Thus, the primary and secondary impacts of the various Israeli policies and practices are examined to determine their contribution to this matrix. In addition, the study explores how this matrix has entrenched an asymmetric dependency of the Palestinian economy on Israel and exacerbated its aid dependency, and maps Israeli policies, practices and measures that impact the resources available to the Palestinian economy, its infrastructural support system, its access to markets, and the performance of its main productive sectors.

The study also assesses the collective and cumulative impact of Israeli policies and practices as determinants of the growth and development of the Palestinian economy, within the framework of relevant agreements, including the 1994 Protocol on Economic Relations between the Government of the State of Israel and the Palestine Liberation Organisation (PLO), known as the Paris Protocol.



Map 1. West Bank map: Areas A, B and C



Source: UN-HABITAT, 2021, p. 5.

## B. Previous studies

Over the years, assessing the impact of Israeli occupation on the Palestinian economy has been the subject of numerous studies. However, few were comprehensive; most limited their scope to one policy domain or a specific geographical area. For instance, a 2014 World Bank report<sup>7</sup> focused on Area C<sup>8</sup> and the future of the Palestinian economy. While acknowledging that the multiplier effect is underestimated, it assesses the potential benefit that would accrue if the Palestinians were allowed to exploit their resources in Area C to be around 35 per cent of the Palestinian gross domestic product (GDP). The annual International Labour Organization (ILO) report on the situation of workers in the occupied Arab territories monitors labour conditions under Israeli policies.<sup>9</sup> In 2012, Kanafani and Ghaith, in a study for the Palestine Economic Policy Research Institute (MAS),<sup>10</sup> address the economic base of settlements in the West Bank, arguing that the Israeli occupation has economic implications, namely exploitation of land for residential and agricultural purposes, of water and Dead Sea resources, and of touristic and natural sites. However, a report by the Danish Institute for International Studies in 2012,<sup>11</sup> maintains that Israeli settlement policy goes beyond colonial economic exploitation to, rather, undermine viability of the Palestinian economy and the two-state solution.

The notion of a matrix of control, introduced by Jeff Halper, perceives Israeli policies in the oPt, not all of which require physical occupation of territory, as an interlocking series of mechanisms that allow Israel to control every aspect of Palestinian life in the occupied territory. He defines the matrix as:

**...“a maze of laws, military orders, planning procedures, limitations on movement, Kafkaesque bureaucracy, settlements and infrastructure intended to complete the Zionist colonization of Palestine and marginalize the Palestinians—all enforced by constant low-intensity warfare” that provides the “time span needed to normalize the Israeli presence in the West Bank”.**<sup>12</sup>

Halper views this matrix as consisting of policies and practices that focus on: (1) land expropriation and construction of settlements, with the objective of creating facts on the ground, (2) separation through checkpoints and bypass roads, and (3) legal restrictions and sanctions to constrain the life space of the Palestinians. The last set includes restrictions on movement through requiring all Palestinians to obtain permits to move from one zone to another, and constraints on construction through requiring Palestinians to obtain permits to build or renovate their homes but rarely granting them, as well as house demolitions, arrests, and fines.<sup>13</sup> Maintaining the matrix of control requires the use of military force, which Israel deploys at various frequencies. Thus, Israel is adopting as an approach “denying the two and precluding the one”, i.e., accepting neither the two-state solution, nor equal rights in one state; choosing instead to maintain the matrix of control and domination indefinitely.<sup>14</sup>

A comprehensive approach to assessing the impact of Israeli policies in the oPt is essential for drawing a clearer picture of the Palestinian economy under occupation. Yet, few studies adopt such an approach. In a report published in 2014,<sup>15</sup> the Applied Research Institute –

Jerusalem (ARIJ) estimated the economic costs of the Israeli occupation at \$9.458 billion for the year 2014, or around 75 per cent of the Palestinian GDP. However, the report estimated only direct costs through simple calculations, while indirect costs may be as large, if not larger. To estimate all costs, including the indirect, general equilibrium modelling needs to be employed. In 2017, the United Nations Conference on Trade and Development (UNCTAD) estimated, through both direct and indirect methods, the total economic costs of occupation,<sup>16</sup> with the estimation covering most features of Israeli policies. However, the UNCTAD report did not take into account effects of interactions of Israeli policies and practices on the Palestinian economy. For instance, Israeli control over groundwater aquifers in the West Bank debilitates Palestinian agriculture, but this effect has become even more severe with post-Oslo intensive settlement activities deepening Israeli control over resources in the West Bank.

Indeed, as Samhuri<sup>17</sup> argues, the current context within which the economic relations between Israelis and Palestinians is what precludes the possibility of the Palestinians strengthening their economic productive base.

To assess the alternative options for the Palestinian economy, mapping the Israeli policies towards the Palestinian economy is crucial. There has been extensive literature on assessing the impact of the occupation on the Palestinian economy, based on what-if-analysis of the potential impact of peace agreements and the relaxation of Israeli restrictions on the Palestinians using their resources.<sup>18</sup> Our focus, however, is not on future potential scenarios, but on the present predicament of the Palestinians. We aim to show, through a comprehensive framework, how Israeli policies

constitute a matrix of control and domination over the Palestinians leading to de-development, dependency, and subjugation of the Palestinian economy.

Israeli policies in the oPt have gone through several phases. The first two decades of the occupation were characterised by integration of the Palestinian economy with the Israeli, with the first decade having a positive effect on Palestinian GDP.<sup>19</sup> Subsequently, the process was reversed, with the rich Israeli economy growing at a faster rate. The reasons for this imbalance were the Israeli imposed restrictions on the use by the Palestinians of natural resources, as well as on the activities of the productive sectors; resource transfer to Israel; the lack of Palestinian banking services;<sup>20</sup> and the infrastructural gap between the oPt and Israel. As trade with Arab countries was severed after the occupation, the Palestinian economy became a captive market for Israeli products, increasing its dependency on the Israeli economy. The first to write about this dependency is perhaps Yousef Sayigh, who in 1986 saw that it was shaped by trade, labour flows, financial restrictions and poor infrastructural services imposed on the Palestinians by Israel, concluding that dependency and dispossession rendered development unattainable and any development programmes unrealistic.<sup>21</sup>

According to Khalidi and Taghdisi-Rad,<sup>22</sup> during the first Intifada (1987-1993), Israel's integration of the Palestinian economy was selective. Marketing Palestinian products in Israeli markets was subjected to strict licencing and quotas, while subcontracting the finishing, assembling or processing of Israeli raw materials was intensified, which lead to an increasingly weak and dependent Palestinian economy.

After the signing the Oslo Accords, physical separation through checkpoints, entry permits to Israel and at a later stage disengagement from Gaza constituted a separation strategy from Israel. However, separation was partial, keeping the door open for a selective *de facto* integration of Palestinian labour in Israel through subcontracting Palestinian firms.<sup>23</sup>

Intensified settlements construction in the oPt during the 1995-2000 period resulted in increasingly limited access of Palestinians to their natural resources.<sup>24</sup> The asymmetric customs union, associated with a physical separation strategy and confiscation of resources in an already weakened economy, resulted in entrenching dependency of the Palestinian economy on Israel.<sup>25</sup>

According to Arnon and Weinblat,<sup>26</sup> dependency of the Palestinian economy has two aspects; the first is dependency on employment within Israel and the second dependency on trade with Israel. A decrease in the number of Palestinian workers in Israel reduces household welfare, and constraints on the West Bank economy restrict domestic absorption of the extra labour. However, employment in Israel leads to real exchange rate appreciation in the West Bank, which inhibits development of the economy and shrinks the productive sectors. According to Arnon,<sup>27</sup> this dependency changed from dependency on labour flows to Israel to include dependency on financial support to the Palestinian public sector. Another form of dependency is the rising productivity of the trade sector, which is mostly wholesale and retail trade of imports from Israel, while productivity of the productive sectors shrinks or stagnates. According to Shikaki,<sup>28</sup> the rise in the productivity of the trade sector impacted smaller merchants, traders and craftspeople, because they were cut-off by larger traders from

trade with Israel, as well as because of increasing Israeli taxes, and this transformation in trade relations resulted in weakening this section of the middle class.

Sara Roy observes that Israel is undermining the ability of the Palestinian economy to grow by preventing it from accessing critical inputs to production. Moreover, destruction of dwellings and infrastructure, control over resources, closures and restrictions of movement have accelerated de-development of the Palestinian economy.<sup>29</sup>

Dependency, in and of itself, is not the goal of the Israeli occupation. Although the relation of dependency obstructs development of the Palestinian economy, a post-colonial dependent Palestinian state could still be established. Rather, for Israel, dependency of the Palestinian economy is a means for subjugation of the Palestinians and suppression of their resistance.<sup>30</sup>

The Paris Protocol, which was signed in 1994 and incorporated with amendments into the Oslo Accords, established a formal customs union and provided for access of Palestinians to work in Israel, until a final status agreement is reached. However, Israel applied a closure policy that deprived the Palestinians of a major source of income<sup>31</sup> and maintained control over the customs union and trade. In fact, a customs envelope had been imposed and controlled by Israel since 1967, maintaining and entrenching the dependency relation;<sup>32</sup> the only difference post the Paris Protocol is the conditional payments of customs revenues to the Palestinian Authority.

Moreover, dependency on international aid has increased during the post-Oslo period, having escalated significantly after the enforced

closures and the destruction during the Second Intifada (2001-2004).<sup>33</sup>

Clearly, the entrenched dependency in the post-Oslo era under the Israeli matrix of control and domination confirms Sayigh's 1986 conclusion that development under occupation is an impossibility.

### C. Conceptual framework

This study builds on previous scholarly work on the impact of the Israeli occupation on the Palestinian economy, as well as on ESCWA's research, to analyse the matrix of control and domination that characterises the relationship between Israel and Palestinians under its occupation. The analysis is informed by the theoretical tenets of the dependency theory, as developed by the economist Raúl Prebisch in 1950. According to this theory, exploitation by the more developed nations of poorer countries, characterised by the flow of natural resources from the poor to the dominant countries and of manufactured goods in the opposite direction, makes the poor poorer and the rich richer, and increases dependency of the less-developed countries of the "periphery" on the "core" of wealthy and more developed countries.<sup>34</sup> In a typical case, the wealthy country purchases the natural resources from poorer countries at low prices that do not increase over time at the same rate as the prices of manufactured goods exported to these countries. Poorer countries, thus, find themselves unable to afford the same level of imports from exporting a given quantity of exports of natural resources. In other words, their terms of trade relative to the developed countries deteriorate, making them even poorer. In the Palestinian case, there is one major difference from the typical: Israel does not

purchase Palestinian natural resources, it confiscates them.

Dependency of the Palestinian economy on Israel extends beyond the commodity markets. Israel, in fact, controls the supply of all factors of production in the Palestinian economy; expropriates land that is much needed for the agricultural sector; controls the financial sector limiting the ability of enterprises to borrow or to exchange their shekels for foreign currency; and its absorption of Palestinian labour in its economy, though beneficial when it comes to disposable income, is erratic, making the income stream for individuals vulnerable, while also raising the cost of labour for Palestinian enterprises, rendering them less competitive.

In addition to enforcing a trade regime that severely constricts Palestinian access to domestic and international markets, Israel also controls inputs to production from the water that it confiscates, to the raw materials and intermediate goods that can be imported only from or through Israel. Moreover, the devastated infrastructure and the hundreds of barriers erected by Israel make the flow of people and goods uncertain and costly.

This study focuses on the impact on economic development, as measured by growth in per capita income and economic diversification. Even from this limited perspective, development requires existence of economic, political and social systems that prioritise growth and provide an environment that can ensure sustainability. Israeli policies have not only eroded the wellbeing of Palestinians under its military occupation, they also, and more importantly, have targeted the very political, economic and social systems that would make development possible, let alone sustainable. This has, over

time, resulted in de-development in the oPt, a process best explained by Sara Roy as.

**...the process which undermines or weakens the ability of an economy to grow and expand by preventing it from accessing and utilizing critical inputs needed to promote internal growth beyond a specific structural level.<sup>35</sup>**

In this research we explore Israeli policies and analyse the mechanisms that have led to the imposed dependency of the Palestinian economy on Israel within a matrix of control and domination. Although Israeli policies have varied over time, they serve to entrench the dependency relation through controlling all the major aspects of Palestinian society and economy and obstructing economic development. We attempt to analyse this matrix of control and domination by addressing Israeli policies that severely constrain availability of factors of production, inputs to production, infrastructure, and access to markets.

Guided by the theories of dependency, de-development and subjugation presented in the literature review in section B, a conceptual framework, presented graphically in figure 1, was developed.

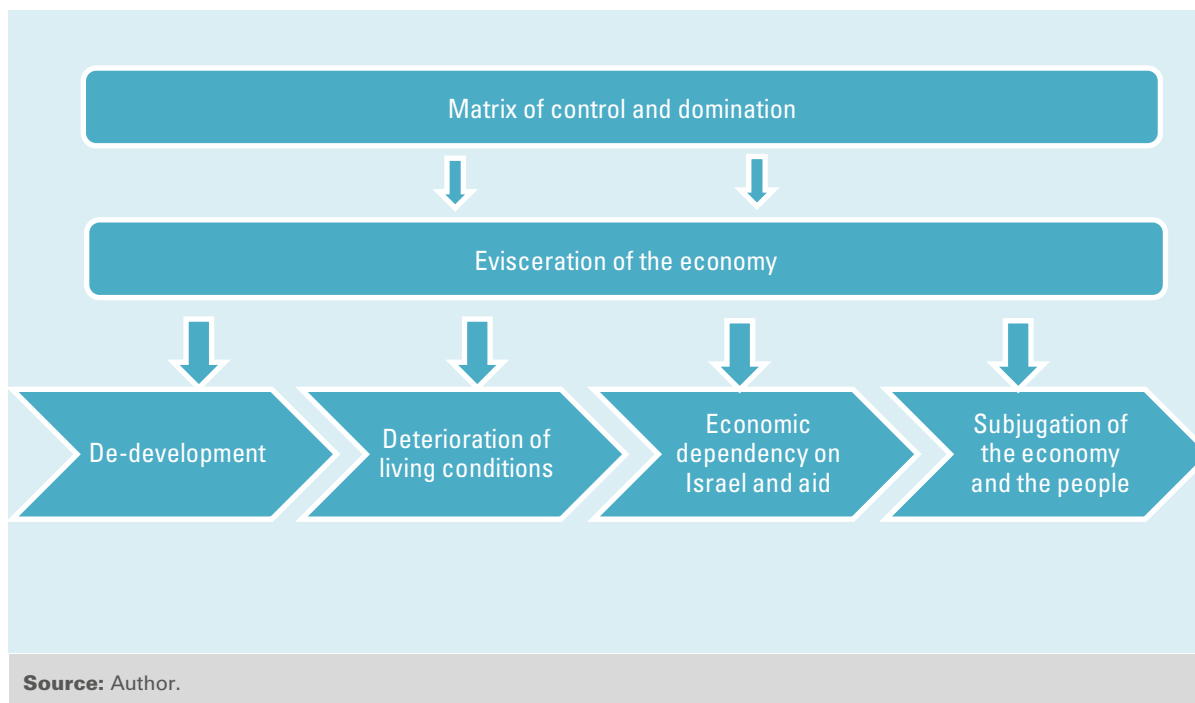
Israeli policies of control of resources and domination over the people hinder economic activity and weaken ability of the Palestinian economy to grow (resulting in de-development). The suppression of growth leads to higher unemployment and poverty rates. With the

dearth of job opportunities and the deteriorating living conditions of the Palestinians, working in Israel and Israeli settlements, though at lower wages than Israeli workers, remains a key source of income for Palestinian labourers. However, this also increases the dependency on Israel, which holds the fate of Palestinian workers in its hands and can dominate them and the Palestinian population dependent on them, through a regime of entry permits to Israel based on Israeli political considerations.

Israeli trade policy, on the other hand, plays a significant role in constraining Palestinian economic activity. Due to the restrictions imposed in accord with the Paris Protocol and the impediments to the entry of inputs to production, trade with the Israeli economy remains the most accessible, and in numerous cases the only, option for Palestinian enterprises.

Given the proposed comprehensive framework, the study is organised as follows. Chapter 1 explores Israeli policies and practices in the oPt since 1967 and their dynamics, and chapter 2 illustrates their economic repercussions and shows how they undermine the Palestinian economy and construct a matrix of control of the resources and domination over the people. Then, chapter 3 presents an international-law perspective of Israeli policies as breaches of international law. Finally, chapter 4 concludes with a presentation of the framework of Israeli policies and practices, their objectives and their channels of domination over the Palestinian people. Policy alternatives to reduce the dependency relation and international law considerations are also discussed.

Figure 1. Conceptual framework of the Palestinian economy under occupation







# 1. Israel's policies and practices in the Occupied Palestinian Territory



## Key findings and messages

- Fragmentation of the Palestinian people has been the overarching strategy pursued by Israel to maintain Israeli domination and prevent or pre-empt any challenge to the “Jewish character” of the State of Israel.
- Israeli policies have sought to prevent dividing the land of Mandate Palestine into two economic and political sovereign entities (the two-state solution), while also nullifying the possibility of establishing a single political and economic entity (the one-state solution).
- Since 1967, Israeli policies and practices evolved into a matrix of control and domination that imposes hard demographic and physical “facts on the ground”, as a prelude to annexation of at least parts of the occupied territory to Israel.
- The main elements of the matrix are controlling the land and natural resources and dominating the people by controlling the demography and suppressing any form of resistance to Israel’s occupation and policies. These elements complement and augment each other.
- Israeli policies towards the Palestinian economy shifted from seeking to integrate Palestinian economic resources into Israel’s economy, to marginalising and isolating the economy and markets of the oPt, resulting in an eviscerated and fragmented Palestinian economy that has become asymmetrically dependent on Israel.
- Israel’s policies and practices have sought long-term demographic and territorial control in the oPt and have had long-term cumulative repercussions on all aspects of Palestinian life, economy, and development. They are at the core of Israel’s overarching strategy of fragmenting the Palestinian people to maintain domination over them, while preventing and pre-empting any challenge to the “Jewish character” of the State of Israel.

## A. Overview of Israeli strategy in the oPt since 1967

This section presents a brief overview of Israel’s strategy and objectives in the oPt, including during the subordinate economic integration from 1967 to late 1970s.

Since 1967, Israel’s policy has been directed at preventing the “Two,” i.e., division of the land of Mandate Palestine into two states and

two economic (and political) sovereign entities, while also precluding the “One,” i.e., establishment of a single political and economic entity. The result was partial integration, as a system of both visible and concealed restrictions played an important role in shaping the new economic regime in the area under Israeli control.<sup>36</sup>

The main elements of the ensuing Israeli policies fall under two main categories:

(1) control of the land and natural resources, and (2) domination over the people, along with specific policies targeted at controlling Palestinian economic activity. While some of these policies were relatively consistent over more than five decades of occupation, others changed over time to varying degrees, as will be explained later in this chapter. The main objectives, however, remained the same: acquiring the land without the people.<sup>37</sup>

### 1. Evolution of Israeli strategy

The occupation in June 1967 of the West Bank, including East Jerusalem, and the Gaza Strip placed the whole of Mandate Palestine under the direct control and administration of Israel. In the immediate aftermath of the occupation, three approaches towards the occupied territories were considered by Israeli decision makers:

- Integration of the occupied territories into Israel.
- Annexation of areas, such as the Golan Heights and the Jordan Valley, under the pretext of security needs.
- Withdrawal of the Israeli army from populated areas and segregation of these areas.<sup>38</sup>

By the end of a five-year “period of adjustment”,<sup>39</sup> Israel decided to pursue limited economic integration and practical elimination of the former demarcation line between Israel and the oPt (the so-called Green Line), while ensuring the strategic goal of “long-term demographic and territorial control”,<sup>40</sup> having laid the foundations for such control during first year of the occupation through prompt population and land surveys and concomitant legal and bureaucratic codification.<sup>41</sup>

A unitary set of Israeli control strategies and territorial policies was gradually laid over existent legal systems in force in both the West Bank and the Gaza Strip. These strategies and policies shared three main underlying characteristics: (1) severe political repression of Palestinian nationalism; (2) subordinated economic integration into Israel; and (3) free movement of the occupied population throughout Israel and the occupied territories.<sup>42</sup>

In 1987, the first Intifada broke out, despite, and partially in response to, Israel’s “*Iron Fist* policy” that was initiated in 1985.<sup>43</sup> Escalating suppression of the Intifada caused a severe economic crisis in some regions during the first year mainly due to curfews imposed upon areas that were especially active politically. However, Israel did not impose severe limitations on movement of workers and goods. Hence, there was a relatively rapid return to the conditions that had prevailed for the preceding 20 years.<sup>44</sup>

The Intifada, collapse of the Soviet Union, and the first Gulf War (1991), and their geopolitical ramifications, paved the way for political negotiations that materialised in the Madrid Peace Conference of 1991 and the launch of what was later called the ‘Arab-Israeli peace process’. In this new reality, Israeli leaders reassessed their policies in and approach to the oPt, including their economic dimensions.<sup>45</sup>

However, right from the start of peace process, and particularly after eruption of the Second Intifada in 2000, Israel imposed what it deemed to be its security considerations on policies, narrative, and negotiations. Institutionalisation and prevalence of the self-defined security concerns enabled Israel to seek international endorsement, if not legitimacy, for the prioritisation of these concerns over all other

issues, allowing Israel to continue citing security as a pretext for a host of illegal oppressive measures, including expropriating and closing off Palestinian land.

This international acquiescence to the prioritization of purported Israeli security concerns has come at the expense of Palestinian rights. In particular, it allowed Israeli to further entrench its military occupation and continue employing policies, measures and practices that violate international law and debilitate the social and economic life of the Palestinians. The wall, in the West Bank and the blockade of Gaza are clear manifestations.

## 2. Israel's treatment of the Palestinian economy

Israeli policies and practices stunted, disarticulated and fragmented the Palestinian economy for it to become fully and asymmetrically dependent on Israel, even after the Oslo Accords of 1993.<sup>46</sup> In reality, the Palestinian economy was eviscerated.

At the onset of the occupation, the size of the Israeli economy was around ten times that of the Palestinian economy. Its sectoral diversification was much greater, and the share of the manufacturing sector in the GDP was more than four times larger.<sup>47</sup>

Israel has never implemented a macroeconomic or monetary policy aimed at serving the needs of the Palestinian economy, as per its obligations under international humanitarian law as the occupying Power.<sup>48</sup>

In this context, some argue that as security and control were the main determinants of Israeli policies in the oPt, Israel never had an economic

policy per se towards the territory. At most, it employed economic strategies to "maintain occupation and administration".<sup>49</sup>

Other researchers maintain that Israel's economic approach changed over the years, shifting from aiming at integrating Palestinian economic resources (especially land, water and labour) into Israel's "mainland" economy to marginalising and isolating the economy and markets of the oPt.<sup>50</sup> Yet others contend that Israel has always pursued strategies of "subordinated integration"<sup>51</sup> or "imposed integration"<sup>52</sup> of the entire Palestinian economy into its own.

Since 1967, several Israeli committees worked on relations with the "Administered Territories": Bruno Committee (1967); Sadan Committee (1991); Ben-Shahar Committee (1993), whose conclusions ultimately formed the basis of the Paris Protocol; Brodet Committee (1995); and Ben-Basat Committee (1999), which studied the various possible levels of separation and integration between Israel and the oPt.<sup>53</sup>

In the mid-1970s, Israel started employing more aggressive policies and practices that persisted ever since, including restrictions on Palestinian use of natural resources, destruction of agricultural lands, undermining of industry and other productive sectors, massive resource transfers from the under-developed Palestinian economy to the developed Israeli economy, and weakening of the Palestinian public sector.<sup>54</sup>

In 1985, Yitzhak Rabin determined that "there will be no development for Palestinians in the oPt initiated by the Israeli Government, and no permits will be given for expanding agriculture or industry there, which may compete with the State of Israel."<sup>55</sup>

The Israeli Government had not invested in developing infrastructure in the Gaza Strip, and any plans it implemented there were only short-term. Israeli policies from 1967 until Oslo continued to stunt Palestinian economic development, obstructing the local business sector and other local initiatives that might compete with Israeli products and services.<sup>56</sup>

In 1991, describing the severe economic conditions in the Gaza Strip, the Sadan Committee<sup>57</sup> recommended replacing exporting labour services from the Strip with exporting goods and locally producing substitutes for imports. Israeli policymakers, however, continued to pursue policies that decisively curtailed Palestinian economic development.<sup>58</sup>

### 3. The Sadan Committee<sup>59</sup>

Two years later, shortly before signing the Oslo Accords, Israeli authorities imposed a closure policy, limiting movement between the Gaza Strip and the West Bank, which led to further economic decline.<sup>60</sup>

The Paris Protocol of 1994, which was incorporated into the Oslo Accords, and has remained in place since, imposed lopsided arrangements that have become the main constraint on Palestinian development. Indeed, the post-Oslo period has been marked by deterioration in Palestinian economic activity and acceleration of the de-development process.<sup>61</sup>

Persistent use by Israel of self-defined “security considerations” as a pretext for policies and practices and, more importantly, international acquiescence thereto, not only have constituted a major obstacle to full implementation of the Oslo Accords and advancement of the peace process, they also have become the main determinant of Palestinian political and

economic life.<sup>62</sup> Moreover, closures and mobility restrictions have resulted in enclavisation, epitomised by the physical separation of the West Bank and Gaza and the geographical fragmentation on the West Bank, as well as in growing divisions within the Palestinian labour market; all contributing significantly to the emerging pattern of economic atrophy.<sup>63</sup>

While economic exploitation may not have been the primary objective of Israel, that does not in any way imply that Israel has not benefited economically from the oPt or has not exploited its resources. In fact, it has, and intensively, particularly in the four following areas: ground and surface water; quarries and Dead Sea resources; touristic and natural sites; and land for residential and agricultural purposes.<sup>64</sup> Additionally, the Israeli economy has benefitted from the Palestinian economy as the supplier of cheap labour, as well as the second largest export and import market until 1993.<sup>65</sup>

These conditions prevail still, to a large degree, excluding any prospect for sustainable economic development.<sup>66</sup> To the contrary, the Palestinian economy has been eviscerated and rendered dependent on Israel, further solidifying the Israel’s control over the oPt.

## B. Matrix of control and domination

In line with its objectives and approach, outlined in previous sections, Israel’s policies and practices in the oPt since 1967 evolved into a tight matrix of control and domination that imposes and entrenches demographic and physical “facts on the ground”, laying the basis for potential eventual incorporation or annexation of parts of the occupied territory and its resources into Israel, while securing subjugation of the Palestinian population.<sup>67</sup>

In short, it is a matrix for controlling the land and dominating the people:

1. Controlling the land and natural resources through a set of administrative, military and legislative measures, including annexation, access restrictions, seizure and confiscation, settlement constructions and expansion, and constraining Palestinian exploitation of own natural resources.
2. Dominating the people through measures to (a) control the demographic composition of the territory through constrictive residency, mobility and access-permit regimes; closures; controlling the Palestinian population registry; and creating a coercive environment (b) suppress all forms of resistance by excessive force, incarceration and collective punishment, and land grab.

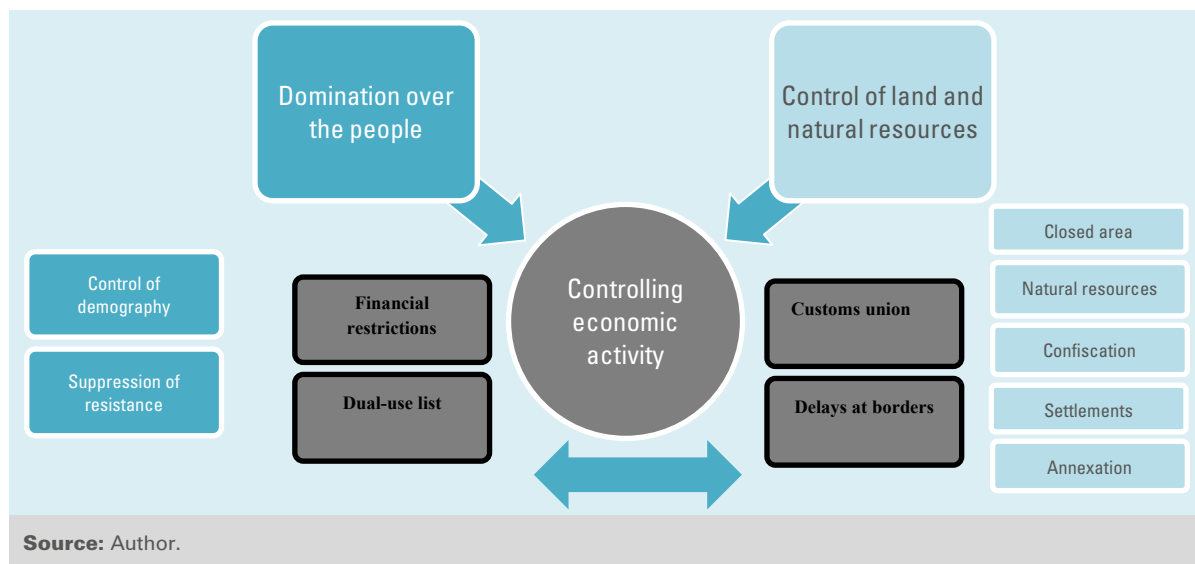
These measures, coupled with economic and fiscal policies, consolidate Israeli control of

economic activity in the oPt, which further exacerbates the coercive environment, forcing the displacement of Palestinians from their homes, thereby expanding and entrenching control over their lands.

### 1. Controlling the land

Before the end of the first year of its occupation of the West Bank and Gaza, Israel had completed a land survey of the West Bank, applied measures to annex East Jerusalem and started seizing lands to consolidate its control. Its control of the land has had numerous forms and employed various means, ranging from formal annexation to seizure and confiscation, to declaring some areas military zones and others off limits to Palestinians. Most of these forms, described below, are in violation of international law and are still being employed.

Figure 2. Matrix of control and domination



### (a) Annexation

On the 7th of June 1967, upon the occupation of East Jerusalem, General Moshe Dayan, the then Defence Minister declared that Israel will never part from this city again. Subsequently, Israel took measures to extend its jurisdiction and consolidate its administrative and physical control over East Jerusalem.

