



MIDDLE EAST TODAY



# Political Economy of Palestine

Critical, Interdisciplinary, and  
Decolonial Perspectives

*Edited by*  
Alaa Tartir · Tariq Dana · Timothy Seidel

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# Middle East Today

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Alaa Tartir · Tariq Dana · Timothy Seidel  
Editors

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Special and sincere thanks go to Professor Sara Roy who has not only inspired us through her work, ideas, and books, but also through her great appreciation for and commitment to this book project. Professor Roy was not only keen on reading all chapters of this book, but she also wrote the book's thoughtful