Twenty days later, on the 27th of June 1967, Israel's Knesset adopted two crucial ordinances that extended Israeli law, jurisdiction and administration to the Old City, Sur Baher, Sheich Jarakh, the Kalandia airport, Mount Scopus and vicinity, and Sha'afat, extending the boundaries of the Jerusalem Municipality by 60 square kilometres to a total of over 100.<sup>68</sup>

And on the 29th of June 1967, a military order dissolved the elected 12-member Municipal Council that had governed East Jerusalem under Jordanian administration and dismissed the mayor and other members; the municipal council of West Jerusalem, composed of 21 members, all Israelis, took over.<sup>69</sup>

In May 1968, the Security Council deplored Israel's failure to comply with General Assembly resolutions related to its occupation of Arab territories; reaffirmed that "acquisition of territory by military conquest is inadmissible" and considered that "all legislative and administrative measures and actions taken by Israel, including expropriation of land and properties thereon, which tend to change the legal status of Jerusalem are invalid and cannot change that status"<sup>70</sup>

Despite this and subsequent resolutions and positions of the international community, Israel embarked on further measures to annex the city, culminating, 13 years after its occupation,

on the 29th of July 1980, with the Israeli Knesset enacting the so-called 'Basic Law' on Jerusalem, which proclaimed that "*Jerusalem, whole and united, is the capital of Israel. Jerusalem is the seat of the President of the State, the Knesset, the Government and the Supreme Court*". This step was censured "in the strongest terms" by the Security Council which considered it to be "a violation of international law" and decided "not to recognise the 'basic law' and such other actions by Israel that, as a result of this law, seek to alter the character and status of Jerusalem"<sup>71</sup> (see chapter 3 for more details.)

Israeli settlement activities coupled with a series of legislations that increase the sovereignty of the Israeli parliament (Knesset) over them entrench Israeli control and pave the way for 'legal annexation'. In fact, a major electoral issue during the recent four rounds of Israeli elections (April 2019, September 2019, March 2020, and March 2021) was that of unilateral annexation, with electoral pledges often including plans to annex most of the Jordan Valley and the settlement blocs in Area C of the West Bank.<sup>72</sup>

Any additional annexation of occupied territory by Israel would also constitute a serious breach of international law and the Charter of the United Nations,<sup>73</sup> and would shatter the prospects of establishing a viable Palestinian State, effectively ending the two-state solution paradigm.

Notably, the Israeli Basic Law on Referenda stipulates that yielding land that is subject to Israeli law requires a Knesset majority of 80 lawmakers, or a public referendum. Hence, in addition to being a violation of international law (see chapter 3 below) and a prelude to formal annexation, applying Israeli law to any part of the West Bank would complicate and diminish

the prospects of any future concessions related to these lands as part of peace agreements.

#### (b) Seizure and confiscation

Since 1967, Israel has utilised various measures in bids to grab land in the West Bank. The Israeli human rights organisation, B'Tselem, reported that by 2017, approximately 1,400,000 dunams<sup>74</sup> had been declared as state land (1,200,000 dunams in Area C and 200,000 dunams in Areas A and B).<sup>75</sup> Furthermore, annexation of East Jerusalem was coupled with the seizure of Palestinian property in the city and surrounding areas over five stages, as follows:

- January 1968: Around 1,000 acres,<sup>76</sup> mostly in the Sheikh Jarrah Quarter, where the first settlements were constructed, along with an industrial park.
- August 1970: Around 3,500 acres to the benefit of settlements.
- March 1980: Around 1,100 acres for the construction of a new settlement (Pisgat Ze'ev).
- April 1991: Around 470 acres for the construction of a planned settlement on Jabal Abu Ghneim mountain (Har Homa).
- April 1992: Around 500 acres for the construction of a new settlement (Ramat Shu'fat).<sup>77</sup>

Measures for seizure and effective control of land include:

- Seizure of 'absentee property'. This a measure by which registered lands in the West Bank whose owners fled or were expelled in 1967 have been seized. Military orders grant the State the authority to manage these lands until the owner returns, which is a rare occurrence, especially given

that Israel prevents the return of refugees and has stopped family reunification. Absentee property that has not been cultivated for three years is declared 'State land'.<sup>78</sup> The area estimated to have been seized by the State in this way is about 430 km<sup>2</sup>.<sup>79</sup>

- Seizure for military purposes. This is the first measure employed by Israel to confiscate land. Such seizures are supposed to be temporary and linked to military needs.<sup>80</sup> However, rarely has seized land been returned to its Palestinian owners; seizure orders are instead regularly renewed, generally followed by some form of confiscation. After a lull from 1979 to 2003, Israel resumed this practice mostly to create buffer zones around settlements and build the wall in the West Bank. More than 31 km<sup>2</sup> of Palestinian land have been seized for military purposes since 1967.<sup>81</sup>
- Closed military areas. This is the measure by which the Israeli authorities designate areas under occupation as closed military areas under various pretexts; in many cases, as a prelude to seizure or confiscation or to drive Palestinians out of the designated area. Over half of Area C lands, amounting to one third of the entire West Bank, are designated as closed military areas. Israeli settlers are allowed to cultivate over 14,000 dunams of land within closed military areas, even though, legally, both Israeli citizens and Palestinians are prohibited from entering them.<sup>82</sup>
- Confiscation for public needs. This is the measure by which Israeli authorities cite the public good as a justification for the land grab, including for roads and other infrastructure projects. While international law stipulates that such measures can only be made to the benefit of the protected population, Israel tends to do the opposite:

such confiscation tends to be for establishing settlements, Israeli-only roads and Israeli-run quarries, i.e., geared to the benefit of Israelis at the expense of Palestinians.<sup>83</sup> In addition, Israeli authorities have confiscated several chunks of land for the purpose of creating natural reserves in West Bank and eventually evicted many Palestinians and displaced others as these areas are regarded off limits for Palestinians.<sup>84</sup> For example, in the 1980s, Israeli authorities confiscated 10 km<sup>2</sup> of Palestinian owned land under this pretext to build the Ma'ale Adumim settlement.<sup>85</sup>

- Initial registration. This is the measure by which Israel registers as publicly owned, land that it considers as previously unregistered. Most privately owned land in the West Bank is in fact not officially registered, except in local taxation records, and Palestinian owners must prove ownership through a very long and tedious process. Data about this type of confiscation are not readily available.<sup>86</sup>

### (c) Control via settlement

Israeli settlements in the West Bank are illegal under international humanitarian law, and Israel's settlement policy has been repeatedly condemned by the Security Council. Consecutive Israeli Governments have not only established and expanded settlements, but also actively encourage Israelis to live in them, which has yielded a population growth rate in them more than double that of Israel. Areas surrounding the settlements are usually declared off limits to Palestinians under the pretext of 'security reasons' and are eventually annexed to the settlements.

Settlement development is not only a colonisation process; it is also a means for controlling resources, as well as movement and development of the Palestinian people. Hence, it needs to be viewed within the larger picture of Israeli policies and practices, i.e., as part of the matrix of control and domination.

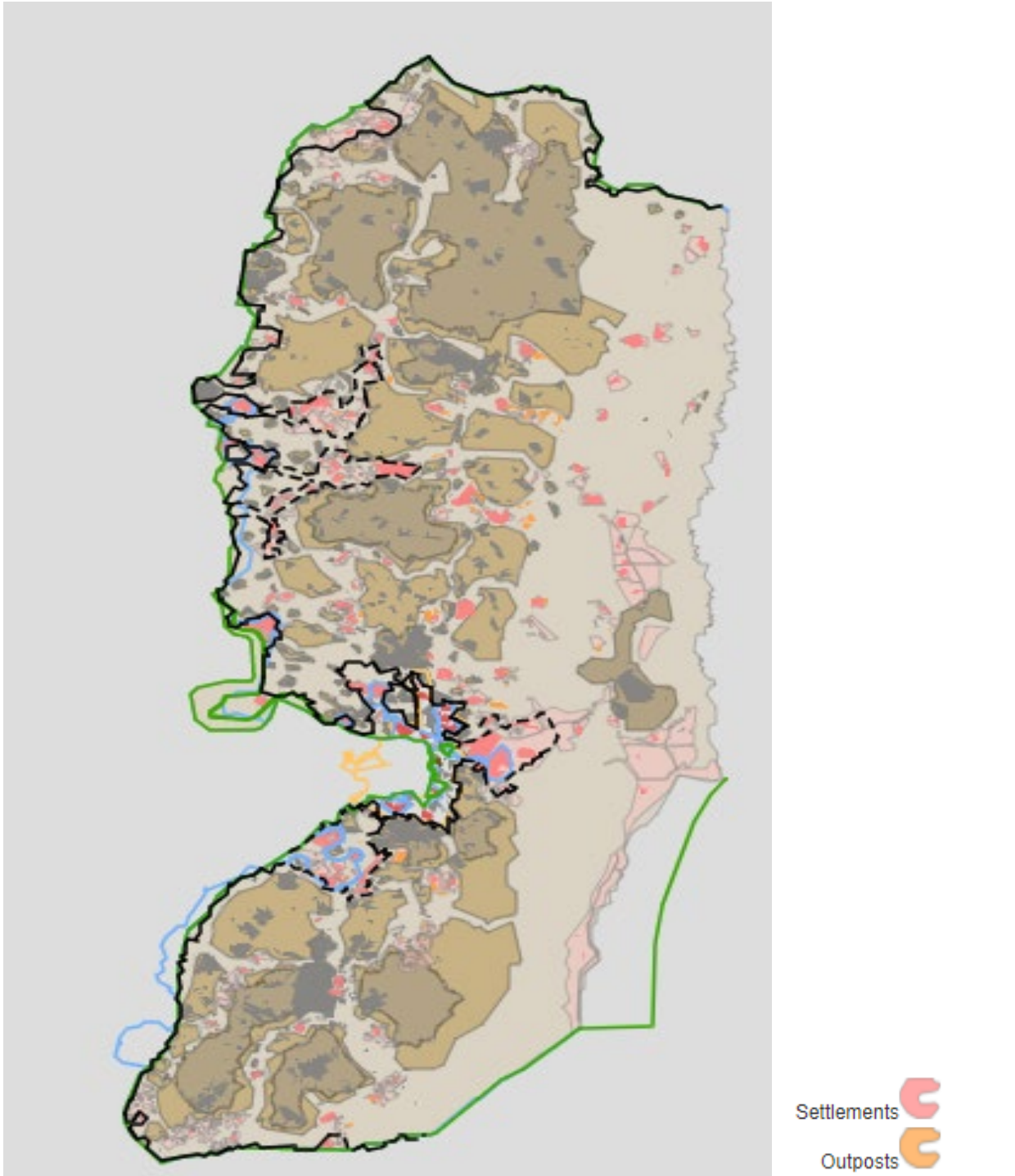
As of the end of 2020, more than 630,000 Israeli settlers lived in the West Bank, including East Jerusalem, in some 250 settlements and settlement outposts. The area controlled by the regional council of Israeli settlements in the West Bank (including closed areas allocated for expanding those settlements) was by then about 542 km<sup>2</sup>, amounting to about 10 per cent of the total area of the West Bank.<sup>87</sup>

In 2005, Israeli armed forces withdrew from the Gaza Strip. However, between 1967 and 2005, Israeli practices there were similar to those in the West Bank: relentless control over the land, support for the settlements and the more than 7,500 settlers therein, all while suppressing Palestinians, especially those living near the settlements.

Settlement activity in the oPt has developed over four phases. The first, 1967-1977, was known as the "Alon Plan" and had two goals: ensuring "security of Israel" and sustaining a Jewish majority in it. The plan proposed annexation of East Jerusalem and establishment of a network of settlements in the Jordan Valley and along the border with Jordan, as well as creation of a barrier to separate the West Bank from Jordan and demarcate a permanent border. Along these lines, by the end of this phase, 28, mainly agricultural, settlements were established, housing around 6,000 settlers.



Map 2. Growth of settlements and outposts in the West Bank



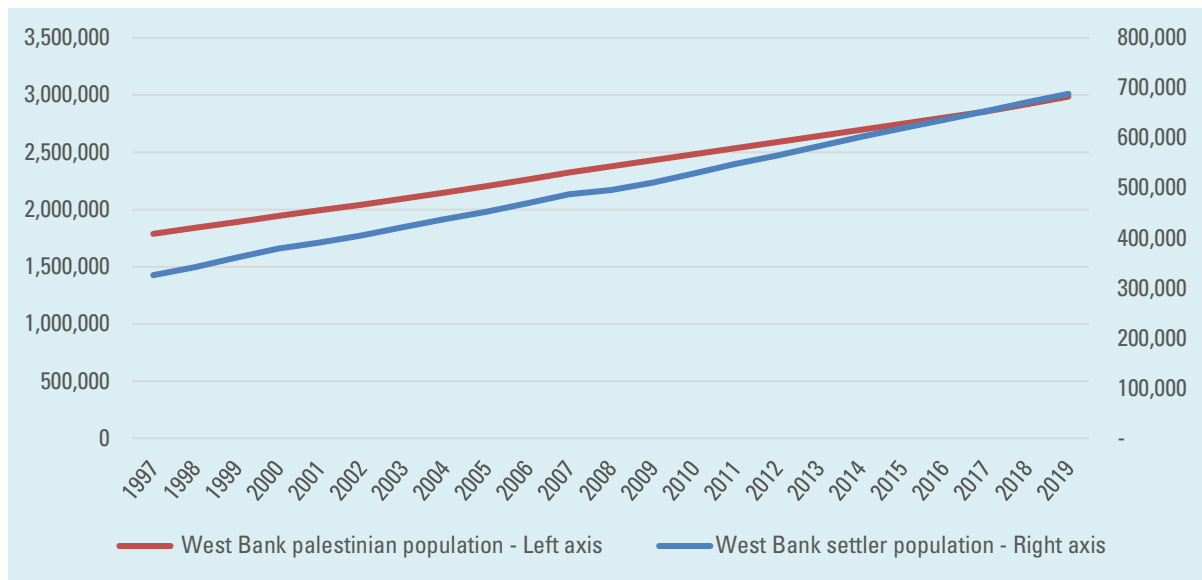
Source: Peace Now, 2021.

The second phase started in 1977 after the Knesset approved the “Sharon Plan”, which amended phase I of the Alon Plan. 56 per cent of the existing settlements were established during this phase. The Sharon Plan expanded the geographic scope of settlement activities to include the western slopes of the West Bank and aimed mainly to create ‘facts on the ground’ that would determine the outcome of any future demarcation of borders or Israeli military withdrawal. The new settlements were intended to limit expansion of Palestinian population centres, separate Palestinians in the West Bank from those with Israeli citizenship living in the Galilee region and isolate the northern part of the West Bank from its southern part through a corridor from Jerusalem to the Jordan River. During this phase, settlement activities intensified. By the end of 1992, there were 111,600 settlers living in 122 settlements in the West Bank, excluding East Jerusalem, and 153,000 in the latter.

The post-Oslo third phase, 1993-2010, was characterised by internal growth. The Oslo Accords and the peace process were envisioned to bring to a halt the growth of the settlements to allow for establishing a Palestinian State. While the number of new formal settlements established during this period appeared to decrease compared with the previous phase, expansion within existing settlements was in full swing. The number of settlers doubled, with more than one-third located in East Jerusalem, and from 1993 to 2009, more than 40,000 housing units were built in these settlements.

The fourth and current phase that commenced in 2010 has been characterised by Israel enforcing its domination over the entire area of Mandate Palestine.<sup>88</sup> Though the West Bank has not been officially annexed, Israeli authorities treat the occupied territory as its own.

Figure 3. Palestinian and settler population numbers in the West Bank, including East Jerusalem



Source: PCBS data.

The average growth rate of settlers in the West Bank over the period 1997-2017 was 3.6 per cent, higher than the Palestinian population growth rate in the West Bank of 2.3 per cent and higher than that of the Israeli population in Israel of 2 per cent. The growth of the settler population has been constant since 1997 (figure 3).

In 2020, the Trump Administration presented its “Peace to Prosperity” plan, which envisioned permanent Israeli domination over the entire territory and formal annexation of the settlements, the Jordan Valley, and other parts of Area C.<sup>89</sup>

#### (d) Controlling natural resources

Access and mobility restrictions, particularly in Area C that contains the majority of agricultural lands in the West Bank, curtail ability of the Palestinians to farm and cultivate their lands.<sup>90</sup> Furthermore, since 1967, more than two-thirds of all grazing land, and more than 2.5 million productive trees have been destroyed.<sup>91</sup> In 2020 alone, 8,925 trees were either uprooted, damaged, or burned by settlers in unrelenting attacks.<sup>92</sup>

Since 1967, Israel acts as if it has sovereign rights over water resources in the oPt. A series of military orders led to annexation of the

Palestinian water system to the Israeli system. In 1982, ownership of the Palestinian water infrastructure in the West Bank was transferred to Israel’s national water company, Mekorot. Since then, Mekorot supplies Palestinian communities with almost half the domestic water they consume, making it the largest single supplier. While it supplies copious amounts of water to Israeli settlements, it routinely reduces Palestinian supply up to 50 per cent, particularly during summer, in order to meet the consumption needs of these settlements.<sup>93</sup>

The Oslo Accords can be viewed as having merely formalised the discriminatory water management regime and preserved Israel’s exclusive control over the Mountain Aquifer. Under these accords and consequent agreements, Israeli agreement to the location and the size of each well in Areas A and B of the West Bank is a precondition for any Palestinian development and maintenance of water wells. In parallel, Israel denies Palestinians permits to construct and maintain water infrastructure in Area C, which comprises 60 per cent of the West Bank and includes most of its water resources and agricultural lands. Israeli settlers, in contrast, do not require permits for any such activity and, unlike the Palestinian communities, all settlements in the oPt are connected to a water network.<sup>94</sup>

#### The Western Aquifer

The Western Aquifer Basin is the most productive water basin in Israel/Palestine, yielding the highest-quality water in the area. The aquifer formation extends from the western slopes of the West Bank to the north of the Sinai Peninsula. However, its main productive zone is a relatively small part that lies near the line between Israel and the oPt.

On average, Palestinian abstractions amount to approximately 6 per cent of the total, with Israel seizing for itself the lion share of 94 per cent. A series of military orders issued by the Israeli authorities prevent Palestinians from accessing or developing the water resources of the aquifer.

**Source:** E/ESCWA/SDPD/2013/Inventory.

### The Coastal Aquifer

The Coastal Aquifer Basin stretches along the eastern Mediterranean coast from the northern Sinai Peninsula in Egypt, via the Palestinian Gaza Strip, into Israel. Most of the abstraction originates from Israel, around 66 per cent of the total, while the Gaza Strip draws 23 per cent and Egypt about 11 per cent. Both Egypt and Israel have invested in alternative water supply options for the coastal areas through inter-basin transfer and the use of non-conventional water resources, while the Gaza Strip does not have access to alternative water resources and depends almost entirely on this basin for its water supply. However, the aquifer in the Strip is severely threatened by over-abstraction and pollution and there are fewer options to develop a sustainable water supply. Indeed, to prevent further degradation of the aquifer, Gaza would have to ban all agricultural groundwater abstractions!

**Source:** E/ESCWA/SDPD/2013/Inventory.

In the early 1970s, the Israeli army started providing Israeli companies and corporations with permits to quarry natural resources in the West Bank. Around ten such companies have been active, transporting to Israel raw materials that are used in its construction and roadworks sector. These quarries are mostly located in areas deemed as 'public land' by Israel. However, the Israeli human-rights organisation, Yesh Din, deemed the practice to be institutionalised theft.<sup>95</sup>

In contrast, Israeli authorities have not issued permits for Palestinian companies to quarry in Area C since 1994, even though mineral reserves there are worth an estimated \$30 billion.<sup>96</sup> Furthermore, the Palestinian Union of Stone and Marble Industry reported that since 2012, existing licences for Palestinian quarries have not been renewed, resulting in several Palestinian quarries in Area C ceasing operations or being forced to shut down.<sup>97</sup> Yesh Din, an Israeli human-rights organisation, reports that official strategic planning documents reveal that the Israeli authorities plan to rely on mining in the West Bank for at least the next 30 years.<sup>98</sup>

## 2. Dominating the people

In tandem with its efforts to control land and resources, Israel has sought to dominate the Palestinian population in the oPt, employing policies and practices to control the demographics on one hand, and suppress all forms of resistance on the other.

### (a) Demographic control

Controlling the demographics of the oPt serves to create conditions that enable, facilitate and entrench Israel's control over land, for it is easier for Israel to grab lands that are unpopulated, and claim, in any negotiations, that it would be impossible for it to relinquish control over lands that have Israeli majority populations. Moreover, creating facts on the ground potentially provides Israel with arguments for formal annexation.

To ensure demographic control, Israel exercises direct control over the population registry, employs a residency permit regime, and creates a coercive environment that induces displacement of population.

### (b) Controlling residency and population registry

Demographic control, through the population registry and restrictions on residency and movement, has enabled Israel to fragment the oPt: separating the Palestinians in Gaza from those in the West Bank socially and economically, fracturing the West Bank physically and administratively, and severing East Jerusalem.

By September 1967, less than four months after the occupation, Israel had conducted a population survey and created the population registry that remains under its control to this day. The registry is concretised through Israeli identity cards and covers registration of births, marriages, divorces and deaths, as well as changes of address/location.<sup>99</sup> Using this registry, Israel unilaterally determines who is allowed to reside in the oPt and in which part.<sup>100</sup>

Israeli authorities have used various pretexts for revoking residency permits, stripping many Palestinians of the right to reside in the oPt, move freely within it, or return to it after travelling abroad. In June 2012, the Israeli Government admitted that it had revoked the residency status of 250,000 Palestinians in the West Bank and Gaza prior to the establishment of the Palestinian Authority (PA) in 1994.<sup>101</sup>

Policies aimed at attaining “demographic balance” in East Jerusalem following its annexation are well documented.<sup>102</sup> Initially, Israeli authorities set a achieve a “ratio of

70 per cent Jews and 30 per cent Arab”. At a later stage this was changed to 60-40 after policy makers acknowledged that the 70-30 goal is unattainable in light of “demographic trends”. To achieve this, Israel’s plans for the city have included enabling “a densification of the rural villages and densification and thickening of the existing urban neighbourhoods”<sup>103</sup> within Palestinian communities.

Moreover, as well as suffering harsh treatment by security forces, the Palestinians in East Jerusalem experience discrimination in education, healthcare, employment, residency and building rights, in addition to expulsion from their homes and house demolitions (see below); all consistent with Israel’s plans for demographic engineering in Jerusalem.<sup>104</sup>

One significant “demographic balancing” measure in East Jerusalem is revocation of residency status. Israel has restricted the legal status of Palestinians there to being permanent residents: that is, foreigners for whom residency in the land of their birth is a privilege, not a right. That status is then made conditional upon Jerusalem being what Israeli law terms their “centre of life”, evaluated by documented criteria, such as home and business ownership, attendance at local schools, involvement in local organisations and so forth. If the centre of life of an individual or family appears to have shifted elsewhere, such as across into the rest of West Bank, their residency in Jerusalem would be revoked, as would be the residency of those who have spent time abroad.

### Unregistered Palestinian Children

Under international law, everyone is vested with the right to freedom of movement and the right to family life.

Since 1967, Israel has controlled the population registry of the West Bank, Gaza, and East Jerusalem. Although, with the signing of the Oslo Accords, the registry was supposed to be fully transferred to the Palestinian Authority in 1995, Israel never relinquished control over it.

In 2020, after the Israeli government announced plans to annex formally large swaths of the West Bank, in protest, the Palestinian Authority halted coordination of registration between it and Israel and ceased officially updating the Israeli side on the issuance of new passports and identity numbers, including births of children, even though details of these children were recorded onto the Palestinian identity cards of the mothers.

As a result, thousands of Palestinian newborns did not 'exist' as far as Israel was concerned, since, according to it, they were not officially registered. They, and their parents, were unable to move freely within the occupied Palestinian territory or travel, raising fears that this lapse will result in a significant number of Palestinians continuing to be unregistered and undocumented in years to come, placing families in limbo.

**Sources:** HaMoked, 2020; Chacar, 2020.

Such revocation of residency rights continues unabated under these various pretexts and rules: between 1967 and 2020, Israel revoked the residency status of 14,701 Palestinians of East Jerusalem, and in 2020, of 18 more, 10 of whom are women.<sup>105</sup>

In the rest of the West Bank, Israeli authorities consider to be illegal residents Palestinians living there who are registered in Gaza, unless they have a special permit from the Israeli military, which is issued only in exceptional and urgent humanitarian cases and under strict conditions. Tens of thousands of Palestinians in the West Bank are thus treated as offenders. In fact, the Israeli military has been tightening restrictions in this regard, mandating arrest and detention, for infiltration, of any Palestinian found without a valid permit.<sup>106</sup>

In addition to *de facto* expulsion, Israeli authorities have used various means to displace Palestinians within the occupied territory, mainly to make way for settlements and consolidate

control over land and resources, particularly in Area C of the West Bank and East Jerusalem.

#### (c) A coercive environment prompting displacement

Another means employed by Israel for controlling demographics is creating an environment that induces population displacement, forcing Palestinians to leave their places of residence through destruction of homes and livelihoods, denial of access to resources and services, and the continuous threat of violence and harassment by Israeli soldiers and/or settlers.<sup>107</sup>

#### (d) Demolitions and seizure of homes and structures

Demolition of Palestinians structures and homes has become one of the main displacement methods used by the Israeli authorities. Eviction from homes for the benefit of Israeli settlers is also a risk that Palestinians face, particularly in

East Jerusalem and Hebron. Forced relocation, particularly of Bedouin and herder communities in Area C is also a significant concern.<sup>108</sup>

The most common pretext for home and structure demolitions is lack of building permits, all while the zoning and planning regime that Israel applies is designed to make it extremely difficult for Palestinians to obtain such permits, forcing them to build without them homes and structures that then become 'illegal'.<sup>109</sup>

Discrimination is evident in the legislative and institutional systems of urban planning, which encourage construction in Israeli settlements and freeze it in Palestinian cities and villages.<sup>110</sup> This has led to there being in the West Bank two communities: Palestinian cities and villages under

Israeli military orders, and Jewish local and regional councils enjoying various benefits and incentives under Israeli law.<sup>111</sup>

Most settlements have detailed up-to-date structural plans that facilitate their expansion through easily obtainable construction permits. Additionally, the Israeli Government has classified 100 settlements in the West Bank as "level A" national priority areas, which makes them eligible for receiving maximum government benefits.<sup>112</sup> In contrast, construction in Palestinian villages has been practically frozen for four decades, blocking development.<sup>113</sup> Regulations on urban planning and demolition of unlicensed buildings are strictly applied to Palestinians but not to Israelis.<sup>114</sup>

#### Family Reunification Ban and Violence against Women

The family reunification ban, also known as the Citizenship Law, has a gendered impact on Palestinian women. Originally passed in 2003, the law discriminates against unifying families where one partner has Israeli citizenship or resident in East Jerusalem and the other is originally resident in the West Bank or Gaza Strip. This is significant, for it is often common practice in Palestinian society for a wife to move to her husband's home or region, even if in contravention of the ban. Given this practice, organizations have found that the ban impacts Palestinian women in unique ways, due to the vulnerability they experience far from family and/or support system. For example, a spouse with a right to residency in Israel may exercise a significant amount of power over the undocumented spouse. Such power may take the form of threats of reporting the undocumented spouse to the authorities or escalate into instances of exploitation or domestic violence. Even when a spouse is granted a temporary permit, they will not be eligible for a driving licence and will not receive social security or other government benefits within East Jerusalem or Israel, resulting in greater dependency on the resident spouse. In such instances, wives may opt to endure an abusive or exploitative marriage because they do not wish to be separated from or lose contact with their children who have legal residency. Moreover, women may not feel comfortable accessing domestic violence services either due to lack of knowledge, or for fear of being deported. In extreme instances, wives were murdered by resident husbands.

**Sources:** Kayan, n.d.; Dwoskin and Shira, 2021.

The restrictive and discriminatory planning regime applied by Israel in Area C and East Jerusalem makes it virtually impossible for Palestinians to obtain building permits. In Area C alone, there are over 12,500 pending demolition orders against Palestinian structures.<sup>115</sup> Less than one per cent of Area C and 13 per cent of East Jerusalem have Israeli-approved plans that allow Palestinians to apply for building permits. According to data obtained by the Israeli organization Peace Now from the Israeli Civil Administration (ICA), between 2009 and 2018, only two per cent of all requests submitted by Palestinians for building permits in Area C were granted (98 out of 4,422). According to the same source, a similarly restrictive regime applies in Jerusalem: between 1991 and 2018, only 16.5 per cent of permits were issued for Palestinians, although Palestinians comprise 38 per cent of the total residents of the city.<sup>116</sup>

Citing lack of construction permits, between January 2009 and December 2021, Israeli authorities demolished or seized at total of 8,165 structures, including around 2,210 inhabited residential structures and 1,465 structures funded by international donors.<sup>117</sup>

Some demolitions are carried out within the framework of expanding settlements.<sup>118</sup> For example, an increase in demolitions was recorded in East Jerusalem and Bethlehem where the expansion of the settlements ring around those areas had been announced or advanced by the Israeli authorities after 2019.<sup>119</sup>

Recent years have seen a steady increase in seizure, instead of demolition, of structures targeted due to lack of building permits in Area C. The structures seized, out of all targeted structures (demolished and seized), increased from about 8 per cent in 2016, to 30 per cent in

2020,<sup>120</sup> and 59.5 per cent during the first two months of 2021.<sup>121</sup> Seizures also extend to donor funded structures. Since 2016, international donors have requested the Israeli authorities to return to Palestinian beneficiaries over 210 humanitarian-aid structures that were seized. None has been recovered.<sup>122</sup>

Under-investment, as well as neglect of the public sector, have made the Palestinian economy seriously deficient in most infrastructures and public services. Transportation and sanitation are in dire straits. Almost all major roads in the West Bank and Gaza Strip were constructed before 1967, and have received minimal maintenance, if at all, over the years since. Water, sanitation, and hygiene (WASH) infrastructure is deficient and poses major health hazards.<sup>123</sup> Such conditions have become a main feature in Area C, particularly in areas near the settlements.

Furthermore, within the West Bank, especially in area C, movement restrictions detailed in the next section are part of the coercive environment. Hampering access by residents to basic services, as well as to their means of livelihoods and population centres, complicates their lives, making it more difficult for them to remain in place.

In effect, the coercive environment that Israel determinedly maintains amounts to forcible transfer; a grave violation of international humanitarian law.

#### (e) Movement restrictions

Israel has throughout resorted to measures that restrict freedom of movement of Palestinians across the oPt, including closures, constraints on access to certain areas, and a permit regime that curtails movement between Gaza and the



West Bank, including East Jerusalem. Such restrictions have been a main tool for fragmenting the Palestinian population and territory and continue to disrupt the daily lives of the Palestinians and infringe their rights.<sup>124</sup>

Israeli authorities mostly cite security as a pretext of for restricting Palestinian mobility, justifying its impacts on Palestinian rights by maintaining that freedom of movement is not an absolute right and must be balanced with security and public order.<sup>125</sup> However, in view of their punitive effect on ordinary persons who do not pose a threat and the severe human rights impact on the entire population, these measures amount to collective punishment.<sup>126</sup>

Indeed, closures have been repeatedly imposed as a punitive measure. At various points, among the first measures that Israel would take in response to security or political developments was sealing the Gaza Strip and West Bank from each other, as well as from East Jerusalem and Israel, mostly as a punitive measure.<sup>127</sup> This policy amounts to collective punishment, in violation of article 33 of the Fourth Geneva Convention of 1949,<sup>128</sup> which prohibits imposition of “collective penalties” upon the civilian population. Furthermore, restrictions on movement constitute discrimination between Palestinians and Israelis, for Israeli law guarantees freedom of movement to Israelis and grants them unrestricted travel in the West Bank (except in Area A).<sup>129</sup>

After the Oslo Accords of 1993, Israel started imposing closures systematically, with varying degrees of intensity, separating parts of the occupied territory, including East Jerusalem, from each other, as well as from Israel, resulting in “a permanent state of closure”,<sup>130</sup> with movement of the Palestinians regulated through

a permit regime that governs their access to different parts of the oPt.

Undoubtedly, the blockade of Gaza since 2007, which is the most extreme form of restrictions on movement, is a form of collective punishment. By contrast, while mobility restrictions on Palestinians in the West Bank also constitute collective punishment, they also serve additional functions within the matrix of control and domination: exacerbating the coercive environment that induces displacement of Palestinians and entrenches Israel’s control over land.

#### (f) Closures and mobility restrictions: the Gaza blockade

The strict measures that Israel imposed on the Gaza Strip in 1993 effectively marked the beginning of Israel’s closure policy. Subsequently, after a series of measures meant to apply political pressure on the Palestinian Authority after its establishment in 1994, Israel further tightened restrictions in response to the second intifada that erupted in September 2000.

As part of a unilateral plan, in 2005, Israel dismantled its settlements and withdrew its settlers and military forces from the Gaza Strip. It did not, however, cede “effective control” over it, thus continuing to be the occupying Power, according to international law.<sup>131</sup>

In 2006, subsequent to Hamas winning the parliamentary elections, Israel imposed yet another layer of mobility restrictions on Gaza after. On the 19th of September 2007, Israel declared the Strip a “hostile territory”, adding a raft of severe restrictions, which amount to a full blockade with an almost full ban on the movement of persons and goods from and to

the Strip. Notably, Israel did not cite security concerns for imposing these restrictions and the blockade; rather, the public official objective of the blockade was to apply pressure on what it labelled as the “ Hamas regime ”.<sup>132</sup>

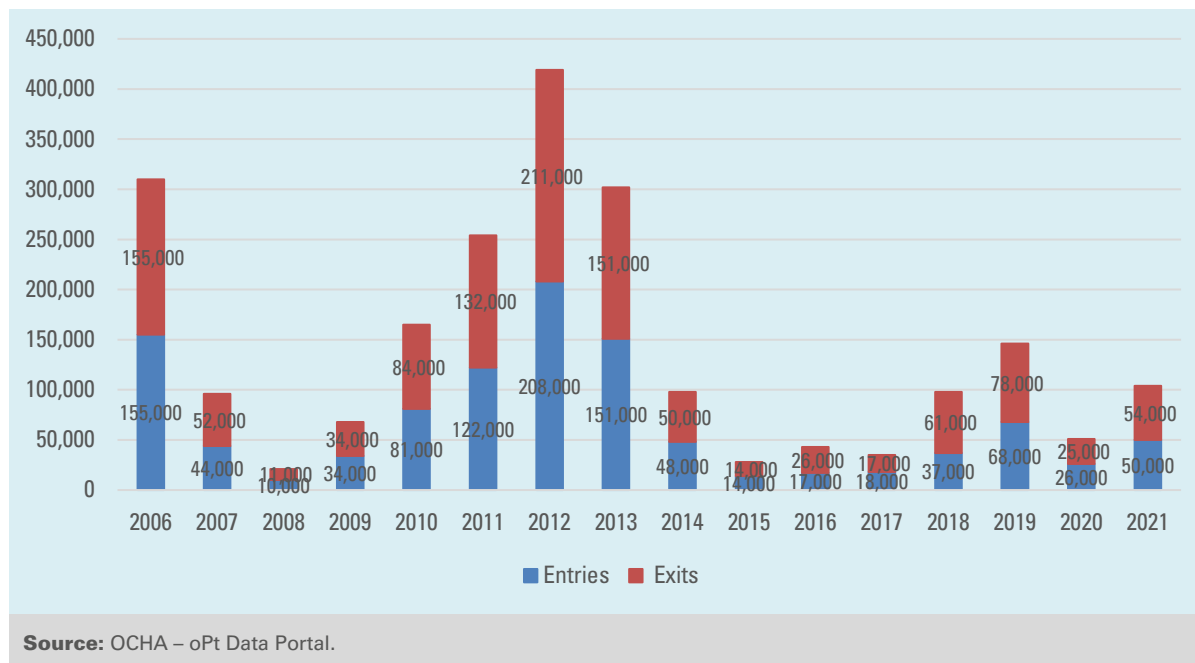
The blockade of Gaza, which has been imposed since, amounts in reality to collective punishment that exacts huge immediate and cumulative impacts. The measures that comprise the blockade include sealing off the Gaza Strip by land, air, and sea, blocking the transit of people and goods, albeit with some exceptions, mainly due to international pressure. They also include enforcing an access-restricted area around the Gaza Strip itself and along the maritime area facing it.

Israel controls the five border crossings between Israeli territory and the Gaza Strip. These are:

- Beit Hanoun (Erez) crossing for pedestrian traffic.
- Karm Abu Salem (Kerem Shalom) crossing for all authorised goods/humanitarian aid.
- Shuja’iya (Nahal Oz) crossing for industrial fuel/gas: closed since 2011.
- Al-Mentar (Karni) crossing, which is a conveyor belt for grains, closed since 2008.
- Sofa crossing for humanitarian goods/construction materials, closed since 2007.<sup>133</sup>

The only remaining crossing, Rafah, along the border with Egypt, is designated for the entry and exit of people. Since 2006, the number of days in a year that this crossing was open has fluctuated widely, from it being closed for most of the year (e.g., 309 days in 2007 and 329 in 2017) to it being mostly open (e.g., open for 341 days in 2009 and 241 in 2019).<sup>134</sup>

Figure 4. Number of people leaving and entering Gaza through Rafah Crossing



Since 2007, as a general rule, Palestinians are not allowed to travel in and out of Gaza, and the few exceptions are determined by a permit system imposed by Israel. Applications for permits must comply with Israeli set criteria that undergo frequent changes. In approving, or vastly more often rejecting, applications, Israeli authorities “evaluate” them “according to the necessary individual security checks that the security services and Israel Police need and according to the political, security, and strategic interests of the State of Israel”.<sup>135</sup>

Furthermore, reportedly, in numerous instances Palestinians granted permits to cross Erez are denied passage if they do not cooperate with Israeli security forces when asked to provide information about relatives and armed groups in Gaza.<sup>136</sup>

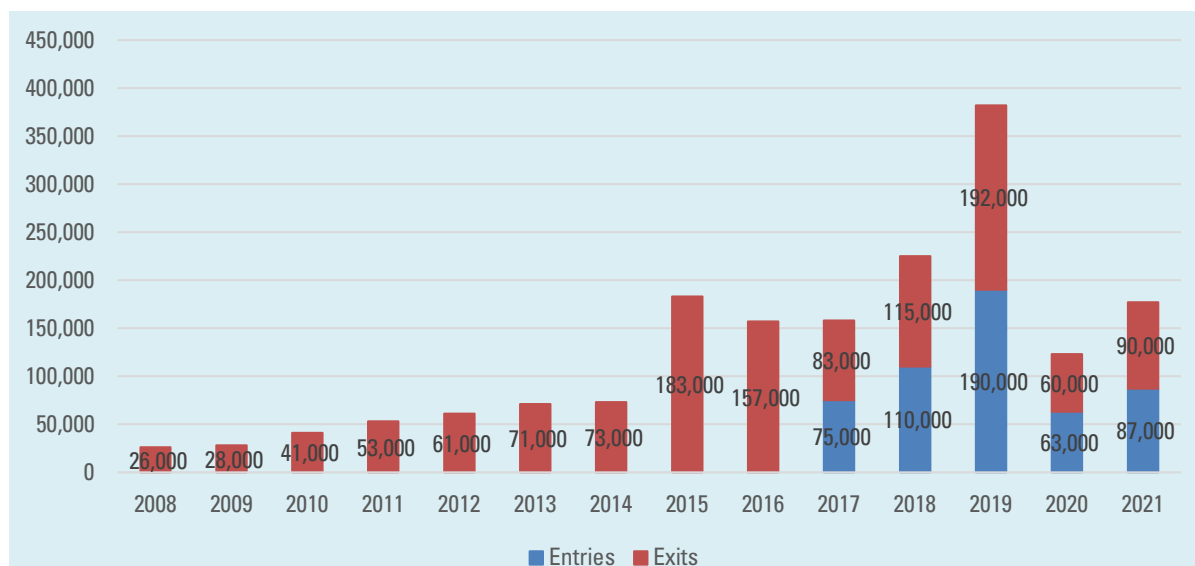
The severe restriction of movement of persons to and from the Gaza Strip has rendered it the biggest open-air prison in the world. Only a few

are allowed to leave for a specific purpose under strict conditions. The main categories are as follows:

- For “life-saving or life changing medical treatment, provided the requested treatment is unavailable in the Gaza Strip”.<sup>137</sup> Applicants should prove the need for such a treatment, with appointments and payments arranged in advance.

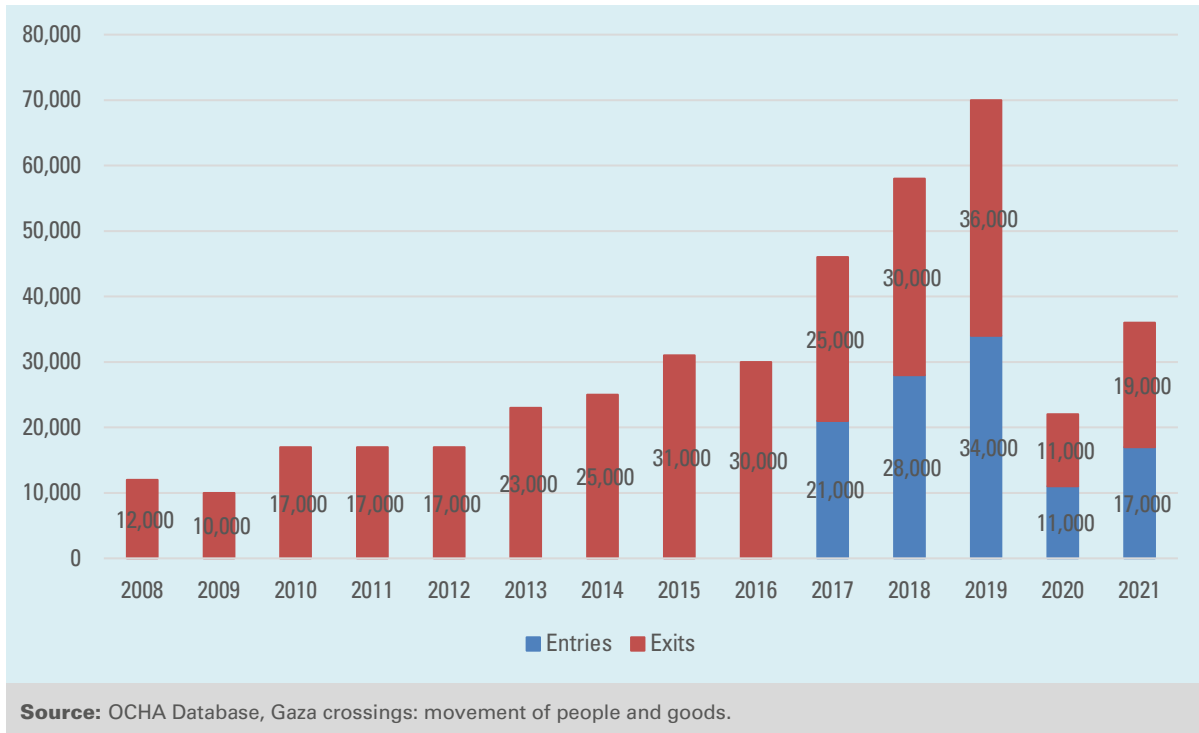
In 2021, there were 1,696 patient-permit applications. The approval rate has been declining and reached 61 per cent in 2021,<sup>138</sup> despite a sharp increase in need for medical treatment outside Gaza subsequent to the May 2021 Israeli military offensive. Furthermore, 2,101 patient companion permit applications were submitted, of which only 38 per cent were approved.<sup>139</sup> In the context of the May 2021 offensive, cancer patients with exit permits were not allowed to leave for treatment between May 11 and June 3.<sup>140</sup>

Figure 5. Erez Crossing: Movement of people by year



Source: OCHA – oPt Data Portal.

Figure 6. Erez Crossings: exits and entries of patients



### The “Businessman Card” (BMC) Visa

“A successful business usually grows over time. In Gaza, it is the opposite”.

Sumah Al Nahal, jewellery designer

The so-called “Businessman Card” (BMC) issued by Israel allows travel out of the oPt, particularly Gaza, for business purposes for professional figures in the fields of energy, water, communications, waste, health, or environmental quality, or senior figures in the economic sector in the fields of banking, tourism, insurance companies, communications companies and hi-tech. Businesswomen, however, often do not work in these fields and are more commonly concentrated in public, non-profit or small businesses, which means that they are not eligible to apply for such permits or to transport products. Additionally, numerous small business owners, many of whom are women, are not familiar with this application process or even aware that such a visa exists. In fact, data show that few women are able to obtain such permits; for example, at the beginning of 2018, only five out of 320 valid senior trader permit holders in Gaza were women. Thus, “the permit regime *de facto* discriminates against women, as they tend to work in professions that are not recognized by Israel in its criteria for travel.”

**Source:** Gisha, 2019.

- For “traders and businessmen” trading in approved goods by Israeli authorities whose entry “may contribute to improving the Gazan economy”. In September 2021, the March 2020 quota of trader permit holders of about 6000 was expanded to 7,000 for the first time since Israel imposed a “coronavirus closure” at Erez Crossing.<sup>141</sup>
- For staff and personnel of UN and international humanitarian organizations. However, the number of UN national staff prohibited from applying to exit Gaza via Israel increased from 40 in 2017 to 150 in 2019, adding to 111 international NGO personnel who were prohibited from applying for permits for one year. In addition, the duration required to submit the permit application increased to 55 working days in 2019, compared with 14 working days in 2017.<sup>142,143</sup> For example, according to UNRWA, in 2020, out of 136 applications, 28 permits (20.6 per cent) were granted.<sup>144</sup>

Gisha, an Israeli organization, reported that for the five-year period between January 2015 and December 2019, an average of about 373 Palestinians exited Gaza via Erez each day, less than 1.5 per cent of the daily average of 26,000 in September 2000. Amid the Covid-19 pandemic, Israeli authorities tightened the closure; – between March 2020 and December 2021, an average of about 143 Palestinians exited Gaza via Erez each day, less than half the daily average for the period between January 2015 and December 2019.<sup>145</sup>

As part of the blockade, Israel enforces a buffer zone by land and sea known as “access restricted areas”. Access to land located within 200-300 meters from the border fence surrounding Gaza is prohibited, while areas up to 1,500 meters from the border fence are considered by Palestinians as risky. In addition,

around 3,000 farmers are facing significant challenges reaching their farming lands, 1,000 meters from the border fence.<sup>146</sup>

The maritime area off the Gaza coast to which Palestinians are allowed access, mainly for fishing, has been generally restricted by Israel to 3-6 nautical miles (Nm), less than a third of the 20 Nm agreed under the Oslo Accords. Despite expansion of the fishing zone off the southern coast to 15 Nm in 2019, making it the largest since 2007, access to the sea remains unpredictable.<sup>147</sup> However, subsequent to May 2021 hostilities, Israel reduced the fishing zone to 6 Nm until July 12, when it announced that “in light of the calm,” it would expand the “fishing zone” to a maximal distance of 12 Nm off parts of the Gaza coast.<sup>148</sup> Israel often enforces permissible areas using live ammunition against Palestinian farmers and fisher folk, leading to casualties and, in some cases, damage to boats. Confiscation of boats is also a measure resorted to by Israel.

#### (g) Closures and mobility restrictions: fragmentation and control within the West Bank

Movement of Palestinians in the West Bank, including East Jerusalem, is restricted through a complex system of checkpoints, permits, military roadblocks, settlements, a bypass road system, parallel legal regimes and the wall that Israel has been constructing. Such measures disrupt daily life of the Palestinians, infringing a range of their rights, such as the rights to education, healthcare, work and an adequate standard of living,<sup>149</sup> while fragmenting the West Bank into more than 100 cantons and hindering interaction among Palestinian communities.<sup>150</sup>

The principal obstacle to movement within the West Bank, including East Jerusalem, is the wall, 85 per cent of which is located within the

occupied territory, and which has been deemed to be illegal by the International Court of Justice.<sup>151</sup> During the olive harvest season between October and December 2013, among 74 available gates for Palestinian passage, only 52 were open<sup>152</sup> Sources indicate that during the 2020 season, 69 gates and 4 checkpoints were allocated for agricultural access, compared with 73 and 5, respectively, in 2019, when only 11 gates were open daily; 10 open for some day(s) of the week, in addition to the olive season; and the majority, 48, only open during the olive season.<sup>153</sup>

Moreover, Palestinians living in the area between the Green Line and the wall (the seam zone) are obliged to pass through checkpoints to reach other parts of the West Bank; entry of dairy products, meat and eggs is restricted; and service providers are not allowed to enter unless they obtain in advance Israeli-issued permits or a verbal approval from the Israeli authorities (referred to as 'prior coordination'). In addition, family members and friends face similar restrictions on entering, with the result that social and religious functions are forced to be held on the 'West Bank side' of the Wall.<sup>154</sup>

In 1997, the Israeli military commander of the West Bank issued an order declaring municipalities that include settlements as "closed military zones" off limits to Palestinians, even though they contain private Palestinian property. As of the end of 2020, the area controlled by the regional council of Israeli settlements, including closed areas allocated for settlement expansion, was about 542 km<sup>2</sup>,

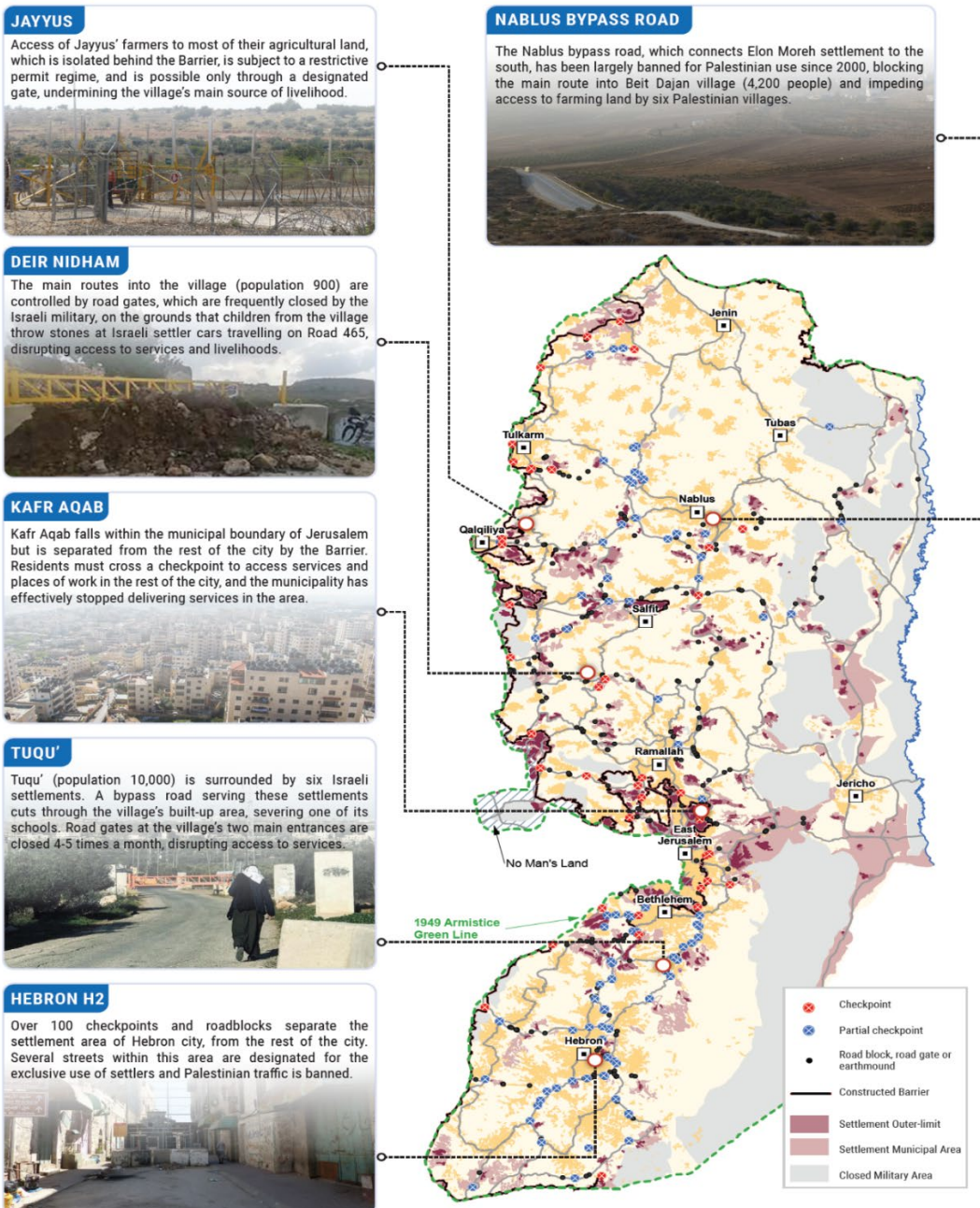
amounting to about 10 per cent of the total area of the West Bank. An additional 18 per cent approximately has been confiscated allegedly as military bases and for military training. Movement of Palestinians in these areas is severely restricted.<sup>155</sup>

Within the West Bank, Israeli authorities manage, or rather obstruct, movement of the Palestinians by employing more than 590 fixed permanent obstacles, such as checkpoints, earth mounds and road gates, as well as by frequent flying or temporary checkpoints. These restrictions remain in breach of international law.<sup>156</sup> These restrictions are only applicable to Palestinians, while settlers enjoy freedom of movement and access in the West Bank and are also served by 65 kilometres of Israeli-only roads.<sup>157</sup>

In addition to the regions abutting the wall, discrimination in freedom of movement is most flagrant in the Hebron district. According to Oslo Accords, Israel retains responsibility for security matters in the central part of the city, including old Hebron, known as H2, while the Palestinian Authority is supposed to have authority for civilian matters relating to local Palestinian residents. Some 35,000 Palestinians and some 500 settlers live in that area which is physically segregated from the rest of Hebron by multiple checkpoints and barriers. Palestinians living in the area are subjected to extreme restrictions on movement by car and on foot, including closure of main streets, while Israeli settlers have unfettered access.<sup>158</sup> In addition, hundreds of stores and commercial establishments in the area have been shut down by military order.

### Map 3. Map of Israeli checkpoints and roadblocks in the West Bank

#### MOVEMENT AND ACCESS IN THE WEST BANK



**Source:** OCHA – oPt, Movement and Access Restrictions. Available at <https://www.ochaopt.org/content/longstanding-access-restrictions-continue-undermine-living-conditions-west-bank-palestinians>.

## (h) Suppression

A cornerstone of Israel's strategy in the oPt is the suppression of any form of resistance to its policies and practices, including displacement, fragmentation, dispossession and other controls. To this end, Israel resorts to practices and measures that violate international humanitarian law and international human rights law, including:

- (a) Excessive use of force with impunity: Across the oPt, the Israeli army and security forces resort to patterns of excessive, disproportionate and unnecessary use of force, particularly at checkpoints in the East Jerusalem area.<sup>159</sup> Some cases possibly amount to arbitrary deprivation of life, including extrajudicial execution.<sup>160</sup>

Between 2000 and 2021, 2,198 children were killed by the Israeli military or Israeli settlers<sup>161</sup> and during the Israeli military offensive on Gaza in May 2021, 66 children were killed.<sup>162</sup> Moreover, of particular concern is the recurrent use by Israeli security forces of crowd control means against children inside and near schools close to settlements, and elsewhere, several documented cases testify to unwarranted use of force and violations of the right of Palestinian children to physical and mental integrity.<sup>163</sup>

In cases of excessive use of force by Israeli security forces, especially against unarmed demonstrators, accountability is generally lacking.<sup>164</sup> In addition, concern about reports of deaths attributed to delays in provision of medical assistance to wounded Palestinians was expressed by the Office of the United Nations High

Commissioner for Human Rights (OHCHR), and intentional blocking of ambulances and first responders has also been reported.<sup>165</sup>

Four major Israeli military assaults on the Gaza Strip between 2008 and 2021 epitomise Israel's use of force against the Palestinians. These involved violations of international human rights and international humanitarian law, including disproportionate use of force resulting in deaths of thousands of Palestinian civilians and destruction of tens of thousands of homes and other civilian structures and infrastructure.<sup>166</sup>

On 30 March 2018, Palestinians in Gaza started organising periodic demonstrations at the border fence, named the "Great March of Return". On several occasions, Israeli forces used live ammunition against the demonstrators. From 30 March 2018 to 29 February 2020, 231 Palestinian demonstrators were killed, and 36,143 injured.<sup>167</sup>

Such actions are contrary to Israel's obligations under international humanitarian law, as the occupying Power, to protect the Palestinian population from all acts of violence in all circumstances.

The Independent International Commission of Inquiry on the Protests in the Occupied Palestinian Territory<sup>168</sup> found reasonable grounds to believe that some violations by the Israeli security forces constitute international crimes, including possible war crimes and crimes against humanity, particularly through unlawful, excessive and disproportionate use of force and the intentional targeting by Israeli snipers of



civilian demonstrators in Gaza, including children and persons with disabilities, as well as health workers and journalists.<sup>169</sup>

With rare exceptions in which investigations were launched, a lack of accountability for violations by the Israeli security and military remains pervasive.<sup>170</sup> A persistent and prevailing culture of impunity only fuels further violations.<sup>171</sup> Permissive rules of engagement regarding firing at unarmed protestors, coupled with a law enforcement system that does not allow genuine and effective investigations, have resulted in unnecessary loss of many lives.<sup>172</sup>

In March 2021, the Prosecutor of the International Criminal Court initiated an investigation into war crimes potentially committed by members of the Israeli army in the 2014 offensive in Gaza, including: “intentionally launching disproportionate attacks”; “wilful killing and wilfully causing serious injury to body or health”; and “intentionally directing an attack against objects or persons using the distinctive emblems of the Geneva Conventions”. In addition, the Prosecutor will investigate “crimes allegedly committed in relation to the use by members of the IDF [Israeli Defence Forces] of non-lethal and lethal means against persons participating in GMR [Great March of Return] demonstrations beginning in March 2018, [...], which reportedly resulted in the killing of over 200 individuals, including over 40 children, and the wounding of thousands of others.”<sup>173</sup>

- (b) Arbitrary detention and ill-treatment: From 1967 to 2021, Israel detained more than a million Palestinians.<sup>174</sup> As of 7th of November 2021, 4,650 Palestinians were held as “security prisoners” in Israeli

prisons, including 160 children, 34 women and 9 members of the Palestinian Legislative Council, while on 30 September 2020, 376, including two children, were held in administrative detention,<sup>175</sup> which is incarceration without charge or trial or disclosure of any relevant evidence and with no time limit on period. Israel’s excessive use of administrative detention is inconsistent with the exceptional nature of such detention permitted under international humanitarian law, and with article 9 of the International Covenant on Civil and Political Rights.<sup>176</sup> Israeli authorities also transfer most Palestinian detainees, adults and children, to prison facilities inside Israel, although this is prohibited under international humanitarian law and breaches the Fourth Geneva Convention.<sup>177</sup>

Palestinian detainees, including children, have been reportedly subjected to torture and other ill-treatment, particularly during arrest and interrogation. Two Israeli human rights organisations, B’Tselem and Hamoked, concluded in 2015 that cruel, inhuman and degrading treatment of Palestinian detainees is inherent, institutionalised and implemented with full impunity.<sup>178</sup> In fact, not a single criminal investigation was opened into the more than 1,000 complaints of torture and ill-treatment filed between 2001 and 2018,<sup>179</sup> and Human Rights Watch attests that between 2001 and 2020, around 1,300 complaints of torture against Israeli authorities filed with the Ministry of Justice in Israel resulted in a lone criminal investigation and not a single prosecution.<sup>180</sup> Notably, the number of complaints of torture or ill-treatment has quadrupled since June 2013.<sup>181</sup>

- (c) Collective punishment: Collective punishment includes the practice of “penalising persons for acts that they did not commit and for which they are not individually criminally responsible”<sup>182</sup> and is strictly prohibited under international law.<sup>183</sup> As detailed in previous sections, Israel’s practice of collective punishment has significantly intensified in recent years, including punitive home demolitions<sup>184</sup> and revocation of residency permits or work permits of family members of Palestinians suspected of acts of resistance. Other forms of collective punishment include closure of entire communities and villages from which a suspected attacker came. In addition, since 2015, Israel resumed the practice of withholding the bodies of Palestinians killed in clashes, which is also considered collective punishment.<sup>185</sup>

### C. Controlling economic activity

Israeli control and domination policies and practices, described in the previous sections, in themselves are enough to incapacitate the normal operation of market forces in the Palestinian economy.<sup>186</sup> However, their impact is multiplied when coupled with measures that specifically target Palestinian economic activity.

These include restrictions over the use of natural resources, massive resource transfers from the de-developed Palestinian economy to the developed Israeli economy, inhibition of business activities by an imposed regulatory regime, fiscal compression and diversion, severance of the Palestinian economy from its natural environment and markets, tying the fortunes of Palestinian labour to the Israeli economy, fragmentation of the Palestinian market, and raising transaction costs.<sup>187</sup>

Such practices and policies remained in place after the Oslo agreement and the launch of the peace process. “Lopsided negotiated arrangements”, including the Paris Protocol,<sup>188</sup> compounded the economic effects of closures and mobility restrictions during the post-Oslo period, which has resulted in the enclavisation seen in the physical separation of the West Bank and Gaza; the imbalance between the Palestinian and Israeli economies; and the growing divisions within the Palestinian labour market, with the related, emerging pattern of economic atrophy.<sup>189</sup>

Prior to the Oslo Accords, Israeli regulatory practices and impediments stunted Palestinian businesses<sup>190</sup> and economic development, discouraging local initiatives that might compete with Israel.<sup>191</sup> All economic activities were placed under the scrutiny of the Israeli military administration in the territories and every economic undertaking required its approval. Plans by Palestinian businesses to start a new venture, or expand an old one, were often frustrated by outright denial or by delays in granting the permits that were required for all activities related to acquisition of land, construction of buildings, transformation of goods, and export and import activities.<sup>192</sup>

Israel’s taxation of Palestinian business activity was detrimental. Palestinian firms have had a VAT placed on all their imports of raw materials through Israel. The long delay in receiving the refunds of this tax has caused these firms severe cash flow problems and a shortage of capital, which resulted in an annual loss estimated to be 8-12 per cent of the value of their finished products.<sup>193</sup>

Economies of scale enjoyed by advanced Israeli manufacturers enabled them to undercut small Palestinian firms producing for the domestic market, which in turn disrupted and replaced

Palestinian artisanal and small-industry production. Moreover, migration of Palestinian labour to Israel destroyed the fledgling indigenous industrial sector and eliminated any comparative advantage it may have had, while simultaneously bestowing comparative and absolute advantages on Israeli manufacturing.<sup>194</sup> Remarkably, a study revealed that 50 per cent of Palestinian imports from Israel during the mid-1980s had prior to the occupation been produced domestically.<sup>195</sup>

Immediately after Israel occupied the West Bank and the Gaza Strip, it imposed a customs union trade arrangement that increased tariffs approximately fourfold. Along with the other obstacles, this drastic increase resulted in a huge trade diversion away from neighbouring Arab countries and the rest of the world towards the Israeli market, raising the cost of capital and intermediary goods to Palestinian producers, which effectively eliminated their competitive edge in foreign markets.<sup>196</sup>

Not only did Israel determine trade arrangements according to its own interests, it also employed protection measures in certain sectors that are not normally found in customs unions, such as those related to agriculture. Another feature of the imposed customs union was that, prior to the establishment of the PA, it provided no arrangement for sharing the proceeds from import taxes; the lion's share of the revenues was transferred to Israel.<sup>197</sup>

The Paris Protocol of 1994, which was incorporated into the Oslo Accords, formalised the *de facto* customs union and locked in the adverse path of dependence of the Palestinian economy upon Israel.<sup>198</sup> In addition, the Protocol and Accords did not give the PA any economic policy space to promote growth of the Palestinian economy. Monetary policy is absent due to the lack of a national currency

and fiscal policy tools are restricted by the Paris Protocol to margins from the Israeli tax rates, specifically customs and VAT, with income tax remaining the only fiscal policy tool available to the PA.

After 1994, the fragmented and constrained territorial setting for the entirety of the oPt was further compounded by a very restrictive web of physical and administrative security measures designed to control the movement of Palestinians, severely limiting movement of people and trade. These measures were entrenched and institutionalised after 2000. As a result, more Palestinian financial resources were diverted to finance a rising import bill, at the expense of financing domestic investment that is needed for a self-sustaining economy.<sup>199</sup>

The Palestinian Government remains dependent for financing its recurrent budget deficit, indeed for its very fiscal survival, on timely transfer of clearance revenues by Israel without interruption, as well as on international funding. On several occasions, Israel suspended the monthly transfers of clearance revenues, the PA's largest source of income, which was estimated at over \$2 billion in 2016, amounting to over two-thirds of the PA's total revenues, and covering about 40 per cent of its recurrent expenditures.<sup>200</sup> In February 2019, the Israeli Government put into effect the July 2018 law<sup>201</sup> that reduces clearance revenue transfers to the Palestinian Government.

The Palestinian banking system was shut down in 1967 and was not allowed to reopen until the 1980s and, even then, only in a very limited manner. During the first decades of the occupation, a few Israeli banks very sparingly operated in the oPt. Financial institutions barely existed and only minimal financial transactions were available through a relatively well-

developed network of money changers that worked with the Jordanian banking system.<sup>202</sup>

Since the Oslo Accords, Palestinian banks have been allowed to operate, but have restrictions on the exchange of Israeli Shekel to foreign currencies and on deposits in Israeli banks.

Israeli policies towards Palestinian labour and employment were determined during the first decades of the occupation by the needs and interests of the Israeli economy. In 1968-69, Israel recovered from an economic recession that began in the mid-1960s, but the recovery was marred by high unemployment. In the light of this, Palestinians were allowed to work inside Israel in a regulated manner. By 1972, and as the economic conditions in Israel changed, a significant number of Palestinians from the oPt continued to work in Israel. Wages for Palestinians working in Israel were lower than those of Israeli worker. However, during the first few years, these were much higher than the wages of those working in the oPt, but the gap nearly disappeared during the following years.<sup>203</sup>

## 1. Restrictions on movement of goods

Since the imposition of the blockade on the Gaza Strip, Israeli authorities intensified restrictions on the flow of goods through land crossings.

Between 2007 and 2010, imports into Gaza were restricted to what Israeli authorities labelled as a “humanitarian minimum”. This was identified through calculating the number of calories consumed by Gaza residents to identify the bottom line to which it was possible to reduce the food supply to Gaza without causing hunger or malnutrition. In June 2010, the “flotilla incident”<sup>204</sup> and international pressure prompted Israel to ease restrictions on the entry of goods, except for building materials and goods defined as having a “dual use”.<sup>205</sup> However, the severe restrictions on exports from the Strip remained in place until 2014 when they were also eased due to international pressure following the Israeli attack on the Strip in the summer of that year.

Table 1. Share of employment in Israel of total Palestinian employment in per cent

Years	Gaza	West Bank
1968-1972	17	21
1973-1979	37	30
1980-1987	45	32
1989-1993	34	31
1994-1996	6	18
1997-2000	14	23
2001-2005	2	14
2006-2010	0	14
2011-2015	0	15
2016-2019	0	17

Sources: CBS, PCBS and World Bank since 1994; Arnon, 2007.

Figure 7. Monthly average exit of goods from Gaza (Truckloads)

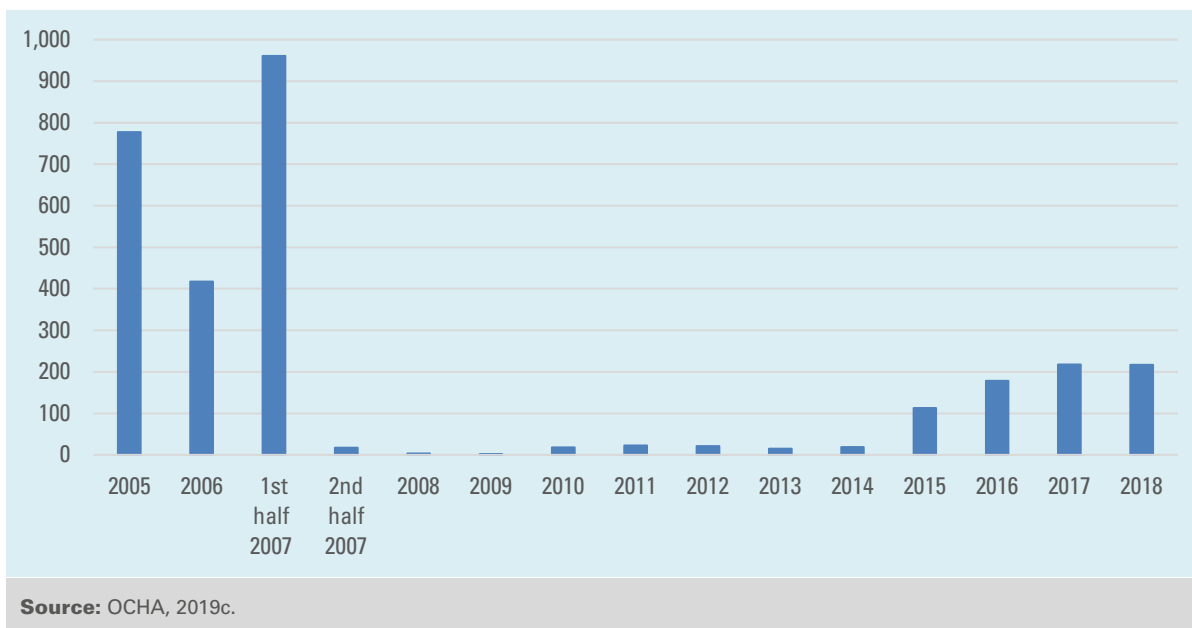
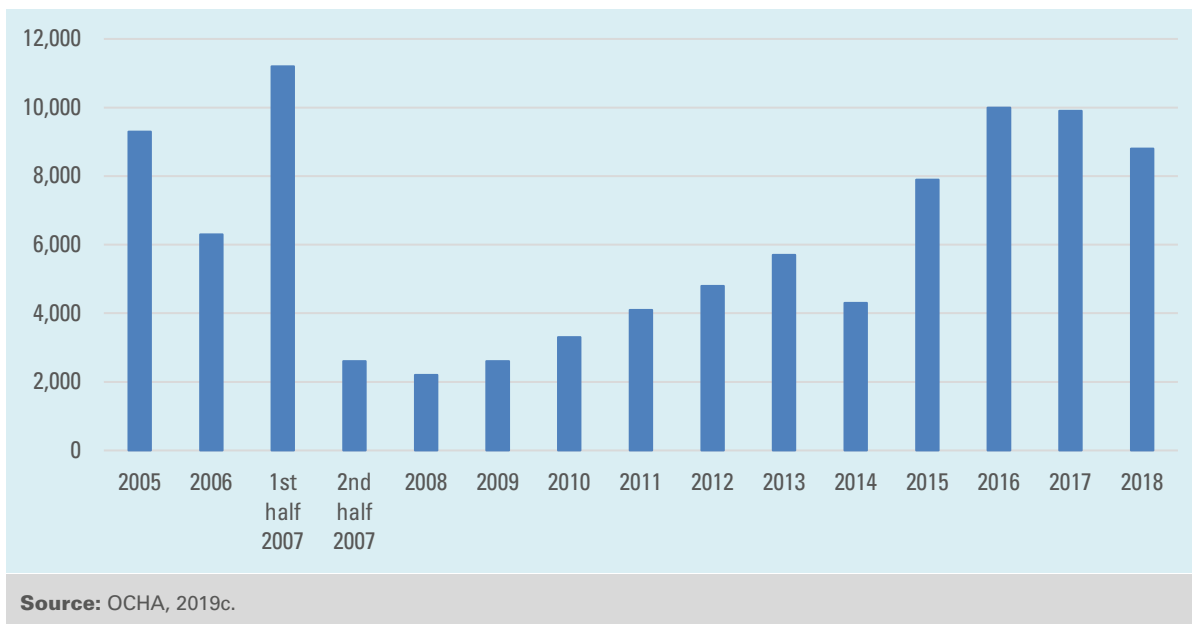


Figure 8. Truckloads entering Gaza (Truckloads-monthly average)



Although the volumes of imports to and exports from the Strip gradually increased over the years, they remain well below their pre-

blockade levels. Taking into consideration the increase in population from 1.4 million in 2007 to almost 2 million in 2017, and the consequent

increase in needs and consumption levels, as well as the volume of materials needed for reconstruction and rehabilitation following recurrent military offensives against the Strip, levels of imports remain, at best, insufficient. The number of refugees relying on food aid by UNRWA increased by 12.5 per cent; from around 80,000 in 2000 to around 1 million in 2017 (around 77 per cent of Palestinian refugees living in Gaza).<sup>206</sup>

## 2. Israeli designation of dual-use items

Israel prohibits importation into the oPt of items on a “dual-use” list that it unilaterally determines can be used for civilian and military purposes by the Palestinians.

In 2008, the Israeli authorities recompiled the list of “dual use” items for Gaza, adding 54 new items, including farming tools, fishing gear, and other manufacturing equipment. In March 2015, 48 more items were added to the Gaza list, though permitted in the West Bank. 13 more items were added in November 2015.<sup>207</sup>

Further, traders have reported that at entry to Gaza, the Israeli authorities may deem nearly any item as “dual use”, even if it was previously imported by the same importer unimpeded.<sup>208</sup>

The ban of items on the “dual use” list has affected almost every sector in the Gaza Strip, from construction and housing to water and sanitation to medical services to education, in addition to deepening the economic and humanitarian crisis. The following are examples of banned items:

- In 2017, the United Nations Country Team declared that the Gaza Reconstruction Mechanism (GRM)<sup>209</sup> was “less successful in

enabling import of ‘dual-use’ items other than re-bar and cement (non-BC)”. Water pumps, elevators, wood, steel, cables and other electrical equipment, requested through the GRM, were by July 2017 still awaiting decisions by the Israeli Government, many which were pending for more than six months. These delays impacted large-scale development projects, especially in the critical energy, water and health sectors.<sup>210</sup>

- After the May 2021 offensive, a Gaza Rapid Damage and Needs Assessment (RDNA) report was conducted by the World Bank Group in partnership with the European Union and the United Nations. The report found that a frictionless trade of non-sensitive goods between the West Bank and Gaza and onward to regional markets must be established.<sup>211</sup>
- Wood planks allowed into Gaza have been limited to less than 1 cm thick and 5 cm wide. This, along with the absence of other materials, such as lacquers and glues, has led the furniture industry in Gaza to all but collapse, leading, in turn, to shortages in items like wooden doors. Prices have soared as stocks run out. Manufacturers are finding themselves out of business and unemployed. Ironically, the Israeli authorities announced in 2016 that furniture is one of the items produced in Gaza that will be allowed for sale in Israel.<sup>212</sup>
- Drilling equipment, construction materials, water pumping supplies, and high-concentration chlorine compounds (>11 per cent), which are also on dual-use the list, impede maintenance, rehabilitation and development of the water network and water treatment facilities, including those damaged or destroyed during the 2014 or previous military offensives.<sup>213</sup>

## 2. Impact of Israeli policies and practices on the Palestinian economy



### Key findings and messages

- Israeli policies and practices eviscerated the Palestinian economy: deprived it from access to vital resources, eroded its productive sectors and led to its de-development.
- Evisceration of the local economy impelled the Palestinian labour force to work in Israel.
- Demise of the productive sectors has led to Palestinian reliance on commodities supplied from Israeli markets.
- Financial restrictions on currency exchange have entrenched the dependency relation through reliance on trade with Israel.
- Destruction and lack of development of infrastructure have led to deterioration in the economic and social conditions of the Palestinian people.
- The Paris Protocol has institutionalised the imposed customs union, entrenched the dependency relation, and led to fiscal leakage in PA revenues.

The right of the Palestinian people to development and their sovereignty over their natural resources are indisputable. Also undisputed is that Israel's policies and practices have denied Palestinians these rights, among others. Attainment of these rights, within the framework of full application of international law, remains the essential precondition for attaining peace and development. Efforts to satisfy this precondition include policy tools and guidance stemming from a deeper understanding of the impact of Israel's matrix of control of and domination over the Palestinian economy. This is the lens from which this chapter approaches the economic implications of the Israeli occupation.

Detailed assessment of the economic repercussions of Israeli policies and practices

and their evolution over more than 54 years of occupation is a mammoth task. Rather than attempt a qualitative and quantitative assessment of the impact of each policy, this chapter provides an overview of the process of what seems to be deliberate evisceration of the Palestinian economy under occupation, with particular reference to the productive sectors and income distribution. In addition, some alternative development options that the PA and international donors may need to envisage are discussed in chapter 4.

### A. Erosion of productive sectors

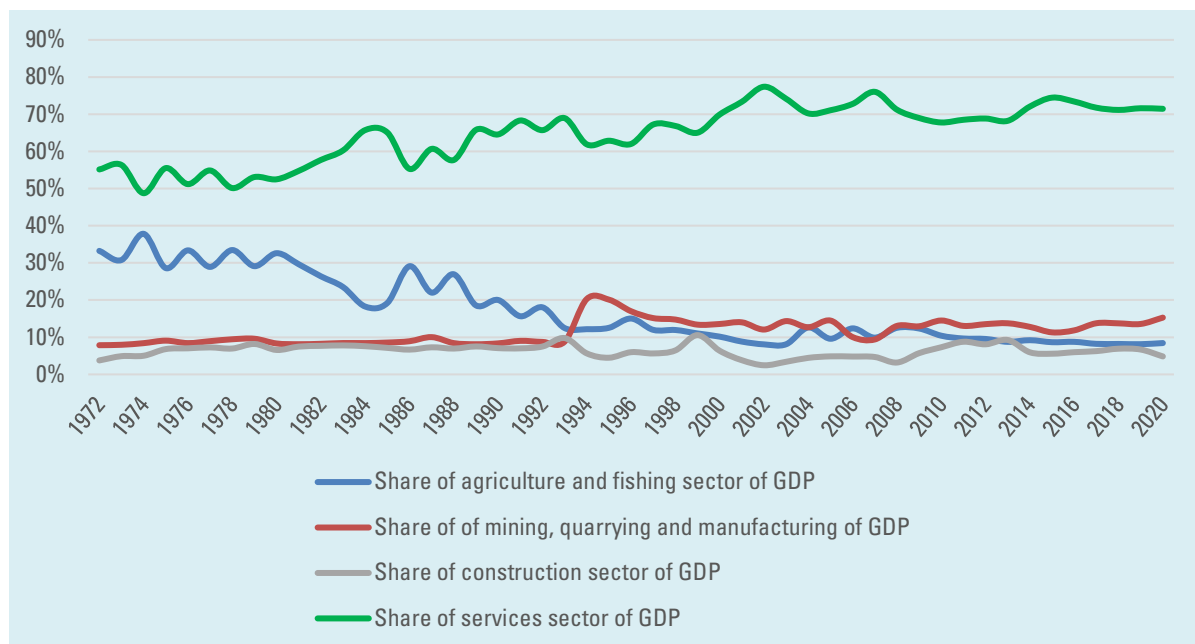
Figure 9 depicts evolution of the shares of the various economic sectors in the Palestinian GDP. Clearly, the Palestinian economy has

become increasingly service oriented. De-development of the productive capacity has led to contraction of agriculture and manufacturing, with the share of services increasing from 55 per cent in 1972 to 71.6 per cent in 2019. Although the share of manufacturing expanded in 1994-1995, it decreased during the 1995-1999 period from 20.1 to 13.4 per cent, followed by extended stagnation. The decline of the manufacturing sector after a temporary expansion reflects the lack of productive capacities and the uncertainties thwarting investment. Moreover, the manufacturing sector is mostly composed of family and small enterprises, with 89 per cent of enterprises employing between 1 and 4 workers.<sup>214</sup>

The transformation of the economy towards services at the expense of the productive

sectors is a global issue. The current share of agriculture in GDP in the oPt is close to the counterpart shares in the countries of the region (2-14.7 per cent). However, in comparison, the decline of the share of agriculture in the oPt was more rapid. Thus, between 1972 and 2019, it decreased from 33.2 to 8.1 per cent, in comparison with 19 to 6 per cent in Iraq, 12.1 to 4.9 per cent in Jordan, 21.5 to 10.3 per cent in Tunisia, and 23.7 to 11.5 per cent in Egypt. Moreover, the rapid decline of agriculture in the oPt has been symptomatic of a detrimental structural transformation of the economy as a whole, since the decline in the share of agriculture in GDP is not a function of a greater growth of services, but is due to a decline in agricultural activity, as reflected in a decline of both value added and employment (figure 9).

Figure 9. Evolution of shares of sectors in Palestinian GDP



Source: PCBS data for the period 1995-2020 and UNCTAD, 2006 for periods prior to 1995.



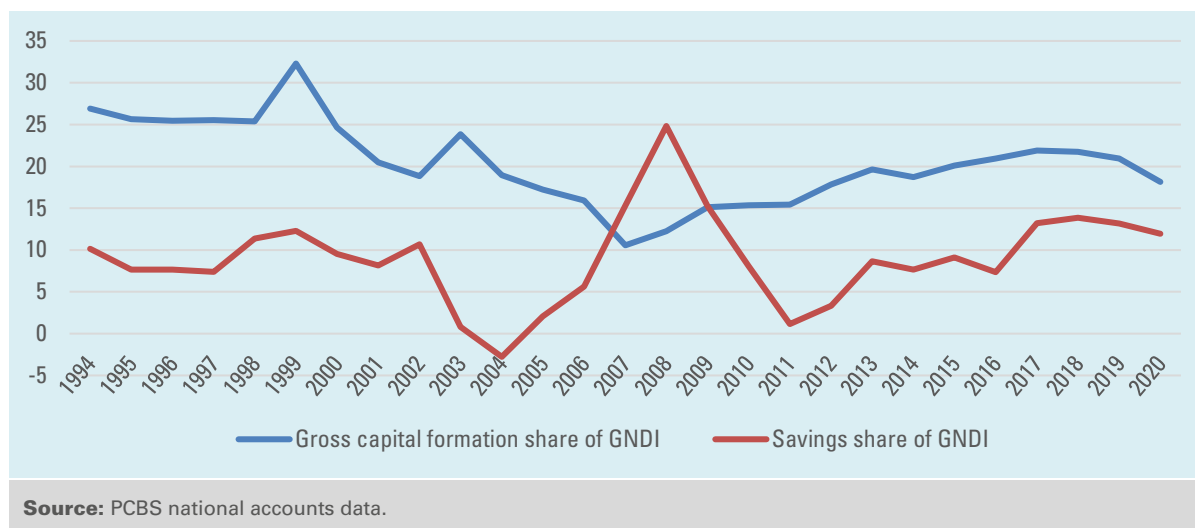
Persistent contraction in the productive sectors (agriculture and manufacturing) during the 1995-2000 period reflects the impact of Israeli restrictions after the Oslo Accords, which discouraged investment inflows into the Palestinian economy. Since the Palestinian manufacturing sector is labour intensive, expansion of this sector requires formation of new capital goods and technologies for production. The share of gross capital formation in the Gross National Disposable Income (GNDI) stagnated in the post-Oslo period. Although the period 1994-1998 was a period of political optimism that could have attracted new investment, Israeli restrictions on land use and importation of new technologies had a damaging effect on the productive sectors (figure 10).

The period following the second Intifada (2002-2004) experienced dissaving, due to the Israeli closure policy and the decline in the number of Palestinian workers in Israel, associated with a decline in the shares of gross capital formation in GNDI. However, positive changes in savings do not transform into new investment. Uncertainties, associated with the second

Intifada, the Israeli invasion of the West Bank and then the political constraints on financial resources which Israel imposed after the Palestinian legislative elections in 2006, were impediments to transforming savings into investment (figure 10).

In addition, embargoes on importation of goods and materials on the dual-use list have impeded the transformation of savings into machinery capital goods, mostly necessary to the activities of manufacturing, mining, quarrying, construction, transportation and telecommunication. Although the share of savings in GNDI increased in 2008 by 9.5 percentage points, capital formation increased by only 4.7 percentage points out of GNDI. Moreover, the share of savings in GNDI increased by 12.1 percentage points between 2011 and 2017, but the increase in the share of investment in GNDI increased at a lower rate (6.5 percentage points) and is still below its level in 1994. The year 2008 experienced a slight expansion in the manufacturing sector, associated with an increase in the share of capital formation in GNDI (figure 10).

Figure 10. Shares of gross capital formation and total savings in GNDI



## B. Restrictions on access to resources

### 1. Natural resources

Israeli control over natural resources in the oPt serves not only to confiscate them in favour of the Israeli economy, but also to deprive the Palestinian economy of a driver of development.

Land access and use restrictions, especially in Area C of the West Bank, have been detrimental to the Palestinian economy. For most economic activities, land is an essential and increasingly rare resource. Land use restrictions in Area C imply intensive and crowded use of land in Areas A and B, which are under the administration of the PA. Unused land constitutes 48.9 per cent of the West Bank area,<sup>215</sup> while 61.5 per cent of the Jordan Valley is uncultivated and unused.<sup>216</sup>

The World Bank (2014) estimated that the expected benefit from exploitation of Area C would amount to 35 per cent of Palestinian GDP.<sup>217</sup> However, the report acknowledges that the multiplier effect is underestimated, implying that the benefit would be larger. Moreover, due to restrictions in Area C, construction has greatly intensified in areas A and B, exerting upward pressure on land prices,<sup>218</sup> causing the final price of construction output to be higher than the living standards.<sup>219</sup>

Water resources, one of the main natural resources of the oPt, are located in Area C. As documented in a study in 1980 by the United Nations Committee on the Exercise of Inalienable Rights of the Palestinian People (CEIRPP), an estimated 250 million cubic meters of Jordan River water is denied access to Palestinians since 1967. Furthermore, Israeli extraction of the West Bank water resources

started even before 1967, with drilling deep water wells behind the Green Line in Israel.<sup>220</sup> While the annual available quantity of water in 2018 was estimated to be 195.8 million cubic meters in the West Bank and 193.7 million cubic meters in Gaza Strip, including 85.7 million cubic meters purchased from the Israeli water company, the average annual water within the Mountain Aquifer, mostly located in the West Bank, is 641 million cubic meters according to the Israeli Civil Administration in the West Bank.<sup>221</sup> Of this available water, Palestinians in the West Bank have access to only 13 per cent of water in the Mountain Aquifer, according to the EWASH group.<sup>222</sup>

Moreover, using security pretexts to control large swaths of land in the Jordan Valley that are highly fertile and rich in groundwater sources, Israeli policy aims to maintain control over water resources in this area.<sup>223</sup>

In the Gaza Strip, polluted water is a serious public health hazard. The increasing number of water wells is putting pressure on the groundwater in the Coastal Aquifer and causing water salination. Moreover, damage to the water network and frequent electric power cuts to the sewage water treatment facility have caused pollution of the ground water.

According to the Atlas of Sustainable Development 2020,<sup>224</sup> prepared by the United Nations Country Team, only 59 per cent of Palestinian households have access to clean drinking water. Moreover, the gap is very large between the West Bank and the Gaza Strip; 95 per cent of West Bank households have access to safe and clean drinking water, but only 11 per cent of Palestinians in the Gaza Strip do. The average daily water consumption per capita is 87.3 litres (90.5 in the West Bank and 83.1 in Gaza), which is lower than the minimum WHO

recommended water consumption of 100 litres per day.<sup>225</sup>

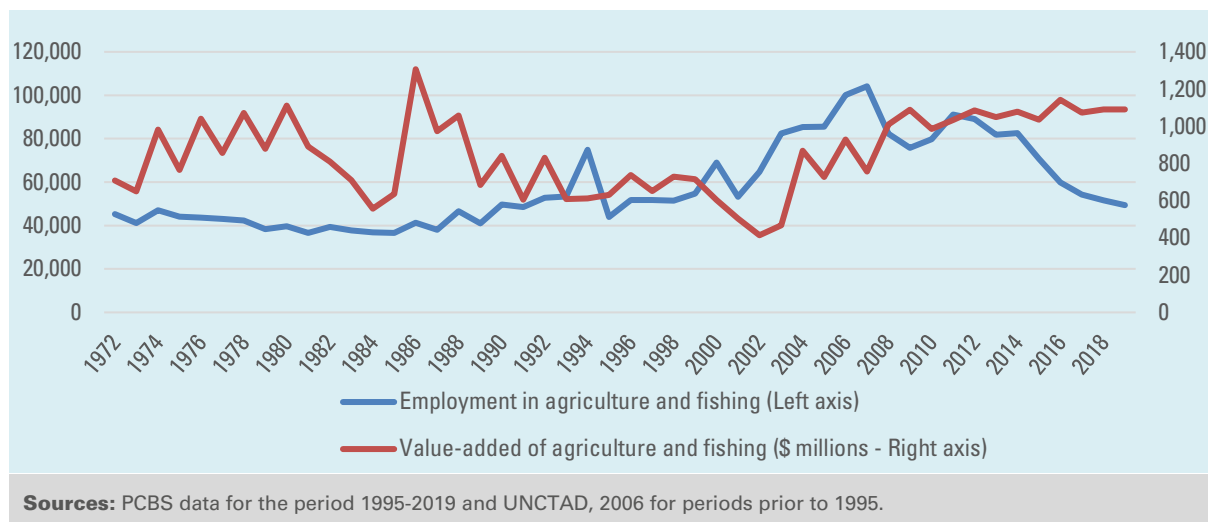
As a result of Israeli imposed restrictions on land use, scarcity of water and water pollution are seriously impairing productivity of agriculture.<sup>226</sup> The share of agriculture and fishing activities value-added of total GDP decreased from 33.2 per cent in 1972 to 8.2 per cent in 2019. As figure 11 shows, there was no long-run growth in agriculture and fishing. While employment was increasing in the sector during the pre-Oslo period, from 1987 to 1994, its value-added was decreasing, which implies shrinking productivity. From 1995 to 2000, post Oslo, employment in the sector was decreasing, while its value-added was stagnating. In particular, Israeli policies in Area C restricted expansion of agricultural activities (figure 11).

During the 2001-2003 period, after the Israeli invasion of Areas A and B in the West Bank and the associated restrictions on movement,

agricultural activities dropped to their lowest ever level. Notably, with agriculture considered a last resort for employment, whenever restrictions on movement are intensified, workers tend to work more in agricultural activities. However, given the constraints on both agriculture and fishing, increased employment the sector is not sustainable.

Moreover, the wall, has had a negative impact on the number of workers in agriculture in the West Bank. The blockade of Gaza, the recurring military offensives, and the imposed buffer zone along the border of Gaza with Israel, have had a negative impact on the ability of farmers to work their lands. Furthermore, fishers in the Gaza Strip have been facing increasing restrictions on the fishery space in the Mediterranean. As a result, the value-added of the sector has been stagnating after a period of recovery from 2004 to 2009. As the share of the sector in total production has been decreasing, its demand for workers dropped again after 2014.

Figure 11. Employment and value-added in agriculture and fishing in the West Bank and the Gaza Strip (2015 constant prices)



Persistent restrictions on movement and access to water resources, land and fishery spaces have caused the sector to be extremely fragile, which has a significant impact on livelihoods and food security of the Palestinian population. According to the United Nations Food and Agriculture Organization (FAO),<sup>227</sup> 11.6 per cent of Palestinians in the West Bank and 68.5 per cent of Palestinians in the Gaza Strip are food insecure, and this insecurity has been exacerbated by the lockdown measures imposed by the Palestinian Government following the outbreak of the COVID-19 pandemic. The Palestine Economic Policy Research Institute (MAS) predicted losses to the agriculture sector between 5.1 and 6.2 per cent.<sup>228</sup>

Even though twenty-five kilometres of the Dead Sea coast are within the West Bank, the Palestinians are barred by Israel from accessing it as an economic resource, when it could be a source for salt and a variety of minerals, including asphalt, magnesium, and potash, that can be used as inputs to various productive sectors: Asphalt for cement production and the other minerals for production of therapeutics and cosmetics.

In 2015, Jordan's sales from the Dead Sea amounted to 4 per cent of GDP (\$1.2 billion) and Israel's to 1 per cent of GDP (\$3 billion). The World Bank estimates that the potential incremental value-added of minerals exploitation, should it become possible, would constitute around 9 per cent of the Palestinian GDP.<sup>229</sup> However, Palestinian mining and quarrying activities in the whole of Area C continued to be restricted and consequently in decline, reaching 0.4 per cent of GDP in 2020.<sup>230</sup>

Moreover, the Dead Sea is an attraction for internal and external tourism. In 2017, the number of visitors to it was 1.4 million tourists

on the Jordanian side and 1.7 million on the Israeli side. Given that, according to the PCBS hotel activity report, the number of inbound tourists who visited the West Bank in the same year was around 417,000 with an average stay of 2.9 nights,<sup>231</sup> development of tourism on the Palestinian side of the Dead Sea has the potential of multiplying the number of tourists.

While Israel has become a leading gas exporter after recent gas discoveries in the Levant basin in the eastern Mediterranean, the Palestinians are prevented by Israel from exploiting their gas and oil reserves. The Palestinian marine gas field, located within Gaza's maritime borders, was discovered in 1999, but is still unexploited due to the Israeli blockade of the Gaza Strip. Moreover, the Meged oil and gas reservoir, which is either located in Area C of the West Bank (near Rantees) or extends to it, is currently being exploited by Israel to the exclusion of the Palestinians, while Israel maintains that it is located on the western side of the armistice line of 1948. Although the reservoir may not be large, it could at least provide the Palestinians with self-sufficiency in energy. UNCTAD estimates the net value of the marine gas reserve at \$4.592 billion and the net value of Meged oil and gas in the West Bank at \$67.88 billion.<sup>232</sup>

By preventing the Palestinians from exploiting their gas and oil resources, Israel is not only causing losses to the Palestinian economy, it is also entrenching a dependency relation through imposed energy importation from Israel.<sup>233</sup> In the Gaza Strip, the Palestinians suffer electricity cuts and the electricity network is poor. In the West Bank, electricity distribution companies, which merely distribute electricity imported from Israel, sustain large debts to the Israeli electricity provider. Citing these debts, Israel applied electricity cuts in September–November 2019.<sup>234</sup>

## 2. Financial resources

Within the first year of the occupation, eight Arab and Palestinian banks in the West Bank and three in the Gaza Strip were closed by an Israeli military order. Subsequently, four Israeli banks started operating and opening branches in the oPt. However, they did not act as financial intermediaries for the Palestinians by accepting deposits and lending them to individuals and business institutions. For example, the credit that they provided to Palestinians in 1984 was as little as 10.7 per cent of deposits.<sup>235</sup> In fact, they mostly served the settlers, who benefited from Palestinian deposits.

In 1981, the Bank of Palestine was allowed to operate in the Gaza Strip but not in the West Bank. Later in 1986, the Cairo-Amman Bank, which is an Egyptian-Jordanian bank, started operating in the West Bank but not in Gaza. Since there were no common banks in the West Bank and Gaza other than Israeli banks, financial flows between the West Bank and Gaza needed to pass through the Israeli banking system.

Subsequent to the Oslo Accords and the establishment of the PA, Palestinian and Arab banks started operating under the supervision and regulation of the Palestine Monetary Authority (PMA). In the absence of a national currency, three main currencies circulate in the Palestinian economy: the Israeli shekel, the Jordanian dinar, and the US dollar. According to the Paris Protocol, the PMA can convert any of these currencies through the Bank of Israel (BOI) Dealing Room.

However, a monthly ceiling is imposed on conversion of shekel reserve deposits into other currencies. As a result, the Palestinian banking system suffers from excess of shekel deposits, with shekel inflows arising from

wages of Palestinian workers in Israel and the settlements, customs and tax payments, and purchases by Israelis in the West Bank. On the other hand, demand for money for savings or as an asset is mostly in US dollars or Jordanian dinars. Thus, Palestinian banks prefer to convert Israeli shekel deposits to other currencies. Yet, in addition to the ceiling on currency conversions, Palestinian bank deposits in commercial Israeli banks are also constrained by a monthly ceiling. According to the Paris Protocol, this ceiling is supposed to be negotiated in the semi-annual meetings between the PMA and the BOI, in relation to the value of trade between the oPt and Israel. However, it has only ever been adjusted twice.<sup>236</sup>

The policies restricting the Palestinian banking system have resulted in restricted foreign trade with the outer world due to insufficiency of financial resources for payments in international currencies. Thus, the imposed monetary system serves to consolidate dependence of the Palestinian economy on trade with Israel.

Dependency of the Palestinian economy on the Israeli economy is also exacerbated by Israeli control over the financial resources available to the PA. The Paris Protocol has imposed a customs union, whereby Israel collects custom taxes for the PA at the borders, which it exclusively controls, and transfers them, along with VAT on imports of Israeli products, to the PA through a clearance mechanism. Thus, the structural distortions imposed by the outdated Paris Protocol framework, which was established only for a transitional period, continues to constrain Palestinian fiscal revenues.

Moreover, the customs union arrangements lead to fiscal leakage of all types of taxes transferred

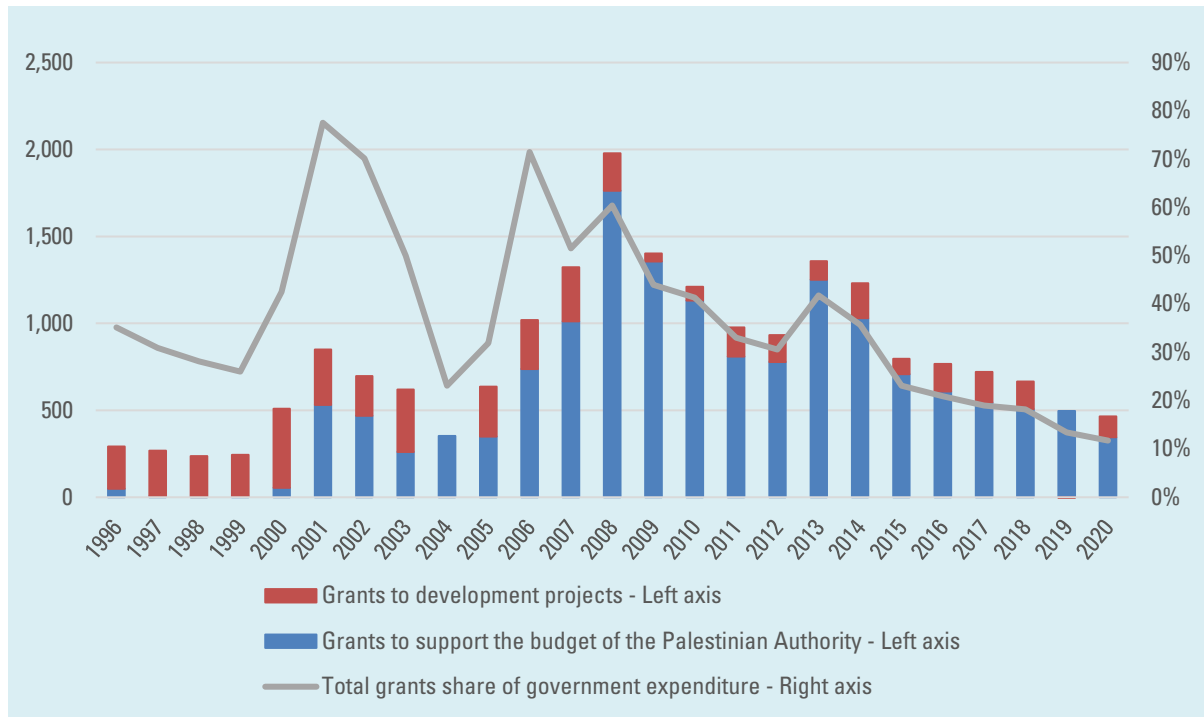
from Israel to the PA.<sup>237</sup> To avoid losses, delays and impediments at Israeli borders, Palestinian importers resort to re-importation from Israeli suppliers, rather than importing directly from a third party. These imports are treated similarly to Israeli products, leading to fiscal leakage of customs duties. Furthermore, clearance of customs on direct imports of Israeli products and on direct imports of third-party products is a complicated process that involves submission of bills by both Israeli and Palestinian authorities, leading to fiscal leakage due to inconsistencies in submitted bills.

Yet another source of fiscal leakage is trade by Israeli suppliers working in Area C of the West Bank, which is under total Israeli control, where bills on both direct and indirect imports from Israel are not submitted to the PA. Based on

data from 2019 and 2020, the estimated total annual fiscal leakage amounts to \$509 million,<sup>238</sup> amounting to around 3 per cent of Palestinian nominal GDP in 2019 and around 12.6 per cent of central government total revenues.

Additionally, payment of clearance funds is subject to Israeli political considerations, particularly in relation to the PA. Between 2000 and 2017, Israel suspended payments several times, creating large deficits, as clearance payments amount to 68 per cent of total government revenues.<sup>239</sup> In 2020, the Palestinian government refused to receive clearance payments. As a result, the Palestinian Authority was unable to pay its obligations to public-sector employees and the private sector, and the healthcare sector was heavily impacted during the pandemic.<sup>240</sup>

Figure 12. International aid to the Palestinian Authority (Millions of dollars)



Source: Palestine Monetary Authority. Available at <https://www.pma.ps/en/Statistics/TimeSeriesData>.

International aid has been a major financing source for the PA, peaking in 2008, when it amounted to \$550 per capita, which placed the oPt as the second highest recipient country in per capita terms. However, its share of the government budget was in decline from 60 per cent in 2008 to 11.7 per cent in 2020. In addition, the composition of aid has changed since 2001, with the largest share supporting recurrent expenditure, rather than development projects; a transformation that was associated with projects to bolster Palestinian security forces, which led to the number of public sector employees doubling in 2015 relative to 2002. The shift of international aid from development expenditure to support for recurrent budgetary expenditure increased dependency of the Palestinian budget on clearance revenues, which increased to 68 per cent of the budget in 2020. Moreover, in the Gaza Strip, the Israeli blockade and destruction of infrastructure by Israeli military offensives have shifted aid away from development towards reconstruction and humanitarian relief (figure 12).

### 3. Technology

Technology is an important input to all sectors. Following the occupation of 1967, Israel took control of the information, communication and technology (ICT) sector, which was then administered by the Israeli Ministry of Telecommunication and later by the Israeli Telecom Company (Bezeq). The Israeli company collected fees from Palestinians until 1995, when the PA took control of the sector in the oPt, excluding East Jerusalem and the settlements. In 1998, the first Palestinian Mobile Telecommunication Company started providing service to the Palestinian population in the oPt under control of the PA. However, operations of the sole Palestinian mobile operator were

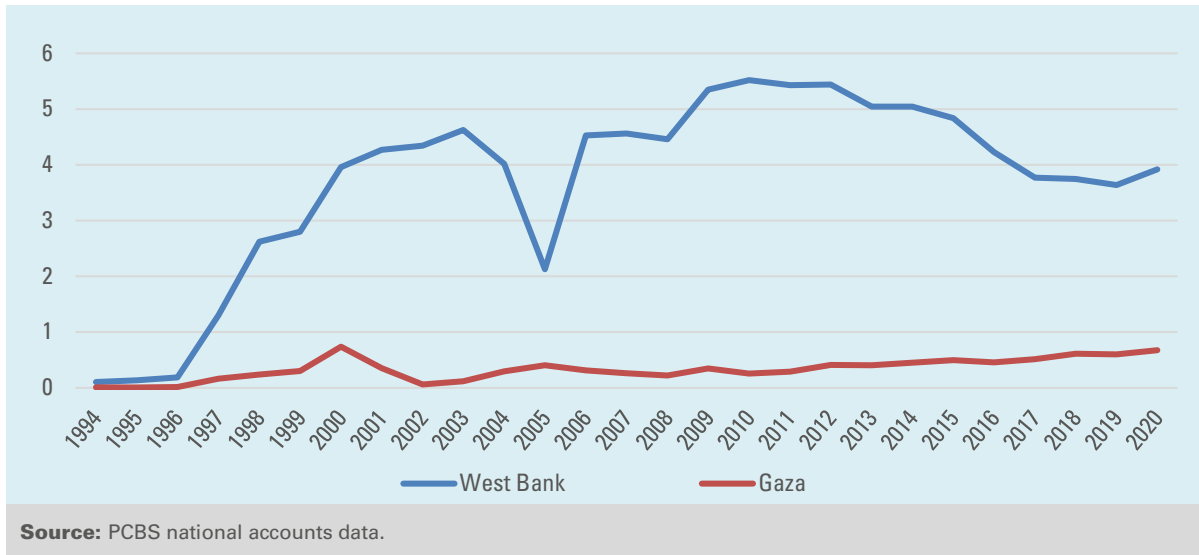
constrained by the limited frequency bandwidth released by Israel.<sup>241</sup>

Palestinians had to wait until 2007, when Israel partially released frequencies for a second mobile operator, 3.6 MHz in the 900 MHz band and 2.8 MHz in the 1800 MHz band, but these were not even for Palestinian exclusive use but could also be used by Israeli mobile operators active in Israeli settlements. In 2009, the second Palestinian mobile operator started providing service only in the West Bank and had to wait until 2017 to start providing service in Gaza. Furthermore, Israeli operators in Area C of the West Bank do not face restrictions on building infrastructure, while Palestinian operators need to apply for Israeli permits.<sup>242</sup> In addition, as mentioned in previous sections, Israel restricts imports of equipment and material for the ICT sector.

While, worldwide, mobile companies used the Long-Term Evolution (LTE) standard and 4G systems, replaced now by the WiMax system, and are introducing 5G systems, Palestinian operators are only allowed to use the 3G system in the West Bank (from 2018) and the 2G system in the Gaza Strip. As a result, Palestinian consumers resort to Israeli mobile operators, causing losses for the Palestinian operators.<sup>243</sup>

Figure 13 shows that the share in GDP of the ICT sector value added is negligible, less than 1 per cent in Gaza. In the West Bank, that share grew moderately in 1998 after the first mobile company started working and in 2009 when the second mobile operator did. However, its proportion slightly exceeded 5 per cent in 2009-2012, then started to decline since 2013. According to the World Bank, the direct losses of the ICT sector due to the Israeli restrictions is between 1.2 and 3 per cent of the Palestinian GDP.<sup>244</sup>

Figure 13. Share of ICT sector's value-added of GDP



Activity of other firms in the ICT sector is limited. Software development firms work mostly on outsourcing from Israeli software developers, and the activity of Internet providers is also under-developed since they can only provide ADSL connections, while the fibre Internet infrastructure is limited to large firms.

Israel's control of the Palestinian ICT sector is sometimes described as "digital occupation" and adds another dimension of control and domination. This control over the Palestinian digital space results in dependency of the Palestinian ICT companies on their Israeli counterparts. Moreover, Israel's command of the Palestinian ICT infrastructure limits the growth of the sector and allows Israel to also control access to information and e-commerce and develop means for monitoring and censoring online Palestinian content.<sup>245</sup>

Likewise, manufacturing and mining industries have been constrained by restrictions on importation of equipment that Israel classifies

as "dual use". These include equipment for food processing, packaging machines, machines for stone mining, communications equipment, laboratory equipment and material for the pharmaceutical industries,<sup>246</sup> and the list is larger for Gaza Strip than for the West Bank. Limiting integration by the manufacturing sector of modern production lines and equipment in this way has led to its stagnation over the past two decades.

#### 4. Human resources

Israeli policies have impacted Palestinian human resources directly and indirectly. Throughout more than five decades of occupation, the Palestinian labour market has been performing poorly. Unemployment has been high due both to restrictions on access to resources and restrictions on movement of labour between Jerusalem and the rest of the West Bank, within the West Bank and between the West Bank and Gaza. In 2019, the participation rate of population 15 years old and



above in the labour force averaged 44.3 per cent; 69.9 per cent for males, and considerably lower, at 18.1 per cent, for females. At 40.9 per cent, the participation rate is also lower in the Gaza Strip than in the West Bank, at 46.4 per cent.<sup>247</sup> Figure 14 clearly indicates that the unemployment rate increased after 2000 due to mobility restrictions and the impact of the wall in the West Bank. Remarkably, twenty years later, the unemployment rate in the West Bank is higher than it was in 2000.

The labour market in the Gaza Strip is characterised by a lack of opportunities, with an increasing unemployment rate since imposition of the blockade in 2007. The Israeli offensives in 2008, 2012 and 2014 also had a significant impact, pushing the unemployment rate above 40 per cent. Notably, the unemployment rate

declined from 46.9 per cent in 2018 to 40.9 per cent in 2019,<sup>248</sup> but this is due to more discouraged workers going out of the labour force.

Scarcity of job opportunities seems to impact females more severely than males. As can be observed in figure 15, the male unemployment rate increased in 2001-2002 due to restrictions on movement, then stagnated, whereas the female unemployment rate, which was initially lower, continued increasing after 2001 to reach nearly double that of males. Although female labour force participation is extremely low, 16.1 per cent of women aged 15 year or more, available jobs for females are limited and concentrated in the service sector, which in 2020, employed 63.4 per cent of working women.

Figure 14. Unemployment rate in the oPt by region during the period 2000-2019

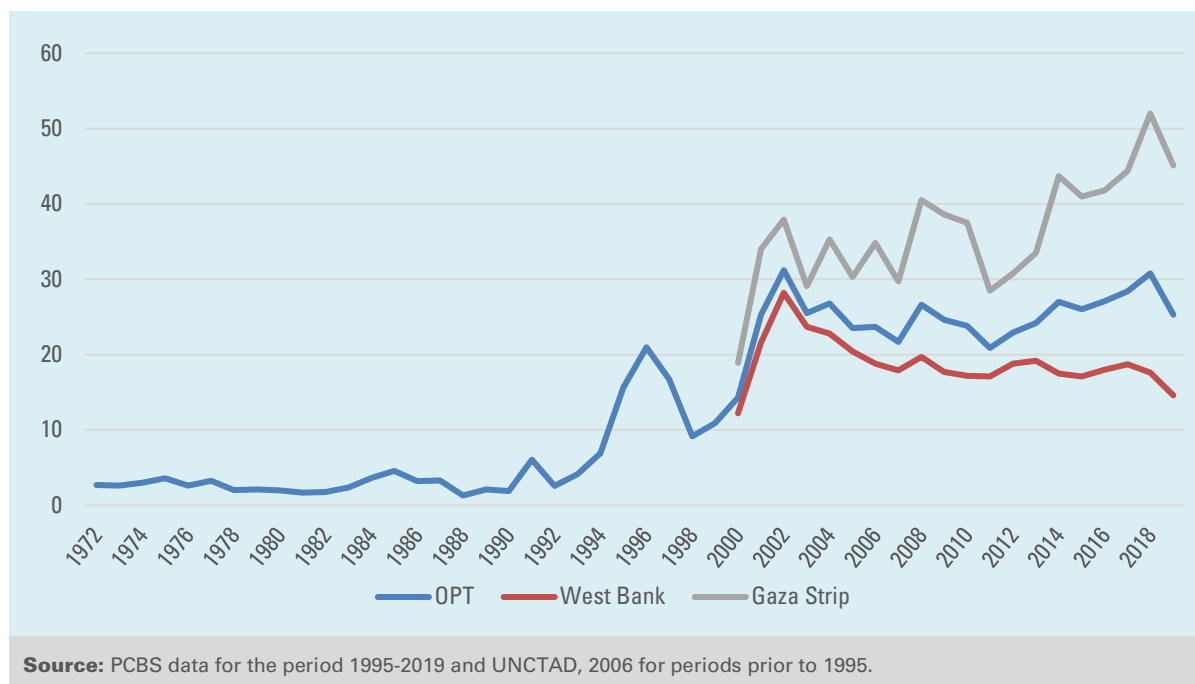
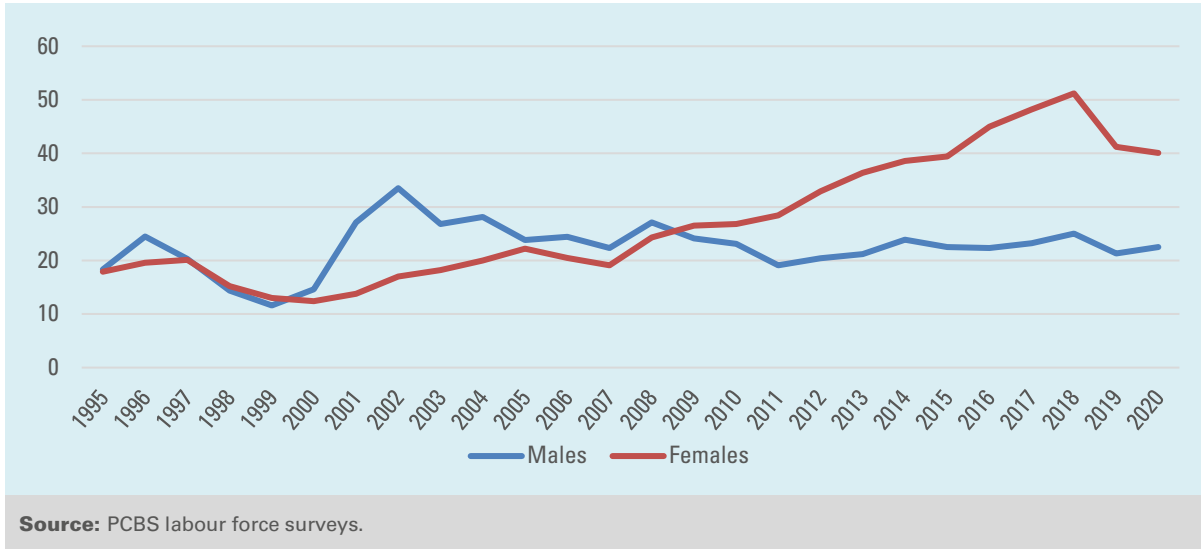


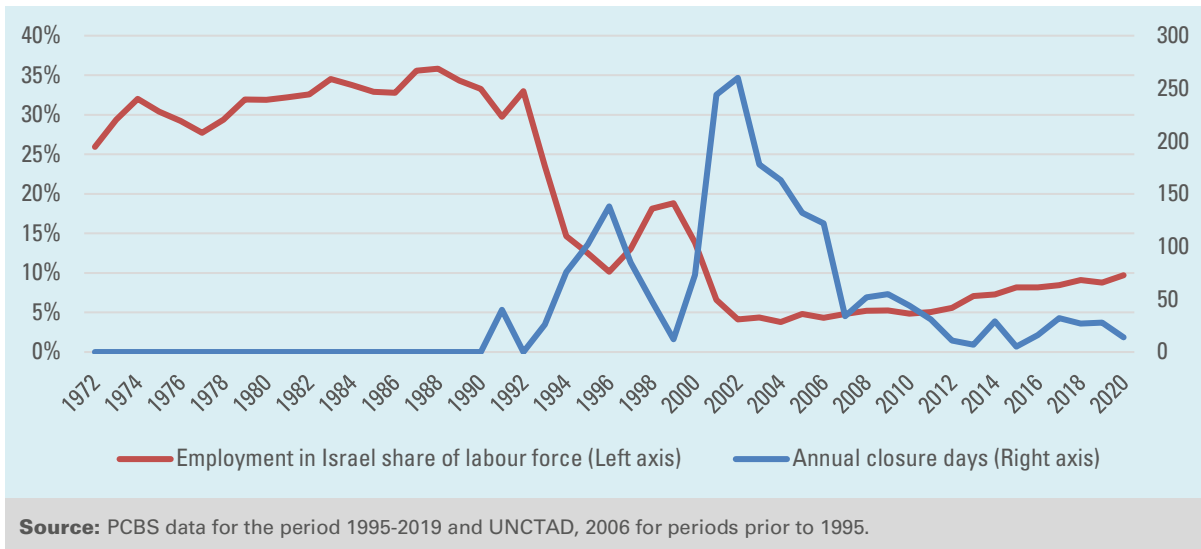
Figure 15. Unemployment rate in the oPt by gender during the period 1995-2020



The Palestinian labour market is significantly impacted by employment in Israel and its settlements in the West Bank and Jerusalem. Around 133,000 Palestinian workers, all from the West Bank, work in Israel and Israeli settlements, which amounts to 13.2 per cent of total Palestinian employment and 17.8 per cent

of total employment in the West Bank. The number of those who work in the is estimated to be 23,000.<sup>249</sup> As is evident in figure 16, employment in Israel and the settlements has been significantly correlated with the number of closure days since Israel started territorial separation in the oPt in 1991.

Figure 16. Share of workers in Israel and settlements and number of closure days



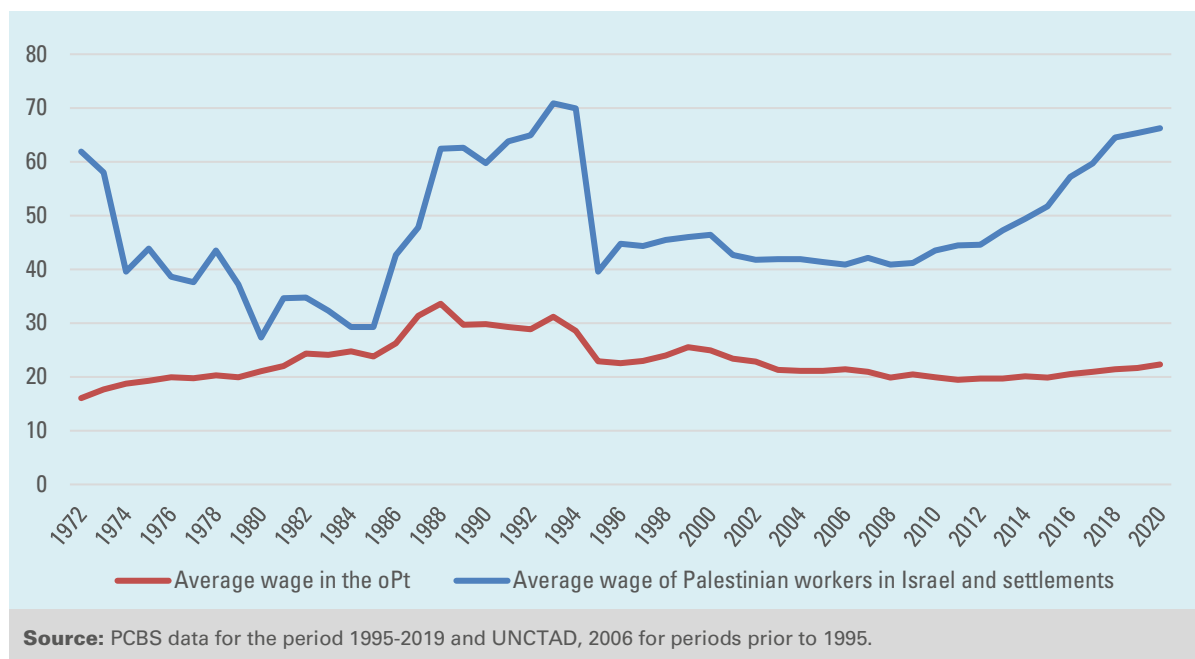
Working conditions for Palestinian workers in Israel and the settlements are, to say the least, inconsistent with labour standards and regulations. These include a lack of social security, wages paid in cash without accurate documentation, long waiting times at checkpoint crossings, a high fatality risk at construction sites, and an abusive permit regime that allows brokers and employers to have power over workers.<sup>250</sup>

In theory, integration of markets would lead to convergence of prices and wages.<sup>251</sup> However, the wages of Palestinian workers in Israel have always been higher than domestic wages in the oPt. Although in the 1970s and up until 1987, wages of Palestinian workers in Israel were converging to other wages in the oPt, the former increased again in 1987 and in 2012 due to a higher demand, while the latter did not

significantly increase due to the weak domestic productive capacities (figure 17).

Other factors that affect Palestinian human resources as a pillar of the economy include health and education. Health conditions are essential for resilience of a people living in conflict. The political, economic, and social conditions in which the Palestinians live have led to health inequities. For instance, infant mortality reported in the Palestinian Multiple Cluster Indicator Survey 2019-2020 was 12.1 deaths per 1,000 live births: 11.7 in the West Bank and 12.7 in the Gaza Strip; 11.4 in urban areas, compared with 12.9 in rural areas and 17.5 in refugee camps.<sup>252</sup> The Survey also indicates inequities in post-natal care: 32.6 per cent of women in Gaza with a live birth stayed 12 hours or more at health facility after birth, compared with 80.2 per cent in the West Bank.<sup>253</sup>

Figure 17. Average daily wage for Palestinian workers in the oPt and in Israel in 2015 prices



The Israeli permit regime limits movement of Palestinians for medical purposes, with patients from Gaza needing to travel to the West Bank or East Jerusalem having to apply for permits; a severe constraint, given that the capacity of hospitals in Gaza is limited due to the imposed blockade. In 2019, the approval rate for patient exit applications was 65 per cent: 9 per cent were denied and 26 per cent were delayed until after their hospital appointment.<sup>254</sup>

According to Fourth Geneva Convention, Israel has the obligation to ensure and maintain medical services, including measures to prevent the spread of contagious diseases and epidemics:

**To the fullest extent of the means available to it, the Occupying Power has the duty of ensuring and maintaining, with the cooperation of national and local authorities, the medical and hospital establishments and services, public health and hygiene in the occupied territory, with particular reference to the adoption and application of the prophylactic and preventive measures necessary to combat the spread of contagious diseases and epidemics. Medical personnel of all categories shall be allowed to carry out their duties.**<sup>255</sup>

The COVID-19 pandemic has caused harm to the Palestinian economy. The lockdown measures taken by the PA in March 2020 resulted in an estimated decline by 18.3 per cent in the Palestinian GDP in constant prices during the second quarter of 2020, relative to the first quarter.<sup>256</sup> Moreover, the annual Palestinian GDP in 2020 shows a decline by 12 per cent relative to 2019. The preliminary estimate of the

growth rate in 2021 was 6.7 per cent and it is forecasted to continue growing at 2.5 per cent in 2022.<sup>257</sup> However, this growth would not be enough to compensate for the losses in 2020.

Education is one human resource that is theoretically under Palestinian control, and over which Israeli policies have relatively lower impact. It is also a transferrable human resource worldwide that cannot be confiscated once acquired. Given the importance of education to the Palestinian population, Palestinian expenditure on education amounted to 18 per cent of the GDP in the years 1999-2003, the highest in the Arab region.<sup>258</sup>

Before the Oslo Accords, Israeli policies had been detrimental to the Palestinian education system. Schools and universities were subject to frequent long closures. During the 1988-1989 academic year, schools were open for 40-64 per cent of the total number of school days per year. Further restrictions were imposed on Palestinian universities, such as limiting expansion, requiring annual permits to operate, and obstructing external financial assistance.<sup>259</sup>

However, since 2000, due to such Israeli practices and policies as restrictions on movement, construction, and imports, and destruction and demolition of education infrastructure, as well as harassment of and attacks against West Bank students and teachers inside schools, as well as enroute to and from schools, the plight of the educational system has worsened. Moreover, in addition to its economic repercussions, the Gaza blockade also significantly damaged the educational system as it impeded training of teachers and upgrading of educational materials and tools.<sup>260</sup>

High school dropout rates and deterioration of student achievement are some of the effects of

Israeli policies on the education system. Moreover, the decline in labour productivity and household welfare in Gaza relative to the West Bank has resulted in a sharper drop in student cognitive achievement in mathematics and science.<sup>261</sup> The decline in both cognitive and educational achievements has had a negative impact on sectors that require skilled labour, such as ICT,<sup>262</sup> and has exacerbated youth (18-29 years old) unemployment, the rate of which was 38 per cent in 2019, the highest among all age groups.<sup>263</sup>

## 5. Cultural heritage

The oPt has the potential to be a significant touristic attraction. In addition to being a Mediterranean territory with a diversified landscape, its tangible cultural heritage is potentially attractive to tourists. However, it faces numerous dangers and challenges to the preservation, protection, and management of its archaeological and cultural heritage assets, with archaeological sites suffering various forms of destruction or partial demolition, due, among other things, to looting, settlements, and the construction of the wall.<sup>264</sup> The military offensives on the Gaza Strip have resulted in the destruction of numerous archaeological sites; for instance, the recent Israeli airstrikes on Gaza, in May 2021, heavily damaged antiquities and cultural heritage sites, including an old market, old mosques, and churches, including a Byzantine church site.<sup>265</sup>

In the West Bank, restrictions on excavation, reconstruction and rehabilitation of

archaeological sites, notably in Area C and East Jerusalem, impair Palestinian historical identity. Israel retains control of most historical and archaeological sites in the West Bank and access of tourists thereto, which has enabled it to propagate among uninformed tourists its own historical narrative, politically and ideologically motivated as it is.

Moreover, Israel instructs tourists to avoid areas under PA control, which keeps the number of tourists visiting the Palestinian controlled sites limited. It also leads to foreign tourists staying at Israeli hotels rather than Palestinian ones in the West Bank. In 2019, the mean number of nights per tourist since 2010 was 8.1 in Israeli hotels,<sup>266</sup> compared with about 2.7 for West Bank hotels.<sup>267</sup> The COVID-19 pandemic has been damaging hotel activity worldwide, but for the underdeveloped and heavily circumscribed sector in the oPt, recovery is expected to be very sluggish.

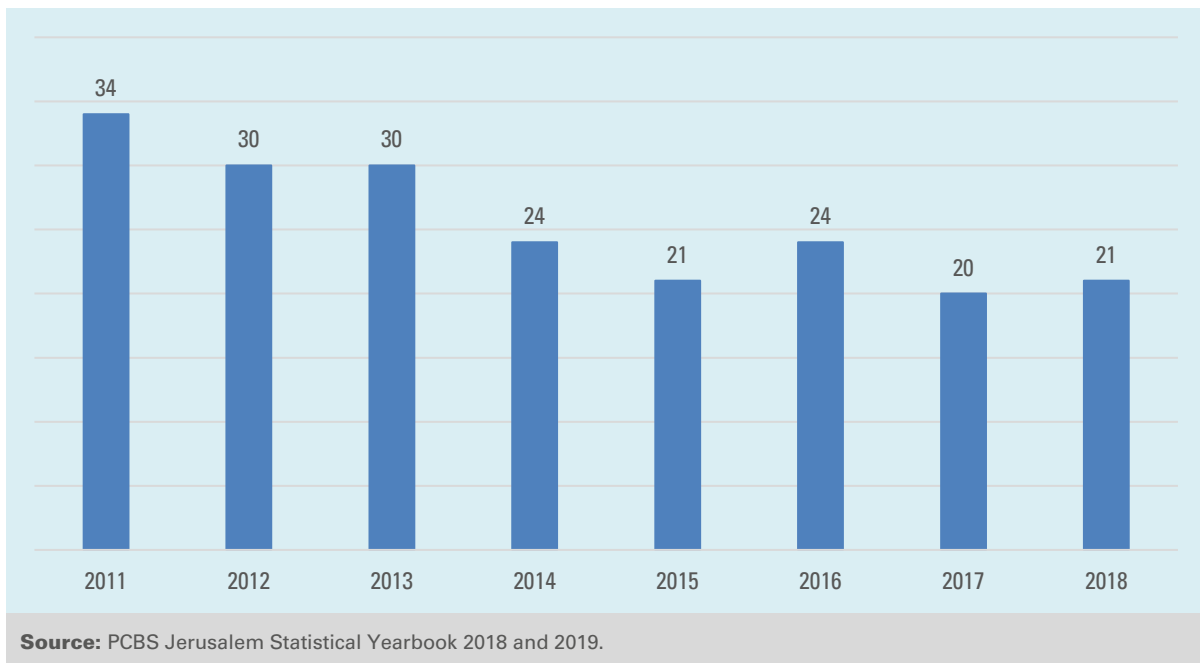
Between 2009 and 2018, the number of Palestinian-owned hotels in the West Bank increased,<sup>268</sup> but has been declining in East Jerusalem since 2011 due to the general restrictions on Palestinian cultural heritage preservation, as well as the practices hindering all Palestinian economic activities in the city (figure 19).

The decline in the number of tourists has also forced numerous craft industries to close. In Hebron, craft stores were forced to close due to restrictions on activity, as well as on entry and exit to and from the Old City.

Figure 18. Hotel activity in the West Bank, including East Jerusalem



Figure 19. Number of Palestinian hotels in East Jerusalem



## C. Undermining infrastructure and institutions

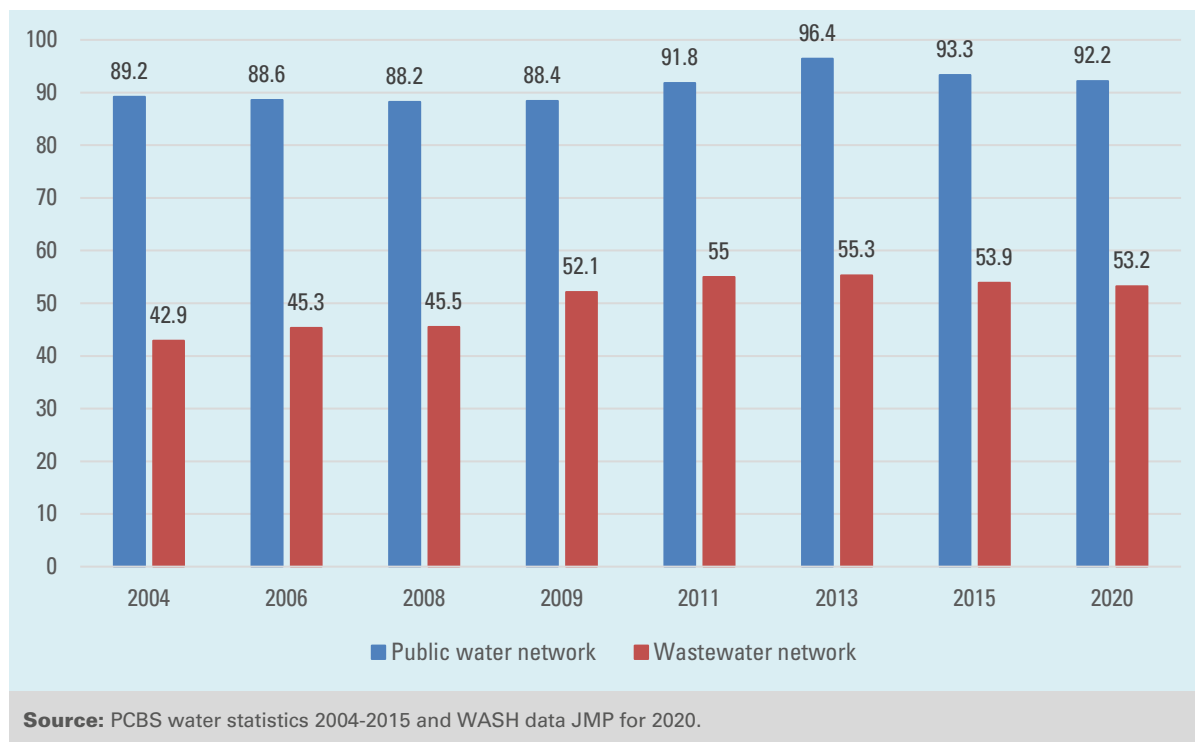
Right from the start, Israeli authorities have restricted development of Palestinian infrastructure by local authorities and public utility companies. Initially, Israel used the existing basic Palestinian infrastructure for the first settlements in the West Bank and Gaza, but later established separate networks of utilities for the settlements.<sup>269</sup>

### 1. Physical infrastructure

Not only does Israel control resources in the oPt, it also restricts development of

infrastructure in Area C of the West Bank, including public water, electricity supply and sanitation networks. Reconstruction of infrastructure is made difficult or impossible by the Israeli permit system, which requires approval for any infrastructure work, including maintenance. More than 30,000 Palestinians residing in 180 residential areas in Area C are not connected to any public water network.<sup>270</sup> Figure 20 shows that development of water and wastewater networks is sluggish. Until 2009, more than 10 per cent of Palestinian households were not connected to any public water network, and until 2013, only 55.3 per cent of households were connected to a wastewater network.

Figure 20. Percentage of Households in the oPt connected to public water and wastewater networks



Access to public water networks directly affects health, particularly of children and women, and productivity. As shown in map 4, residential areas not connected to public water networks are generally those with higher poverty rates, notably in southern West Bank. In addition, movement restrictions in Area C increase the probability of persons falling into poverty. The areas on either side of the wall have restrictions on access to infrastructure, land and workplaces. As a result, they have a higher probability of poverty persistence.<sup>271</sup>

The infrastructure in the Gaza Strip has all but collapsed as a result of the extensive damage caused by recurrent Israeli military attacks, coupled with the inability to rehabilitate and reconstruct due to the blockade. Four major Israeli military operations and 15 years of blockade have decimated the water, electricity, and wastewater networks.

Reconstruction efforts in Gaza, including those administered by the international community have been constrained by the imposed blockade, as well as by delays of and limitations on importation of goods and construction materials, including cement, gravel and steel bars.<sup>272</sup>

At the height of the May 2021 offensive, 113,000 internally displaced persons (IDPs) sought shelter and protection at UNRWA schools or with hosting families. According to the Shelter Cluster, at the time, there were still about 8,250 IDPs, primarily those whose houses were destroyed or so severely damaged as to be uninhabitable. The local authorities had finalised a damage assessment of household affected in the escalation, according to which, 1,255 houses were destroyed, 918 housing units

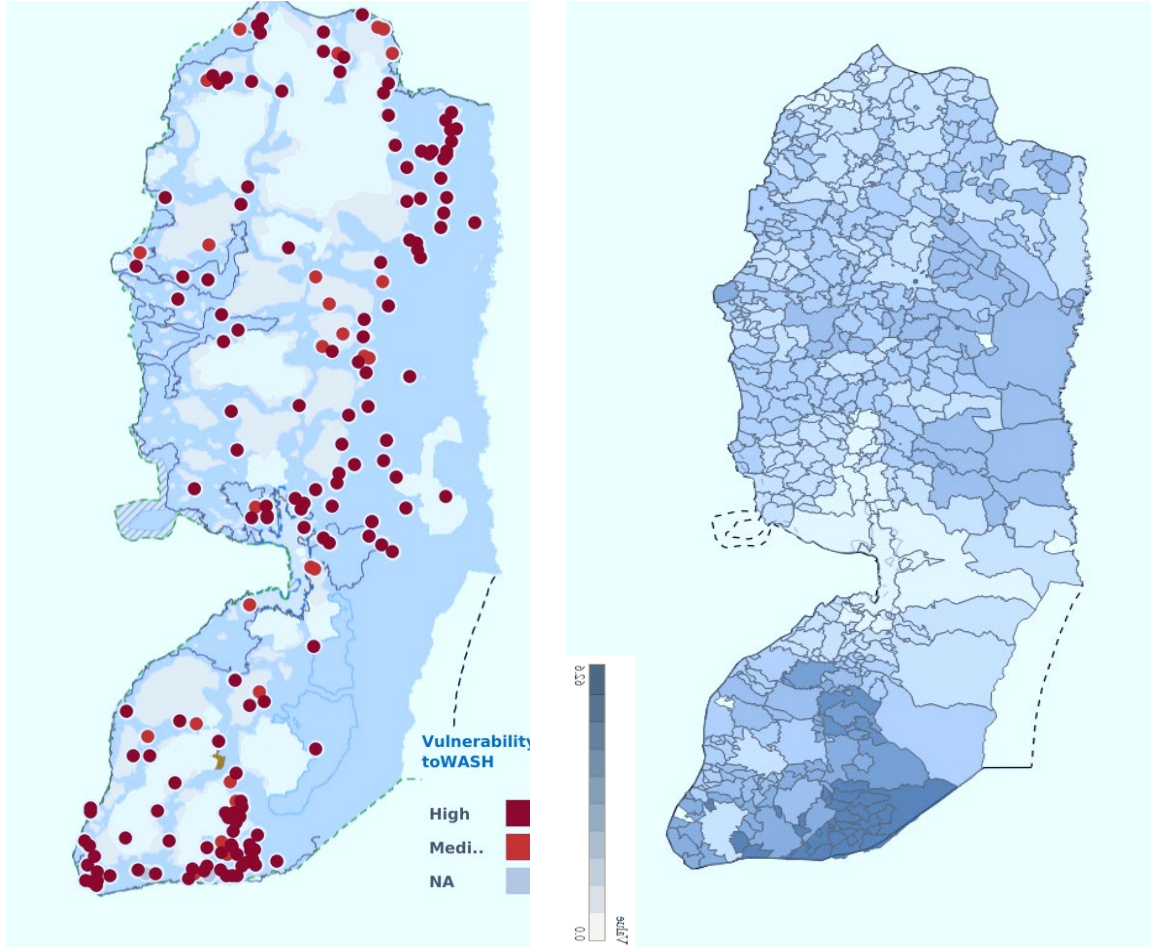
sustained severe damage and were deemed uninhabitable and 50,000 households sustained minor damage. In addition, 188 government, UNRWA and private schools, 80 kindergartens and 33 health facilities sustained damage.<sup>273</sup>

While the road network available for Palestinians is still nearly the same as before 1967, settler-only bypass road networks, linking the settlements together and across the 1948 armistice line, have been built and are relentlessly expanded. The bypass road network and the construction of the wall in the West Bank, involving a strip of land on average 60 metres wide all around it,<sup>274</sup> tightened Israeli control over movement of the Palestinians within the West Bank. Under the pretext of settler security, checkpoints were installed to restrict the movement of Palestinians. Not only is expansion of Palestinian roads virtually precluded their maintenance in Area C of the West Bank needs permits from the Israeli authorities. Figure 21 shows a decline in the share of transportation and storage activities in the Palestinian GDP. Although movement restrictions have been partially relaxed in 2005, except with East Jerusalem, the share of the transportation and storage sector has not recovered back to its 1990s level, due to the blockade of Gaza since 2007, which severely limits movement between the West Bank and Gaza.

Destruction of the Gaza airport in 2000 not only deprived Palestinians of a potential direct travel route, but also foreclosed certain opportunities for development of tourism and curtailed access to export markets. A maritime port, if built, would also potentially attract new tourists and improve access to new markets.



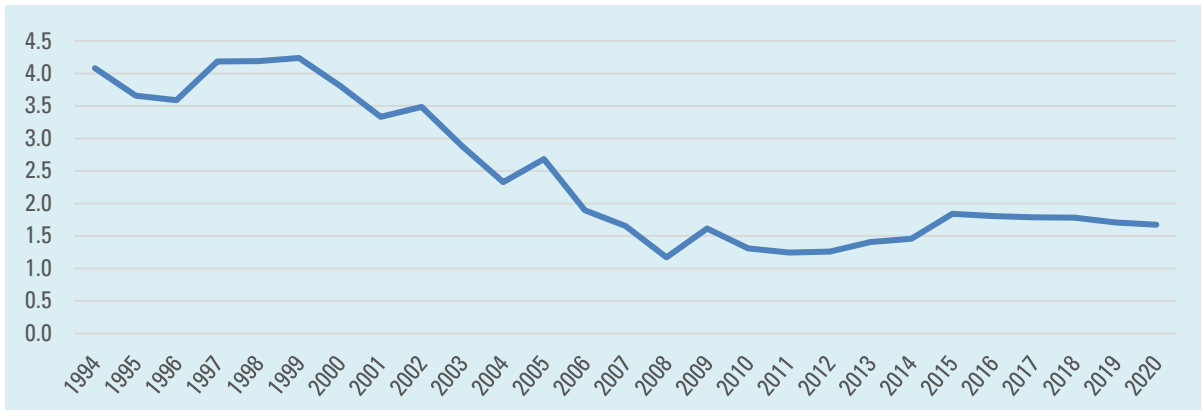
Map 4. Map of the West Bank with residential areas not connected to a public water network and the poverty map



Source: OCHA, 2019d.

Source: PCBS Poverty Atlas, 2017.

Figure 21. Share of transportation and storage activities of Palestinian GDP



Source: PCBS national accounts data.

Since Israel retains complete security and administrative control over Area C of the West Bank, Palestinians are forced to locate industrial zones in Areas A and B close to residential areas, with all the consequent severe environmental hazards.

## 2. Housing

Through a restrictive system of building permits, the Israeli occupation authorities obstruct housing for Palestinians in Area C of the West Bank and East Jerusalem. In the later, only 13 per cent is zoned for Palestinian construction, in areas already mostly built up, while 35 per cent of it is zoned for Israeli settlements.<sup>275</sup> As a result, Palestinians build without permits and more than 100,000 residents live under the risk of displacement.<sup>276</sup>

Demolitions of Palestinian dwellings have significantly increased after the Oslo Accords.

In East Jerusalem, the year 2005 marked a peak in the number of demolitions while Israel completed construction of parts of the Wall around East Jerusalem. As a result of denial of construction permits and demolitions in East Jerusalem, housing density there is higher than in other areas of the West Bank (figure 22).

Based on value-added, there were two significant expansion periods of the construction sector in the West Bank: in 1999 and 2009. However, there were also significant increases in the number of house demolitions in these two periods, which undermined the final output. Moreover, expansion in 2009-2010 was largely financed by private debt; private credit facilities for real estate financing significantly increased in 2010, by 49.7 per cent, relative to 2009.<sup>277</sup> Obviously, that has led to an increase in debt to real estate. However, due to increased house demolitions, the final real-estate output has not increased by the same rate.

Figure 22. Number of house demolitions in East Jerusalem and other areas of the West Bank, 1989-2017

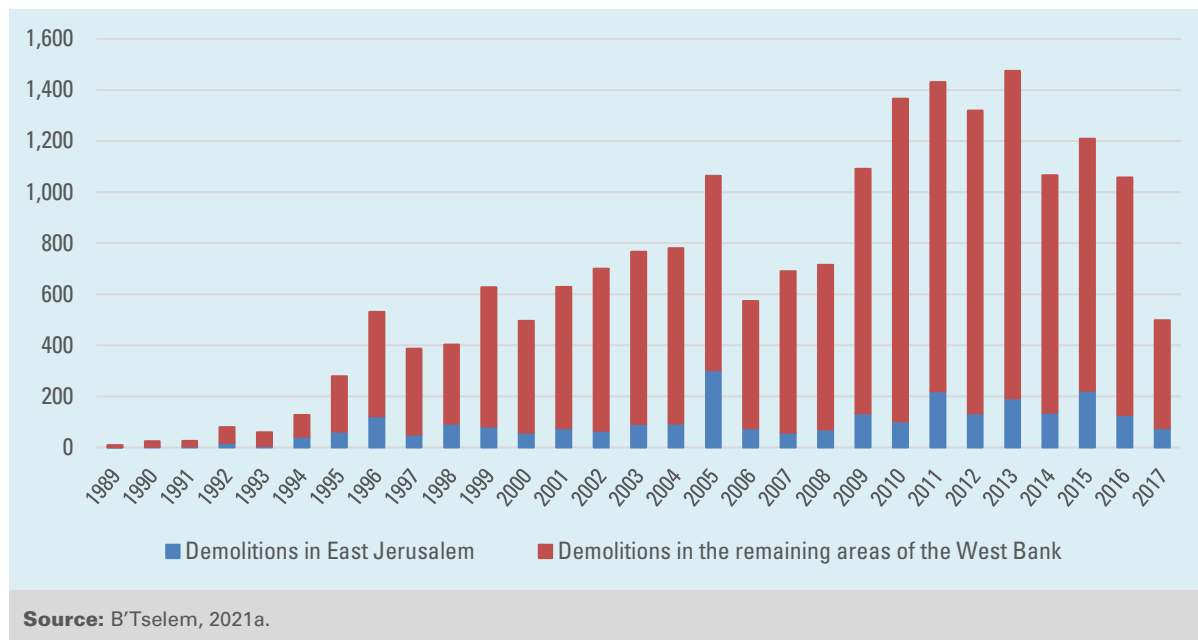


Figure 23. Number of house demolitions in East Jerusalem and other areas of the West Bank, 2018-2021

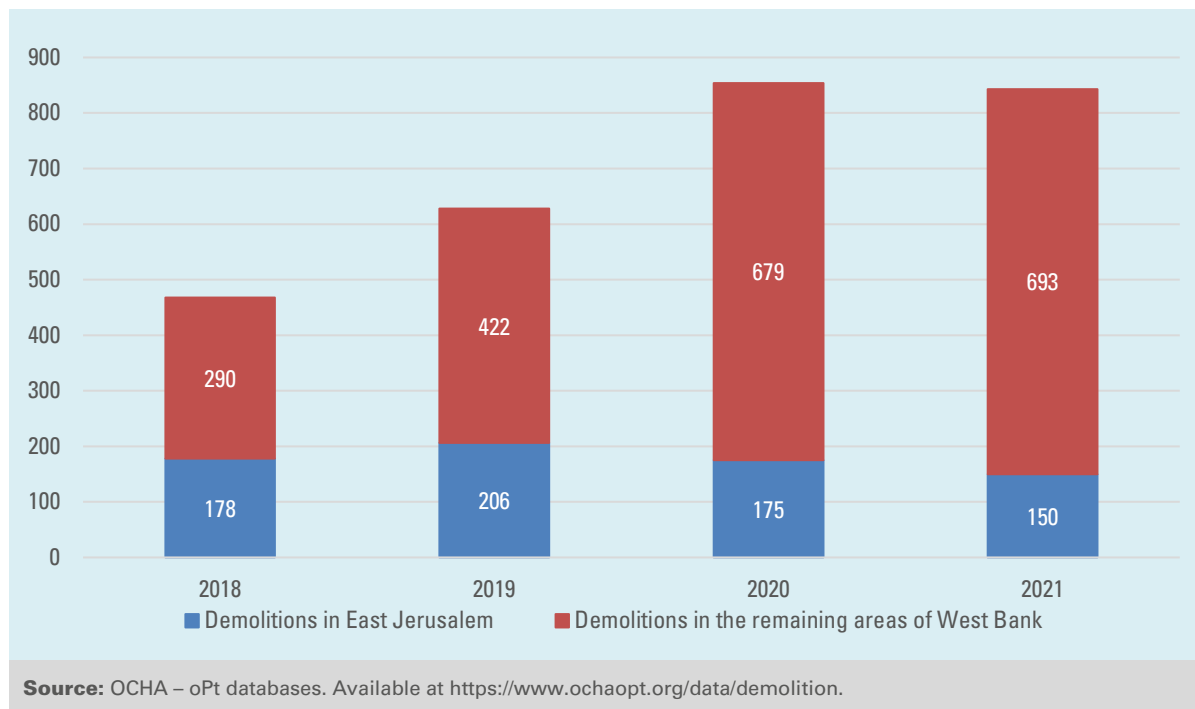


Figure 24. Total number of house demolitions and value-added of the construction sector in the West Bank

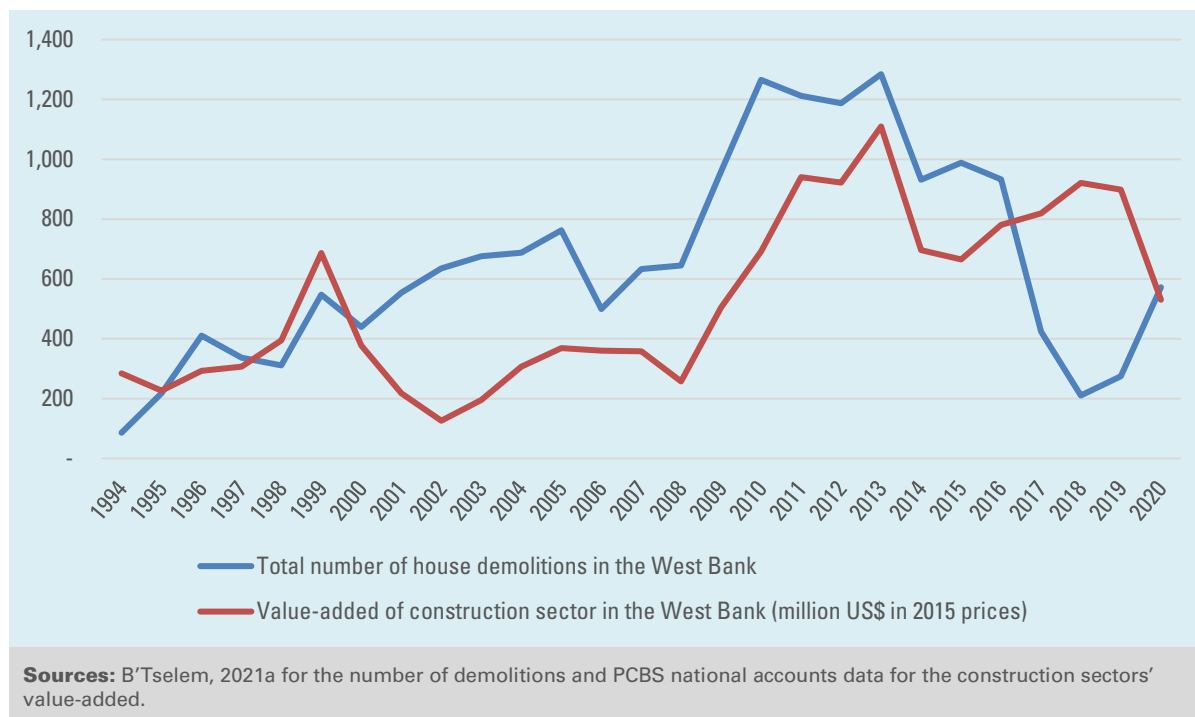


Table 2. Facts about East Jerusalem

	Palestinians	Israelis
Population <sup>a,d</sup>	295,000 <ul style="list-style-type: none"> <li>• 14,643 residency revocations between 1967-2018</li> <li>• 100,000 Palestinians at risk of forced displacement</li> </ul>	229,000
Land zoned for construction <sup>c</sup>	9 km <sup>2</sup>	26 km <sup>2</sup>
Number of habitants per room <sup>c</sup>	1.8	1
Mother and child clinics <sup>b</sup>	6	25
Collected municipality tax distribution <sup>b</sup>	60 per cent	40 per cent
Post offices <sup>b</sup>	8	33
Poverty rate <sup>b</sup>	72 per cent	26 per cent
<b>Sources:</b>		
<sup>a</sup> <a href="http://www.pcbs.gov.ps/site/512/default.aspx?lang=en&amp;ItemID=3734">http://www.pcbs.gov.ps/site/512/default.aspx?lang=en&amp;ItemID=3734</a> .		
<sup>b</sup> The Association for Civil Rights in Israel, 2019.		
<sup>c</sup> UN-HABITAT, 2015.		
<sup>d</sup> OCHA, 2017b.		

Palestinians constitute around 55 per cent of the population in East Jerusalem and pay around 60 per cent of the municipal taxes. However, services provided to them are minimal, as illustrated in table 2. In addition, land zoned for Palestinian use is no more than 9 km<sup>2</sup> out of the 70 km<sup>2</sup> of the surface area of East Jerusalem, compared with 26 km<sup>2</sup> allocated for use by the settlements. As a result of the discriminatory planning and zoning regime, construction licencing impediments and house demolitions, Palestinian room density is 80 per cent higher than that of the Israeli settlers; on average 1.8 habitants per room for the Palestinians, compared with 1 for the settlers.<sup>278</sup>

Furthermore, the deteriorating living conditions of Palestinians in East Jerusalem are reflected in poverty rates, with the rate for the Palestinian

population nearly triple that for the Israeli settlers.

### 3. Institutional and legislative environment

The Israeli Civil Administration of the 'territories' was instituted in 1981 as part of the Israeli military establishment to institutionalise separation of direct military activity from administrative control of Palestinian life. Between 1981 and 1994, the Civil Administration directly managed the civil affairs of the Palestinians in the oPt. Following the signing of the Oslo Accords, many of its powers were transferred to the PA and its various ministries.<sup>279</sup>

However, it kept control over infrastructure, planning and construction in Area C of the West Bank. In reality, its role has not diminished,

as was envisaged by the Oslo Accords, for it continues to lead and implement Israeli civilian policies in the West Bank, while serving as “a liaison and coordination body for the work of the PA and delegates of the international community”.

The Civil Administration interferes in the economic affairs and livelihoods of the Palestinian population in the West Bank without coordination with the PA, including by: directly issuing entry permits to Israel for Palestinians; approving entry of international donations and grants into the oPt; promoting specific agricultural activities to be integrated directly into the Israeli economy, and not only in area C; issuing work permits in Israel and the settlements to Palestinian workers; processing Palestinian importation applications; encouraging economic projects that are directly linked to the Israeli economy; issuing permits for mining and quarrying activities in the oPt; directing clearing of goods destined for the oPt from ports and the border crossings with Jordan; and controlling development of Palestinian industrial zones. The door-to-door project is an example of the attempts to further integrate Palestinian factories into the Israeli economy: the 19 factories involved link surveillance cameras overseeing the production process directly to the Civil Administration in return for exporting to Israel using special lanes in the crossings.<sup>280</sup>

Israeli authorities prevent Palestinian public institutions from working in East Jerusalem and Area C of the West Bank. Moreover, the land registry and land tenure data remain under Israel’s control. Hence, privately owned Palestinian land is at risk of categorisation as public land;<sup>281</sup> a measure often used by Israel as a pretext for confiscating land for settlement construction.

## D. Restrictions on access to markets

As delineated in the previous section, the Palestinian economy has been eviscerated and productivity of its sectors stymied by Israeli control over resources, impediments to acquisition of technology, poor infrastructure, obstruction, and demolitions of structures.

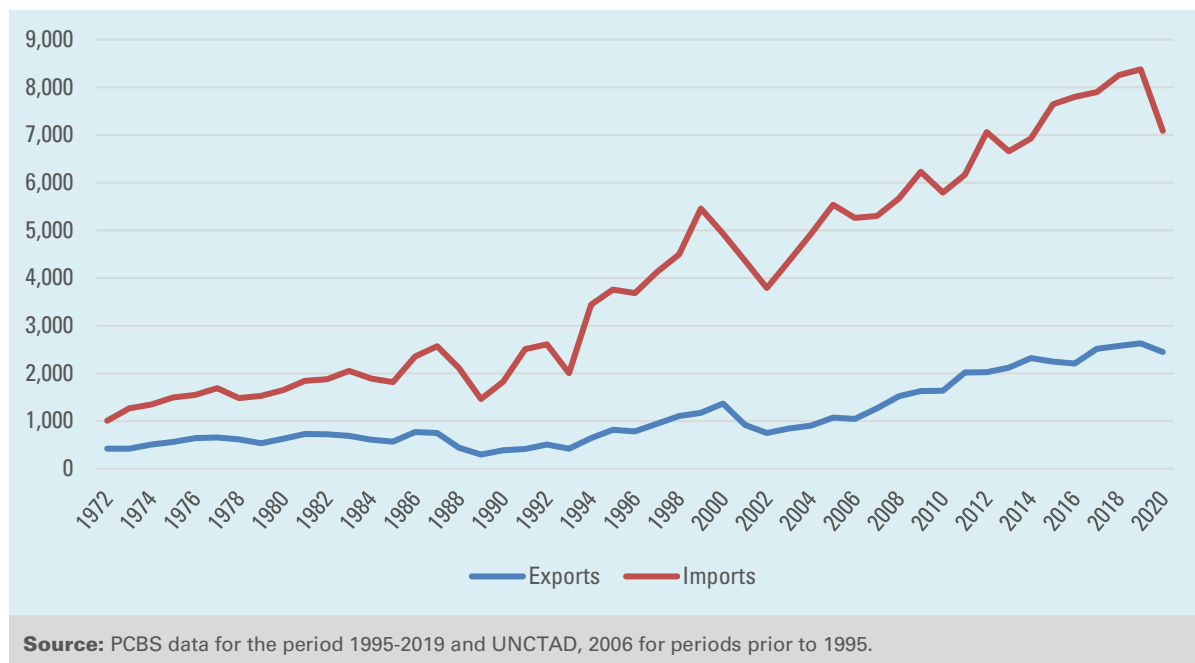
Around 95 per cent of Palestinian businesses are micro or small and have to contend with severe constraints on competitiveness, including high production costs due to resource scarcity, high prices of imported inputs, high transaction costs, lack of economies of scale, and the relatively high tariffs imposed by the customs union. These factors, render the Palestinian economy unable to compete with the Israeli economy, which has much higher productivity, in both international and domestic markets.<sup>282</sup> Moreover, Israel imposes import and export restrictions on Palestinian businesses, while movement restrictions and the Gaza blockade hinder access even to local markets.

### 1. Foreign Trade

Since 1967, Palestinian trade relations with the Arab world have been all but cut off. Exports from the oPt stumbled until 1995, when they increased until the second Intifada in 2000, with an average annual growth rate of 11 per cent. However, exports have been hindered by Israeli practices at the land, air, or sea-port border crossing points. Although, in theory, the Paris Protocol was supposed to eliminate any discrimination between Israeli and Palestinian traders, the latter usually face delays and increased costs.<sup>283</sup>

The trade deficit, which has been increasing since 1994, is financed by international aid and financial inflows from outside the oPt.

Figure 25. Exports and imports (Millions of dollars) of the oPt in constant prices



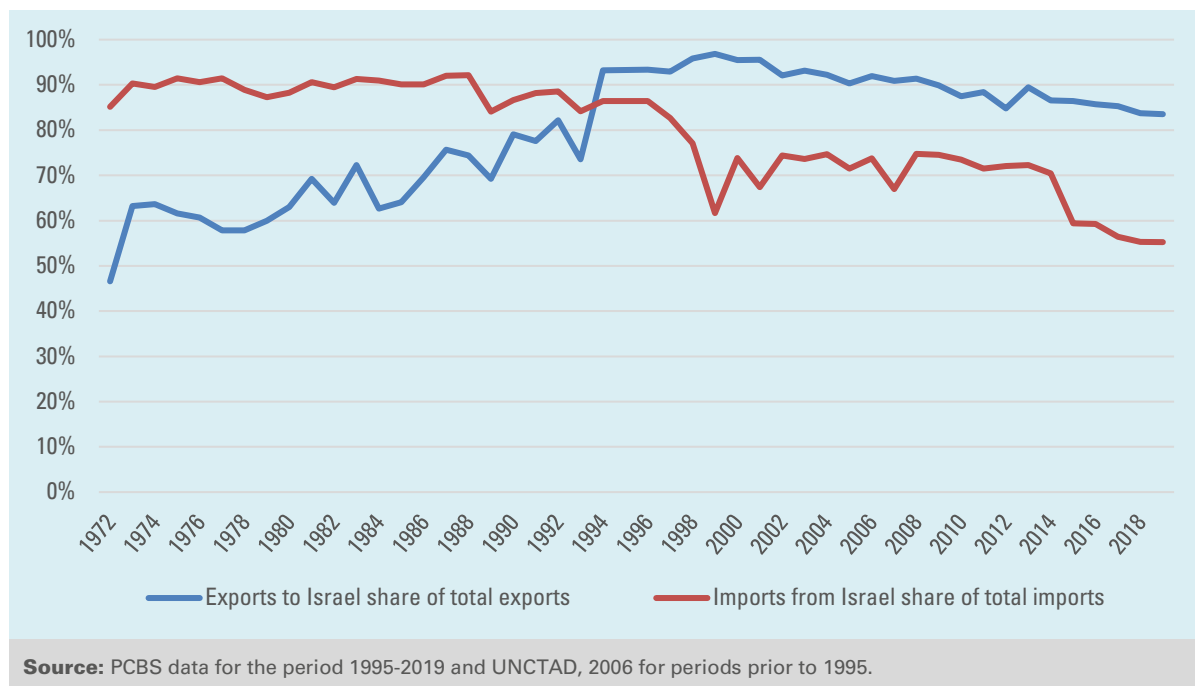
The imposed dependency of the Palestinian economy on the Israeli economy is evident in their trade relations. Israel is increasingly the largest “trade partner” for the oPt. Until 1999, imports from Israel represented between 85 and 90 per cent of total imports (figure 26).

The high share of imports from Israel is maintained by the customs union, delays at borders of imports from other countries, and restrictions on foreign currency exchange with excess cash in Israeli shekels which makes importing from Israel less expensive. Moreover, the Paris Protocol imposes the same system of

importation for most imports, including standards, licencing, country of origin, and valuation for customs purposes.

Weakness of the manufacturing and the agriculture and livestock sectors due to Israeli control over resources and infrastructure explain the low level of exports from the oPt. Furthermore, poor competitiveness, delays of exported goods at borders, and weakness of the tourism sector have all oriented Palestinian exports towards Israel. Thus, in the post-Oslo period, these constituted between 83 and 95 per cent of total exports and were concentrated in low value-added goods and services.<sup>284</sup>

Figure 26. Shares of trade with Israel from total foreign trade



## 2. Internal trade

Given the weakness of domestic productive sectors, the low level of exports and the high level of imports, the internal wholesale and retail trade is mostly in imported goods and services. Figure 27 shows that productivity of the internal trade service sector, measured as value added per employee and as share in GDP, has been increasing since 2009. Indeed, it is the only sector with increasing productivity. However, the large share of imports from Israel places the sector in a dependency relation with the Israeli markets.

Evidently, the increase in productivity and in the share of the trade sector after 2009 is associated with an increase in private credit

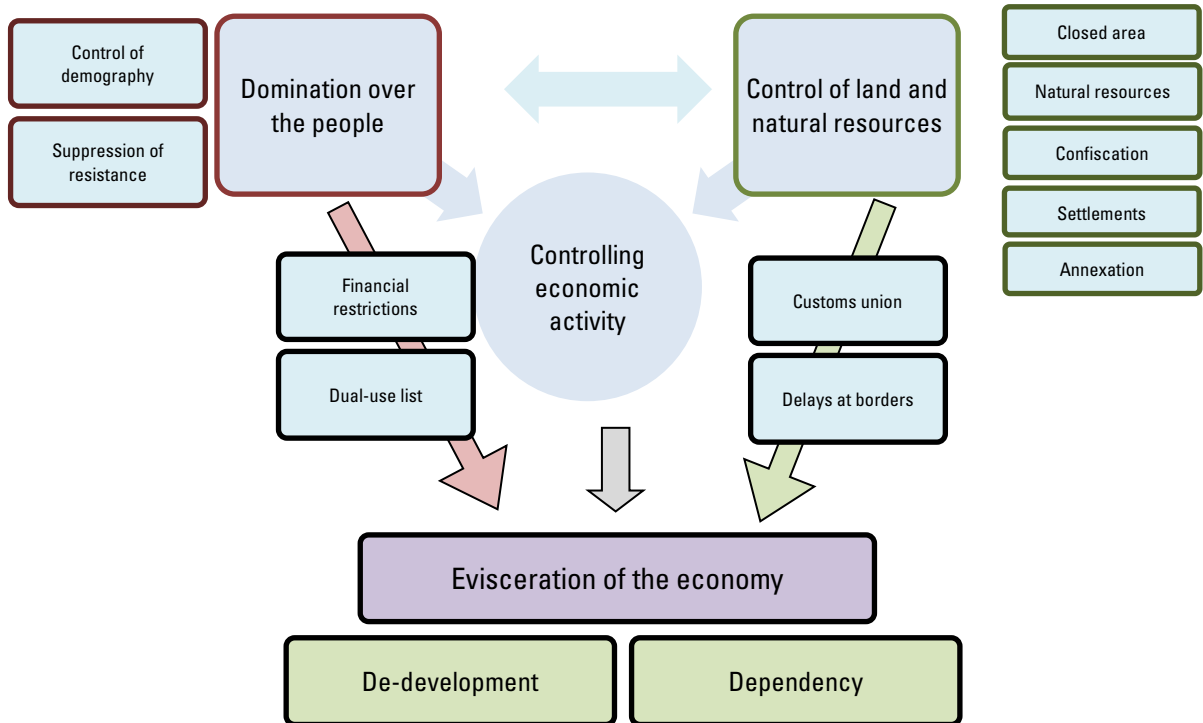
facilities for Palestinians, as well as an increase in private consumption, following the boom in international aid to the PA in 2008. Given that the increase in international aid feeds into the recurrent government expenditure, rather than development expenditure, the result has been restricted to a boom in consumption. In the absence of access to production resources, the flow of international aid has resulted in an expansion of the Israel-dependent trade sector, which reinforces overall economic dependency.

Indeed, not only has Israel fragmented the oPt, dispossessed the Palestinians of land and natural resources, and dominated their everyday life, it has also maintained total control over their economy.

Figure 27. Value added per employee in the sector of wholesale and retail trade



Source: PCBS national accounts data and labour force surveys 2001-2019 and authors' calculations of productivity.



In conclusion, the mutually reinforcing components of Israel's matrix of control and domination, coupled with measures that specifically target the

Palestinian economy, have eviscerated that economy and resulted in its de-development and asymmetric economic dependency on Israel.



### 3. International law perspective towards Israel's policies in the Occupied Palestinian Territory



#### Key findings and messages

- While many of Israel's policies and practices have been individually found to be in violation of international law, combinations of some policies and practices seem to violate fundamental aspects of international humanitarian law, specifically the principle of the peoples' right to self-determination, the absolute prohibition of the acquisition of land by force, and the law of occupation.
- Israel violates the principle of "no annexation" in international law through de jure annexation of East Jerusalem and de facto annexation imposed by policies of land access restrictions, expropriation and settlements construction.
- Israel has not adhered to the law of occupation and, thus, its occupation of the Palestinian territory may be deemed as illegal.
- The international community has a responsibility and obligation to end, with deliberate speed, Israel's violation of international law and its de facto impunity.
- A rights-based approach to the Question of Palestine, grounded in international law and human rights, has become more vital in the political, as well as the humanitarian and development, spheres.

International law is the promise that States make to one another and, by default, to their people, that rights will be respected, protections will be honoured, agreements and obligations will be satisfied, and peace with justice will be pursued. International human rights law is integral to the application of the laws of occupation as stipulated by international humanitarian law. Conflict and military occupation do not constitute an exception to this legislation, meaning that international humanitarian law and human rights law remain complementary, not mutually exclusive, in their application to military occupation.<sup>285</sup>

Therefore, the Fourth Geneva Convention applies in full, according to international and legal consensus, to Israel's occupation of the Palestinian territory. The Security Council has consistently echoed this consensus and affirmed this legal determination.<sup>286</sup> As such, according to the aforementioned legal and international consensus, Palestinians in the occupied territory are "protected persons" under international humanitarian law and are entitled to all the protections of the Fourth Geneva Convention.<sup>287</sup> However, Israel continues to deny the application of the Convention on the basis that it does not

recognise the Palestinian territory as being occupied.<sup>288</sup>

As Israel's occupation of the Palestinian territory has deepened, its objectives and volume of documented violations of international law have become clearer and, if not, better documented. Yet, despite the chronic nature of the occupation and the evidence gathered, Israel has not been held accountable by the international community through the available legal mechanisms, dealing a severe blow to international law and the credibility of the international system. Thus, in the absence of a subjective moral preventive in Israel or objective legal deterrent at the international level, impunity for its crimes has led Israel to commit further breaches of international law.

In this context, the International Criminal Court ruled in February 2021 that it has jurisdiction over international crimes committed within the oPt, including crimes against humanity. In March 2021, the Office of the Prosecutor announced the opening of a formal investigation into the case of Palestine.<sup>289</sup> Including a law-based framework is an important prerequisite for a permanent resolution to the Israeli-Palestinian conflict.<sup>290</sup> The importance of a legal framework is that it can serve as the cornerstone to ending the Israeli occupation of the Palestinian territories. In addition, considering a rights-based approach can guarantee a real chance for peace.<sup>291</sup>

The previous chapters illustrated how Israel has institutionalised a systemic matrix of oppression and domination in the oPt with the intention of maintaining dominance of one group over another, highlighting how individual policies and practices employed by Israel violate international law.

Furthermore, examination of the policies and practices, their interactions, and their cumulative effects on the Palestinians, reveals violations of fundamental aspects of international law, including the principle of peoples' right to self-determination, the absolute prohibition of acquiring land by force, and the laws of occupation. This chapter analyses Israel's policies and practices in relation to these three aspects and provides an overview on the question of accountability.<sup>292</sup>

## A. Self-determination

**The desire for independence is the rightful aspiration of peoples under colonial subjugation and [...] the denial of their right to self-determination constitutes a threat to the wellbeing of humanity and to international peace.**<sup>293</sup>

There is no universally accepted definition for self-determination. However, the Declaration on the Granting of Independence to Colonial Countries and Peoples (1960) states that "All peoples have the right to self-determination; by virtue of that right they freely determine their political status and freely pursue their economic, social and cultural development".<sup>294</sup> Demographic and territorial presence and permanent sovereignty over natural resources are generally understood to constitute elements of the right to self-determination.<sup>295</sup> Further, the Declaration on Principles of International Law concerning Friendly Relations and Cooperation among States in accordance with the Charter of the United Nations (1970) stipulates that the "establishment of a sovereign and independent State, the free association or integration with an independent State or the emergence into any

other political status freely determined by a people constitute modes of implementing the right of self-determination by that people".<sup>296</sup>

Self-determination is among the core principles of international law enshrined in the Charter of the United Nations (1945), and is linked to the principle of equal rights of people.<sup>297</sup> The General Assembly has repeatedly reaffirmed that all peoples have "the right freely to determine, without external interference, their political status and to pursue their economic, social and cultural development, and every State has the duty to respect this right in accordance with the provisions of the Charter".<sup>298</sup> Furthermore, self-determination is the first human right cited in both the International Covenant on Economic, Social and Cultural Rights (1966) and the International Covenant on Civil and Political Rights (1966).<sup>299</sup> The principle of self-determination includes the right of existence for people as well as the continuation of the political and cultural aspects for groups,<sup>300</sup> including peoples under occupation and other forms of so-called alien rule.<sup>301</sup>

The evolution of the laws of occupation, and the application of the right to self-determination to these laws, has meant that sovereignty lies with the people that live in the occupied territory and not with the government of the occupying power. Furthermore, the occupying power is required to respect the political interests of this popular sovereignty, i.e., the people. All States, including the occupying Power have "the duty to refrain from any forcible action which deprives peoples [...] of their right to self-determination and freedom and independence".<sup>302</sup>

In its advisory opinion on the Legal Consequences of the Construction of a Wall in

the Occupied Palestinian Territory (2004), the International Court of Justice expressly affirmed the right of the Palestinian people to self-determination, that Israel has a duty to respect this right, and that a number of the features of the Israeli occupation had "severely impede[d]" the exercise of this right.<sup>303</sup>

The General Assembly has repeatedly asserted the right of the Palestinian people to self-determination<sup>304</sup> and has linked the exercise of this right to ending the occupation. Resolution 73/96 of December 2018, for example, states that the Assembly:

**Stress[ed] the urgency of bringing a complete end to the Israeli occupation that began in 1967, and thus an end to the violation of the human rights of the Palestinian people, and of allowing for the realization of their inalienable human rights, including their right to self-determination and their independent State[.]**

The Human Rights Council, in its resolution 40/22, reaffirmed "the inalienable, permanent and unqualified right of the Palestinian people to self-determination, including their right to live in freedom, justice and dignity and the right to their independent State of Palestine". It also considered that "the right to self-determination of the Palestinian people is being violated further by Israel through the existence and ongoing expansion of settlements in the Occupied Palestinian Territory, including East Jerusalem".

As shown in previous chapters, Israel's policies undermine the prospects of the establishment of a Palestinian State and hinder Palestinian social and economic development. As such

Israel is in breach of its obligation to refrain from any forcible action that deprives people of their right to self-determination, freedom and independence.

The Human Rights Committee concluded in 2014 that a number of Israeli practices and policies undermine the enjoyment by Palestinians of a wide range of their rights, including the right to self-determination. The policies listed by the Committee include: confiscation and expropriation of Palestinian land; restrictions on access of Palestinians in the oPt, including East Jerusalem, to natural resources, inter alia, agricultural land and adequate water supply; the practice of claiming land as State land; construction of the wall in the West Bank and the permit regime associated with it; and construction and expansion of settlements throughout the oPt, the transfer of settlers to the occupied territory and retroactive legalisation of settler outposts.<sup>305</sup>

The illegal annexation of East Jerusalem, the persistence of the Gaza blockade, the treatment of much of the West Bank as Israel's own sovereign land for economic and demographic purposes have fragmented the oPt and the Palestinian people, and have also obstructed the Palestinian people's right to exercise self-determination.<sup>306</sup> The geographic fragmentation and physical separation of the population undermines the possibility of the Palestinian people realising their right to self-determination through the creation of a viable state.<sup>307</sup>

The independent international fact-finding mission to investigate the implications of the Israeli settlements on the civil, political, economic, social and cultural rights of the Palestinian people throughout the oPt, including East Jerusalem, similarly concluded that:

**...the right to self-determination of the Palestinian people, including the right to determine how to implement self-determination, the right to have a demographic and territorial presence in the Occupied Palestinian Territory and the right to permanent sovereignty over natural resources, is clearly being violated by Israel through the existence and ongoing expansion of the settlements.<sup>308</sup>**

In addition, several pieces of Israeli legislation are contrary to international law, including the principle of the right of peoples to self-determination. The clearest example is the Basic Law: Israel–The Nation–State of the Jewish People (2018), which has the status of a constitutional document. The law, which was passed in 2018, stipulates that the “actualization of the right of national self-determination in the state of Israel is unique to the Jewish people.”<sup>309</sup> The same law considers settlement in the oPt “a national value” and affirms that Israel “will labour to encourage and promote its establishment and development”. As Israel has not delineated the geographic area that constitutes its territory, this statement indicates that the State of Israel is viewed by the Basic Law to include at least some parts of the West Bank, i.e., it considers that only the Jewish people are entitled to the right to self-determination not only inside Israel, but also in all or part of the West Bank as well.

The Committee on the Elimination of Racial Discrimination concluded that the Basic Law is discriminatory against non-Jewish people living in the State, as it stipulates that the right to exercise self-determination in Israel is “unique to the Jewish people” and establishes Hebrew as Israel's official language, downgrading Arabic to a “special status”.<sup>310</sup>

Lastly, the International Criminal Court has recognised the right of the Palestinian people to self-determination and their right to an independent State, connecting these rights to the oPt. It has stipulated that,

**Palestine’s viability as a State and the ability of the Palestinian people to exercise their right to self-determination have been significantly impaired by the expansion of settlements and the construction of the barrier and its associated regime in the West Bank, including East Jerusalem—all measures deemed by the international community to contravene international law.**<sup>311</sup>

The Court has further asserted that any future land-swap “does not alter the applicable right of the Palestinian people to self-determination with respect to the Occupied Palestinian Territory or the unlawfulness of any ongoing activity that undermines its realization”.<sup>312</sup>

The contradictions involved in attempting to build a sovereign economy under a prolonged occupation, without the prospect of realisation of genuine self-determination on the horizon, have become quite apparent. A stifled, distorted and indeed eviscerated Palestinian economy provides a non-viable foundation for sustainable and equitable social development of the oPt. Certainly, the State of Palestine has made steady progress in several important social areas, but, other key indicators point to a precarious situation, with social conditions and living standards stagnating or getting worse.<sup>313</sup>

## B. Annexation

There are no circumstances under which an occupier is entitled to conquer, annex, or gain any legal or sovereign title over any part of the territory under its occupation. Leading public international law scholars have endorsed the “no annexation” principle as a binding legal doctrine.<sup>314</sup> This is a universally endorsed principle and one of the most well-established of modern international law.

The absolute prohibition of acquisition of territory by force does not distinguish as to whether the territory was occupied during a war of self-defence or a war of aggression; annexation is prohibited in both circumstances.<sup>315</sup> Article 2, paragraph 4, of the Charter of the United Nations forbids its member states to resort to: “... the threat or use of force against the territorial integrity or political independence of any state...”. The General Assembly unanimously codified the prohibition against acquiring title by conquest in the Declaration on Principles of International Law concerning Friendly Relations and Cooperation among States.

The Security Council endorsed the principle of “inadmissibility of the acquisition of territory by war” in resolution 242 (1967), with specific reference to Israel’s June 1967 occupation of Arab, including Palestinian, territories. The Council has since reaffirmed this principle in at least seven resolutions in reference to Israel’s conduct in the occupied Syrian Golan and the oPt.<sup>316</sup>

The International Court of Justice has further held that the “... illegality of territorial acquisition resulting from the threat or use

of force” has acquired the status of customary international law.<sup>317</sup>

The inadmissibility principle has also been endorsed repeatedly by the General Assembly and the Human Rights Council. Israel’s formal, de jure, annexation of occupied East Jerusalem (in 1980) and the Syrian Golan Heights (in 1981), and its refusal to relinquish them was condemned by the international community, has exacerbated regional instability and continues to severely limit the efficacy of international law.<sup>318</sup>

However, Israel has not been held accountable nor has it faced serious consequences for its annexation and violation of this fundamental legal principle. It thus remains unrelenting and continues to employ policies, measures, and legislation aimed at securing its de jure annexation, including that of East Jerusalem. Over the past five decades, it has extended its national laws and civil authority to the occupied section of the city; transformed its physical features and historic character; moved to it some of national institutions, including the Ministry of Justice; issued numerous declarations of permanent sovereignty; and embarked upon an intensive programme of creating and expanding Israeli settlements.<sup>319</sup>

While Israel’s de jure annexation of East Jerusalem is undisputed, documented, and condemned by the international community, another form of annexation has been employed by Israel in the rest of the West Bank: de facto annexation. “De facto annexation” has been generally used to describe actions of a State “in the process of consolidating – often through oblique and incremental measures – the legislative, political, institutional and demographic facts to establish a future claim

of sovereignty over territory acquired through force or war, but without the formal declaration of annexation.”<sup>320</sup>

In this regard, another principle in international humanitarian law strictly forbids imposing conditions or creating facts on the ground, especially those designed to establish a claim for title for the occupying power. This is intended to pre-empt moves by an occupier to demographically transform the territory to advance its claim of sovereignty and, simultaneously, undermine the right of the protected population to self-determination.<sup>321</sup> The Special Rapporteur on the situation of human rights in the Palestinian territory occupied since 1967 states:

**...the strict prohibition against annexation under international law applies not only to a formal declaration, but also to those acts of territorial appropriation by Israel that have been a cumulative part of its efforts to stake a future claim of formal sovereignty over the occupied Palestinian territory.**<sup>322</sup>

Therefore, the Fourth Geneva Convention prohibits the transfer of civilians from the occupying Power into the occupied territory,<sup>323</sup> and the Rome Statute (1998) of the International Criminal Court has defined such an act as a war crime.<sup>324</sup>

The West Bank wall, settlements, and the coercive environment forcing the displacement of Palestinians (as discussed in chapter 1), remain the most visible manifestations of Israel’s de facto annexation and its intentions in this regard. In its advisory opinion, the International Court of Justice stated that:

**Settlements established by Israel in breach of international law in the Occupied Palestinian Territory- Construction of the wall and its associated regime create a “fait accompli” on the ground that could well become permanent-Risk of situation tantamount to de facto annexation-Construction of the wall severely impedes the exercise by the Palestinian people of its right to self-determination and is therefore a breach of Israel’s obligation to respect that right.**<sup>325</sup>

In addition, Israel continues to entrench its de facto annexation of the West Bank by imposing fait accompli changes and creating facts on the ground, as indicated by physical and political enclosure of Palestinians in the West Bank; extension of Israeli laws to the occupied West Bank and creation of a discriminatory legal regime; and unequal access to natural resources, social services, property and land for Palestinians. Israel has also steadily entrenched its sovereign footprint throughout the West Bank through completely integrating settlement infrastructure, including sewage connections, communication systems, and electrical networks into the domestic system of Israel. The West Bank water system is owned by Mekorot, the Israeli national water company, with the benefits flowing primarily to Israel. The highway network has been reconfigured to connect the settlements with each other and with Israeli cities, disrupting Palestinian transportation in the process.<sup>326</sup>

Israeli officials have repeatedly vowed to unilaterally annex additional parts of the West Bank.<sup>327</sup> The coalition agreement that led to the formation of the Israeli government in May 2020 went further and established a process to

acquire governmental approval for annexation.<sup>328</sup>

In line with the political statements and declarations of intent, legislative steps pertaining to settlements,<sup>329</sup> as well as the escalation of Israeli settlement activities, have consolidated Israel’s control over lands in the oPt.<sup>330</sup> Such legislative initiatives aim to promote ‘legal annexation’ by increasing the Israeli Knesset’s sovereignty over the West Bank.<sup>331</sup>

Between 2015 and 2019, there was an unprecedented acceleration in Israeli legislation affecting the status of the oPt, including East Jerusalem, and solidifying Israeli control over it,<sup>332</sup> including the Nation-State of the Jewish People Law, which was addressed above. Sixty bills pertaining to annexation and application of Israel’s sovereignty to the West Bank were proposed during the 20th Knesset, and eight were approved and became law, which indicates that the Knesset has come to regard itself as a sovereign legislative authority in the West Bank.<sup>333</sup> Another indicator to that effect is the guidelines issued by the attorney general in 2017 that require all government-sponsored bills to specify that they apply to the settlers in the West Bank, or otherwise justify why not.<sup>334</sup>

While Israel has not yet declared formal sovereignty over any part of the West Bank, other than East Jerusalem, many of its policies and practices violate the strict prohibition of imposing conditions or creating facts on the ground.

## C. Laws of occupation

The law of war (*jus ad bellum*) was developed in response to the conflicts of the 19th and 20th

centuries, and comprises occupation law, which is a branch of international humanitarian law. In order to address foreign military occupation within modern international humanitarian law, three core purposes were adopted to: (a) closely regulate an occupation to ensure that the territory achieves, or is restored to, a state of sovereignty; (b) prevent the territory from becoming a fruit of conquest; and (c) safeguard the protected people under occupation.<sup>335</sup>

Within these parameters, international humanitarian law identifies belligerent occupation as inherently a temporary and exceptional situation in which an occupying Power administers *de facto* the territory it occupies until returning it to the sovereign, which is the people of the territory.<sup>336</sup>

The absolute prohibition of acquisition of territory by force, dictates prohibiting the occupying power from ruling, or attempting to rule, the territory permanently or even on an indefinite basis.<sup>337</sup> The temporality of occupation, coupled with the principles of self-determination and non-acquisition of territory by force, is what distinguishes occupation from conquest. Thus, the distinction would be thwarted not only if an occupation was permanent, but also if it was construed as indefinite.<sup>338</sup>

The laws of occupation do not set a specific length of time for the lawful duration of an occupation. However, the guiding principle that occupation is a form of alien rule that is a temporary exception to the norms of self-determination and sovereignty means that the occupying Power is required to return the territory to the sovereign power in as reasonable and expeditious a time period as possible, subject only to ensuring: (a) public safety and the security of the territory; (b) the

resumption, or creation, of governing institutions and a functioning economy; and (c) the security of the occupying military.

The occupying power, being obliged to work in good faith to achieve these goals consistent with the principles of the laws of occupation, would have no legitimate purpose to remain in the occupied territory beyond the time when conditions have allowed for the territory to be returned *in toto* to the sovereign power. Indeed, the longer the occupation, the greater the justification that the occupying power must satisfy for its continuing presence in the occupied territory.

Thus, under international law, a belligerent occupier is required to govern an occupied territory in good faith. This can be assessed by whether the occupying power adheres to the three core principles governing an occupation stated above, by applying the following:

- (a) The belligerent occupier cannot annex any of the occupied territory;
- (b) The occupation must be temporary, neither permanent nor indefinite; and the belligerent occupier must seek to end the occupation and return the territory to the sovereign as soon as reasonably possible;
- (c) During the occupation, the belligerent occupier is to act in the best interests of the people under occupation;
- (d) The belligerent occupier must administer the occupied territory in good faith, including acting in full compliance with its duties and obligations under international law and as a member of the United Nations.

The prevailing approach of the international community has been to treat Israel's occupation



of Palestinian territory as lawful, notwithstanding grave breaches of international law committed by Israel in its conduct of the occupation, including the settlement enterprise, the construction of the wall, the annexation of East Jerusalem, and the systemic violations of Palestinian human rights.<sup>339</sup>

Israel's military occupation has lasted over 54 years, a duration that is unprecedented in modern history. Its protracted nature and the associated flagrant violations of international law have prompted international legal scholars to argue that an occupation that was once regarded as lawful can cross a threshold and become illegal. One argument to this effect provides that violation of any of the fundamental legal principles of occupation "renders an occupation illegal per se";<sup>340</sup> another emphasises the importance of identifying whether an occupation is in fact indefinite or permanent and therefore illegal, so as to guard against "... the risk of occupation becoming conquest or a new form of colonialism while hiding behind an imagined temporality".<sup>341</sup>

The Israeli occupation has long exceeded the temporariness principle under international law. It has not acted in a manner consistent with the requirement that it take all necessary steps to bring the occupation to a successful closure in as reasonable and expeditious a time period as possible. Indeed, far from it. Whether the occupation is said to be indefinite or permanent, the lack of a persuasive justification for its extraordinary duration places Israel, as the occupying power, in violation of international law.

As for the best interests/trust principle, as described in previous chapters, Israel's policies and practices restricting the civil and

commercial life of Palestinians have resulted in an eviscerated and dependent Palestinian economy, increasingly precarious living conditions, and daily suffering. Israel has ruled the oPt "as an internal colony",<sup>342</sup> seeking to exploit its land and resources for its own benefit, at the expense of the rights and best interests of the protected people. As such, Israel is in breach of its obligations to administer the occupation as a trustee for the wellbeing of the protected people under occupation.<sup>343</sup>

For an occupying power to govern an occupied territory in good faith, it must not only comply with the three principles stated above but must also be fully compliant with any specific directions issued by the United Nations or other pertinent authoritative bodies. Further, it must comply with the specific precepts of international law, including humanitarian law and human rights law, applicable to an occupation.<sup>344</sup>

Since 1967, the Security Council has adopted, in clear and direct language, more than 40 resolutions on Israel's occupation of the Palestinian territory. Israel has persistently refused to accept and apply any, and the Security Council has "strongly deplored the continued refusal of Israel, the occupying power, to comply with the relevant resolutions of the Council and the General Assembly."<sup>345</sup>

Furthermore, Israel has been deemed to be in breach of many of the leading precepts of international humanitarian and human rights law. Its settlement enterprise has been characterised as illegal by the Security Council.<sup>346</sup> Illegal acts and practices include: use of collective punishment, creating a coercive environment that results in forcible transfer; arbitrary detentions, including administrative

detention; revocation of the residency rights of many thousands of Palestinians; and severe restriction of movement that affects every aspect of daily life.<sup>347</sup> Above all, the entrenched and unaccountable occupation substantively violates, and undermines, the right of Palestinians to self-determination, the platform right that enables the realisation of many other rights.

Whether measured by the criteria of substantive compliance with United Nations resolutions or by the satisfaction of its obligations as an occupier under the framework of international law, Israel has not governed the oPt in good faith. As a United Nations member state with obligations, it has repeatedly defied supervisory authority of the international community over the occupation. As the occupier, it has consciously breached many of the leading precepts of international humanitarian law and international human rights law that govern an occupation.<sup>348</sup>

## D. Accountability

The term, “the Israeli exception,” was coined to encapsulate the extent to which Israel has enjoyed impunity for violating international law.<sup>349</sup> Despite the numerous violations documented by impartial international bodies and condemned by the United Nations, Israel has gone unpunished, which has perpetuated a culture of impunity among its successive governments, security institutions and civilians in the system of government. The international response to the Israel’s occupation of Palestinian territory that has now lasted more than half a century illustrates that in regard to international law and accountability, there is an enormous gap between promise and performance.<sup>350</sup>

The Security Council has deplored the failure of Israel to implement at least 27 of its resolutions,<sup>351</sup> 18 of which are directly related to the oPt and the Palestinian people<sup>352</sup> and nine confirm Israel’s violation of the United Nations Charter.<sup>353</sup> Although the Council has a history of imposing coercive measures on non-compliant member states, including sanctions or direct military intervention, Israel continues to enjoy impunity.

Persistence of impunity encourages Israel to commit additional violations and further diminishes the prospects of attaining peace.<sup>354</sup> Indeed, strict adherence to international law is a prerequisite to attaining peace in the region, which is a consideration that has prompted calls for readjusting the approach of the international community towards the Question of Palestine. Many highlight the indispensability of having a rights-based and international-law-based approach and framework, arguing that such a framework should take precedence over the political and security dimensions of any peace process.

In the modern world, accountability is the institutional check on the exercise of public and private power on behalf of the common good. All legal systems that operate by the rule of law have developed sophisticated methods of accountability, primarily through an independent judicial system to which claimants can seek to have their rights vindicated and receive appropriate remedies from those individuals or organisations that have violated their rights. Without accountability, legal and political systems would steadily decay for lack of enforceability and respect.

International law is a well-developed body of laws that forms the backbone of the modern

system of international relations. While international law lacks the judicial structure of courts that most countries have, the international community has nevertheless created duties and obligations to hold nations and individuals accountable for their actions. Some of these are found in resolutions of the United Nations; others in international treaties and conventions. However, enforcement of accountability depends largely on international political will. As Ambassador Jonathan Allen of the United Kingdom said during a United Nations Security Council briefing on international humanitarian law in April 2019: “We don’t lack law. We lack enforcement and accountability.”

As already pointed out, the international stance vis-à-vis the Israeli occupation of Palestinian territory that has lasted over 54 years illustrates that international law is sometimes closer to power than to justice. The United Nations, among other authoritative international bodies, has frequently adopted resolutions criticising Israel for its defiance of, and non-compliance with, Security Council, General Assembly and Human Rights Council resolutions. However, the international community has rarely taken steps, through effective countermeasures and sanctions, to hold Israel accountable for its violations of international human rights, as well as of humanitarian and criminal law.

Since 1945, the international community has adopted and codified a substantive body of laws regarding the responsibility of states to obey and enforce a rule-based international order. In particular, there are three important sources of legal obligations that the international community must employ to compel Israel to completely end its occupation and enable the Palestinian people to realise its right to self-determination.

## 1. Common Article 1 of the Geneva Conventions of 1949

Common Article 1 to the Geneva Conventions proclaims that: “The High Contracting Parties undertake to respect and to ensure respect for the present Convention in all circumstances.”<sup>355</sup> This mandates the 196 members of the Geneva Conventions (the High Contracting Parties) to cooperate and unite when serious violations of the Conventions are committed. This solemn obligation is central to the enforcement of rights guaranteed by the Conventions. The authoritative commentary on the Geneva Conventions produced by the International Committee of the Red Cross states that the obligation to “ensure respect” is not a “loose pledge, but a commitment vested with legal force.” When violations of the Conventions occur, the High Contracting Parties will only satisfy their legal obligations under Common Article 1 when “... they have done everything reasonably in their power to bring the violations to an end.”<sup>356</sup>

## 2. The 2001 Articles on State Responsibility for Internationally Wrongful Acts

In August 2001, at the end of a five-decade codification process, the International Law Commission adopted the Articles on State Responsibility for Internationally Wrongful Acts (“The Articles”).<sup>357</sup> The United Nations General Assembly accepted the Articles in December 2001.<sup>358</sup> A basic norm of international law is that all states are to obey international law at all times, consistent with their obligations under the rule-based international order. As per Article 41, States assume three basic obligations as part of their responsibility to ensure that other states uphold international law, they: (a) cannot recognise as lawful situations created by serious breaches as understood by Article 40; (b) cannot

offer aid or assistance in maintaining any situation involving serious breaches; and (c) have a positive duty to cooperate with each other in bringing these serious breaches to an end.<sup>359</sup>

### 3. Article 25 of the Charter of the United Nations

Article 25 of the Charter of the United Nations provides that: "The Members of the United Nations agree to accept and carry out the decisions of the Security Council in accordance with the present Charter." The prevailing view in respect of the scope of article 25 is that resolutions adopted by the Security Council that 'decide', rather than simply 'recommend', are binding decisions on all United Nations members, and they must be obeyed and implemented.<sup>360</sup> This binding authority of Security Council decisions follows from the fact that all states, in agreeing to become members of the United Nations, have consented to being bound by the terms of the United Nations Charter.<sup>361</sup>

All United Nations Security Council resolutions that pronounce on the illegality of the Israeli

settlements, the illegality of the Israeli annexation of East Jerusalem, and the failure by Israel to comply fully with its legal obligations under international law, or make declarations on any aspect of Israel's occupation, are binding decisions that must be complied with by Israel. Its failure to honour any of these decisions places the onus on all other member States to enforce these obligations within the bounds of the Charter.

The international community has ample accountability tools to pressure Israel to comply with its international legal obligations, such as conditioning or refusing arms transfers; refusing to enter into, or withdraw from, bi-lateral or multi-lateral agreements; and referring the issue to the International Court of Justice and the International Criminal Court. It also has the responsibility under international law to cooperate together to bring the violations associated with Israel's occupation to an end with deliberate speed. Strict adherence to international law and a rights-based framework, together with the imaginative engagement of the international community, appears to offer the best opportunity for reaching peace, security and justice.

## 4. Conclusion

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### A. Israeli policies and practices in the oPt

Israel's policies and practices in the oPt constitute a matrix of control and domination, within which facts on the ground are created to entrench the occupation at the expense of the Palestinian people and their collective and individual rights.

The mutually reinforcing components of Israel's strategy have been controlling and exploiting the land and natural resources, dominating the people, and curbing economic activity. Changes in scale and intensity over the years notwithstanding, Israel has employed the policies and practices that constitute the matrix of control and domination since the onset of the occupation; and many of these were even intensified after the Oslo Accords. The result has been evisceration of the Palestinian economy, rendering it dependent on Israel. Indeed, not only has Israel fragmented the oPt, dispossessed the Palestinians of land and natural resources, and dominated their everyday life, it has also maintained total control over their economy.

During the first phase of the occupation, Israel's strategy was aimed at achieving subordinated integration of the Palestinian economy into the Israeli, without regard to the needs of the former. Following the establishment of the PA pursuant to the Oslo Accords, Israel embarked on an accelerated process of hollowing out Palestinian productive sectors. This was coupled and indeed assisted by the imposition of an asymmetric customs union through the Paris

Protocol that was incorporated into the Oslo Accords.

Moreover, although the Oslo Accords had given the PA partial control over some civil affairs and lessened somewhat the role of the Israeli Civil Administration, it would seem that Israel have embarked on a process of clawing back whatever minimal control it had relinquished by progressively having the Civil Administration exercise direct control over certain aspects of life, particularly economic, bypassing the PA.

### B. Economic de-development, dependency, and evisceration under the matrix of control and domination

Confiscation and expropriation of land and resources and heavily circumscribing access of Palestinians to them, as well as the constraints placed on Palestinian access to markets, have severely de-developed the Palestinian economy: seizure of land and restrictions on water use have stunted agriculture; restrictions on importation of technology and machinery have engendered the stagnation of manufacturing and ICT; destruction and obstruction of development of infrastructure have impeded development of transportation; denial of building and construction permits has stymied housing; and restrictions on movement have imposed additional costs on all economic activities.

Dependency theory maintains that exploitation by the more developed nations of poorer countries, characterised by the flow of natural

resources from the poor to the dominant countries and of manufactured goods in the opposite direction, makes the poor poorer and the rich richer, and increases dependency of the less-developed countries of the “periphery” on the “core” of wealthy and more developed countries. In a typical case, the wealthy country purchases the natural resources from poorer countries at low prices that do not increase over time at the same rate as the prices of manufactured goods exported to these countries. Poorer countries, thus, find themselves unable to afford the same level of imports from exporting a given quantity of exports of natural resources. In other words, their terms of trade relative to developed countries deteriorate, making them even poorer. In the Palestinian case, there is one major difference from the typical: Israel does not purchase Palestinian natural resources, it confiscates them.

Dependency of the Palestinian economy has been entrenched and institutionalised by the Oslo Accords that secured for Israel control over financial resources, in addition to its control of natural resources, and imposed on the PA an asymmetric customs union. Israeli restrictions on exchange of foreign currencies and Palestinian bank deposits in Israeli banks restrict Palestinian trade and result in dependency on imports from Israel. Moreover, the clearance mechanism through which customs and other revenues due to the PA are collected by Israel has been used by it to effect a form of political dependency, in that payment or otherwise of dues is made contingent upon Israeli political will and is often used by Israel as an instrument of political coercion. Moreover, diversion of international aid away from development to support of recurrent budgetary expenditure has exacerbated the dependency of the Palestinian economy.

There is also a direct link between Israeli restrictions on Palestinian use of resources and Israeli annexation of these resources. Israel has confiscated land, water sources, Dead Sea minerals, oil and gas, transferring these resources to the dominant Israeli economy, resulting in impoverishment of the Palestinian economy, not just its dependency.

Control over land and resources, domination over the people through movement restrictions and permit systems, hindering economic activity through destruction of infrastructure and control over commodities and financial flows constitute a tight matrix of control of and domination over Palestinian lives, including economic activity.

### C. Violations of international law

Israel’s violations of international law, as well as international human-rights law, persist at the expense of the individual and collective rights of the Palestinian people. Arguably, as per legal instruments, including the Rome Statue of the International Criminal Court, some of these violations are war crimes, while others are crimes against humanity. Indeed, these violations are the core of the Questions of Palestine and the root cause of violence and failure to reach a just and lasting peace.

Furthermore, many of Israel’s policies and practices are inconsistent with the Charter of the United Nations and some of the principal concepts of international law: the principle of the right of peoples to self-determination and the prohibition of acquiring territory by force. In addition, Israel has persistently refused to abide by Security Council resolutions and cooperate with legal instruments. Its policies and practices seek to benefit from occupation at

the expense of the protected population, and the duration of the occupation violates the principle of temporality of a belligerent occupation. As such, Israel has not adhered to the law of occupation, and thus its occupation of the Palestinian territory is deemed illegal by many international-law authorities.

## D. Role of international community

An international-law and rights-based approach to the Question of Palestine has become vital. Benefitting from the lessons learned over the decades of injustice, violations, and violence, a set of principles would serve to guide such an approach, including:

1. The framework for attaining peace must utilise a rights-based approach, grounded in international law and human rights.
2. The individual and collective rights of the Palestinian people are inalienable and safeguarded by international principles and laws.
3. The end goal of any political process must be genuine Palestinian self-determination.
4. Differences in power between Israel and the Palestinians make active international intervention indispensable.
5. There is no durable solution to the Question of Palestine outside the parameters of international law and accountability.
6. Humanitarian and development aid should be geared towards attainment of Palestinian self-determination.
7. It is the legal obligation and moral responsibility of the international community to support the Palestinian people in attaining their rights, including their right to self-determination, the right to development and the right of return of Palestinian refugees.
8. The international community has a responsibility and obligation to end, with deliberate speed, Israel's violation of international law, prevent and deter future violations, and ensure accountability and reparations for violations.

## E. Policy alternatives

Ending the occupation and fulfilment of the inalienable rights of the Palestinian people is a pre-condition for both securing peace and attaining sustainable development. Indeed, the Israeli occupation and the matrix of control and domination it employs not only preclude economic development in the oPt; they, in fact, effect ever worsening de-development.

International aid could play a role in alleviating the plight of the Palestinians in the oPt. However, its share in the Palestinian government budget has in fact been in decline, from 60 per cent in 2008 to 11.7 per cent in 2020, while dependence on clearance revenues collected by Israel has increased to 68 per cent in 2020. Moreover, although international aid per capita has been among the highest in the world, it has not addressed distortions in the Palestinian economy and its dependency on the Israeli economy and the need to reinforce Palestinian resilience against the occupation. In short, it was neither rights based, nor was it geared towards attainment of self-determination.

Reducing, or indeed ending, the asymmetric dependency of the Palestinian economy on Israel remains, regardless of political developments, a sine qua non for strengthening the economic base of the Palestinian economy, which is in turn contingent upon securing Palestinian control over:

1. Natural resources.
2. Financial resources.
3. Land, airspace, and maritime borders.
4. Conduct of national economic policies.

As described in this study, Israel's persistent objectives and the trends of its policies in the oPt indicate that it would not willingly allow these conditions to be met. This conclusion, coupled with the decreasing prospects for a political agreement within the framework of a two-state solution, necessitates exploring alternative economic policy options. These would need to:

1. Advance attainment of right of the Palestinian people to self-determination.
2. Alleviate the dire living conditions of Palestinians in the oPt and strengthen their resilience.
3. Be formulated and implemented taking into consideration the wider context of the oPt and Israel's matrix of control and domination.
4. Be owned by the Palestinian people and their institutions and thus address and fulfil their needs and aspirations as identified by them.
5. Include elements that enhance access by Palestinians to their natural and financial resources, external markets, and relevant technology.
6. Reduce fragmentation and facilitate Palestinian access and movement within the oPt: Gaza-West Bank and within the West Bank, including East Jerusalem.
7. Support existing local structures, ventures, and mechanisms that have proven their efficacy despite the occupation and the matrix of control and domination.

To decrease dependency of the Palestinian economy on Israel, a number of avenues can be considered, including the following:

1. Identifying and supporting economic sectors, especially productive ones that have added value and potential and are less vulnerable to Israeli policies and practices.
2. Improving access and utilisation of natural resources.
3. Increasing and improving financial resources, including new sources (e.g., taxation on and revenues from Palestinian labour in Israel in the form of unemployment insurance (social security)).
4. Providing more contextualised financial and technical support to Palestinian institutions in setting and implementing development and mitigation plans and programmes.
5. Identifying alternatives to Israeli-provided/controlled utilities and services (water, energy, telecommunications... etc.).
6. Supporting the ability of Palestinians in Area C and Jerusalem to remain in their lands and homes (housing, legal support, basic services, livelihoods).
7. Advocating changing or amending existing agreements and protocols, including the Paris Protocol on Economic Relations, to better address Palestinian needs and rights, especially in light of the changes that have occurred.
8. Strengthening and expanding Palestinian social capital: enhancing social ties among socially similar groups and individuals, bridging gaps among differing social groups, and linking the groups to resources, including financial.
9. Further enhancing international aid and reorienting it to relink the Palestinians to their resources, reduce dependency, and foster resilience of the Palestinian people.
10. Relinking Palestinians to their Arab environment through trade, joint ventures, and partnerships.



## F. Future research

Pursuant to the findings of this study and in line with the proposed objectives and policy options proposed therein, further research efforts and activities would need to be undertaken.

This study has aimed to provide a more comprehensive contextual description and analysis of the conditions in the oPt under Israel's matrix of control and domination. It has thus opened the door to re-examining the impact of, and response to, Israel's occupation and policies through the lens of this matrix, rather than from the various angles of impacts of individual policies and actions.

Understanding Israel's matrix of control and domination paves the way for research on the impact of the occupation and for challenges to development in the oPt to be more contextualised. Such research would contribute to more effective and efficient support for the Palestinian people and development in the oPt in a manner geared towards attainment of Palestinian self-determination.

More specifically, the policy options and alternatives proposed in this study require new avenues of research on, inter alia, the following:

1. Impact on Palestinian living conditions and economic and natural resources of Israeli settlements, as part of the matrix of control and domination and a factor that exacerbates Palestinian economic dependency.
2. Lessons learned from donor funded industrial zones in the oPt.

3. International aid frameworks and their efficiency and effectiveness when assessed from the lens of Israel's matrix of control and domination and prospects for reducing aid dependency.
4. Policy-oriented sectoral analysis of impact of Israel's matrix of control and domination and identifying the productive sectors that have prospects for growth and increased productivity.
5. Fiscal leakages and mechanisms for reducing aid dependency as a necessity for stability of the Palestinian economy.
6. Palestinian social capital and possibilities of mitigating the impact of the occupation and enhancing resilience of the Palestinian communities.

Decades of pragmatism and realpolitik have resulted in neglecting rights-based approaches. The need for remedy is now urgent. Future research should increasingly adopt a rights-based lens. With the Palestinian people having been for decades deprived of their basic right to self-determination, this is exceptionally pertinent in the case research on Palestine. Indeed, any and all support and assistance should have as strategic objective and purpose the attainment of Palestinian self-determination.

Finally, the findings of this study reinforce the long-standing positions and conclusions of ESCWA and the rest of United Nations system, including the assertion that peace can only be attained through full application of international law and principles of justice, and full enjoyment of peoples in the region of their rights, especially full attainment of the inalienable rights of the Palestinians people.



## Annex. Mapping Israeli policies and their repercussions on the Palestinian economy. Input-Output matrix framework

Inputs to economic activity	Policies	Impact on Sector								
		Agriculture	Manufacturing, mining, and quarrying	Construction	Transportation and ICT	Tourism	Financial	Services	Public and social	Trade
Natural resources	<ul style="list-style-type: none"> <li>Control over land</li> <li>Expropriation of and restrictions on land use for mining and quarrying raw material in Area C</li> <li>Control over water resources</li> <li>Land zoning in Area C</li> <li>Restrictions on rehabilitation and excavation of</li> </ul>	<ul style="list-style-type: none"> <li>Reduction in productivity</li> <li>Decrease of share of activities in total GDP</li> <li>No long-run growth in activities</li> </ul>		<ul style="list-style-type: none"> <li>Increase in land price</li> <li>High construction prices</li> </ul>		<ul style="list-style-type: none"> <li>Lack of access to major touristic assets, such as Dead Sea</li> </ul>		<ul style="list-style-type: none"> <li>Expansion of service sector at expense of productive sectors</li> </ul>		



Inputs to economic activity	Policies	Impact on Sector								
		Agriculture	Manufacturing, mining, and quarrying	Construction	Transportation and ICT	Tourism	Financial	Services	Public and social	Trade
	<ul style="list-style-type: none"> <li>• Seizure of properties of “absentees”</li> <li>• Confiscation of land ostensibly for public good</li> <li>• Settlement construction and expansion</li> <li>• West Bank Wall</li> </ul>									
Financial resources	<p>Impeding economic activity</p> <ul style="list-style-type: none"> <li>• Allowing only Israeli banks to work in oPt before Oslo</li> <li>• After Oslo, restrictions on currency exchange</li> </ul> <p>Domination over the people</p> <ul style="list-style-type: none"> <li>• Conditional payment of clearance</li> </ul>						<ul style="list-style-type: none"> <li>• Controlling financial flows between Gaza and West Bank</li> <li>• Excess liquidity in Israeli shekel leading to dependency on trade with Israel</li> </ul>			<ul style="list-style-type: none"> <li>• Restricted foreign trade with countries other than Israel</li> </ul>

Inputs to economic activity	Policies	Impact on Sector								
		Agriculture	Manufacturing, mining, and quarrying	Construction	Transportation and ICT	Tourism	Financial	Services	Public and social	Trade
	revenues by Israel to PA • Linking labour to Israeli economy						<ul style="list-style-type: none"> <li>• Insufficient financial resources for payments in international currencies</li> <li>• Fiscal leakage</li> <li>• Dependency on International aid</li> <li>• Fiscal compression and diversion</li> <li>• Fragmentation of Palestinian market</li> <li>• Higher transaction costs</li> <li>• Israeli control of Palestinian markets</li> </ul>			

Inputs to economic activity	Policies	Impact on Sector								
		Agriculture	Manufacturing, mining, and quarrying	Construction	Transportation and ICT	Tourism	Financial	Services	Public and social	Trade
							<ul style="list-style-type: none"> <li>Israeli control of financial transactions</li> </ul>			
Technology	<ul style="list-style-type: none"> <li>Impeding economic activity</li> <li>Restrictions on entry of technology</li> <li>Prohibition of entry of goods on 'dual use list'</li> <li>Constraints imposed Palestinian telecommunication operators by denial of permits for building infrastructure</li> <li>Restrictions on entry of equipment for 3G/4G mobile networks</li> </ul>	<ul style="list-style-type: none"> <li>Inefficiency of irrigation system</li> </ul>	<ul style="list-style-type: none"> <li>Limited ability to integrate modern production</li> <li>Restricted manufacturing industries</li> </ul>	<ul style="list-style-type: none"> <li>Thwarting reconstruction in Gaza Strip</li> </ul>	<ul style="list-style-type: none"> <li>Limited frequency for Palestinian operators</li> <li>Underdeveloped networks</li> </ul>					

Inputs to economic activity	Policies	Impact on Sector								
		Agriculture	Manufacturing, mining, and quarrying	Construction	Transportation and ICT	Tourism	Financial	Services	Public and social	Trade
Human resources	<ul style="list-style-type: none"> <li>• Domination over the people</li> <li>• Closures</li> <li>• Closures of schools and universities</li> <li>• Vulnerability in working permits in Israel and settlements</li> <li>• Labour in Israel</li> </ul>	<ul style="list-style-type: none"> <li>• Low and vulnerable employment</li> </ul>	<ul style="list-style-type: none"> <li>• Low skilled labour</li> </ul>	<ul style="list-style-type: none"> <li>• High fatality risk at construction sites</li> </ul>		<ul style="list-style-type: none"> <li>• Decreasing employability</li> </ul>	<ul style="list-style-type: none"> <li>• Low skilled labour</li> </ul>		<ul style="list-style-type: none"> <li>• Lack of social protection</li> <li>• Wages paid in cash</li> <li>• Vulnerability in income flow of workers in Israel</li> <li>• Unpaid pension funds and social security contributions for workers in Israel</li> <li>• Decrease in cognitive and educational achievements</li> </ul>	<ul style="list-style-type: none"> <li>• Dependency on Israel</li> </ul>
Cultural heritage	<ul style="list-style-type: none"> <li>• Control over land</li> <li>• Restrictions on access to heritage sites, especially in</li> </ul>					<ul style="list-style-type: none"> <li>• Decline in Number of Palestinian hotels in East</li> </ul>			<ul style="list-style-type: none"> <li>• Obscuration of Palestinian historical identity</li> </ul>	



Inputs to economic activity	Policies	Impact on Sector								
		Agriculture	Manufacturing, mining, and quarrying	Construction	Transportation and ICT	Tourism	Financial	Services	Public and social	Trade
	East Jerusalem <ul style="list-style-type: none"> <li>• Destruction of archaeological sites</li> </ul>					Jerusalem since 2011 <ul style="list-style-type: none"> <li>• Forced shutdown of numerous craft industries</li> </ul>				
Physical infrastructure	Control over land <ul style="list-style-type: none"> <li>• Destruction of water network in Gaza Strip</li> <li>• Restrictions on road development and maintenance in Area C</li> <li>• Lack of airports for passenger travel</li> <li>• Lack of airports and ports for foreign trade</li> </ul>	<ul style="list-style-type: none"> <li>• Shrinking activity</li> </ul>	<ul style="list-style-type: none"> <li>• Underdevelopment of manufacturing sector</li> </ul>	<ul style="list-style-type: none"> <li>• Thwarting reconstruction process in Gaza Strip</li> </ul>	<ul style="list-style-type: none"> <li>• Negative impact on transportation</li> <li>• Decline of share of transportation in GDP</li> <li>• Underdevelopment of Internet network</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of development</li> </ul>			<ul style="list-style-type: none"> <li>• Higher poverty in areas with low connection to physical infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Losses and delays at crossings and Israeli ports</li> <li>• Most imports from Israel</li> </ul>

Inputs to economic activity	Policies	Impact on Sector								
		Agriculture	Manufacturing, mining, and quarrying	Construction	Transportation and ICT	Tourism	Financial	Services	Public and social	Trade
	Impeding economic activity <ul style="list-style-type: none"> <li>Limited electricity supply to Gaza, leading to cuts</li> <li>Dual use list includes construction material for reconstruction in Gaza</li> </ul>									
Housing	Domination over the people <ul style="list-style-type: none"> <li>Home demolitions</li> </ul>			<ul style="list-style-type: none"> <li>De-development of housing</li> <li>High density per room</li> </ul>						
Institutional and legislative environment	<ul style="list-style-type: none"> <li>Israeli Civil Administration carries out land expropriation</li> <li>Israeli Civil Administration employs conditional subsidies to</li> </ul>	<ul style="list-style-type: none"> <li>Subjugation of activities in Area C</li> </ul>	<ul style="list-style-type: none"> <li>Subjugation of activities in Area C</li> </ul>	<ul style="list-style-type: none"> <li>Land in Area C under continuous risk of confiscation for settlement construction</li> </ul>				<ul style="list-style-type: none"> <li>Lack of access to medical treatment</li> <li>Undermining of role of the PA</li> </ul>	<ul style="list-style-type: none"> <li>Entrenchment of trade dependency on Israel</li> </ul>	



Inputs to economic activity	Policies	Impact on Sector								
		Agriculture	Manufacturing, mining, and quarrying	Construction	Transportation and ICT	Tourism	Financial	Services	Public and social	Trade
	<ul style="list-style-type: none"> <li>Denial of travel permits to patients and their companions</li> </ul>									
Foreign trade	<ul style="list-style-type: none"> <li>Impeding economic activity</li> <li>Dumping Israeli products on Palestinian markets</li> <li>Long waiting time of exports</li> <li>Prohibition of importation of capital goods on "dual use list"</li> <li>Long waiting time and impediments at border crossings and Israeli ports</li> <li>Increasing productivity and share of</li> </ul>	<ul style="list-style-type: none"> <li>Deterioration of sector</li> </ul>	<ul style="list-style-type: none"> <li>Deterioration of sector</li> </ul>					<ul style="list-style-type: none"> <li>Growth of wholesale and retail trade</li> </ul>	<ul style="list-style-type: none"> <li>Fiscal leakage</li> <li>Clearance revenues forming largest share of PA revenues, leading to political vulnerability of PA</li> </ul>	<ul style="list-style-type: none"> <li>Mounting trade deficit</li> <li>Entrenchment of trade dependency</li> </ul>





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## Introduction

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Israel's policies and practices in the occupied Palestinian Territory constitute a matrix of control and domination, that seeks to control the land and dominate the people; a matrix comprising policies and practices that, in violation of international law, have fragmented the Palestinian people and the occupied territory and eviscerated the economy rendering it asymmetrically dependent on Israel. A rights-based approach to development and relief efforts grounded in human rights and international law is therefore called for.

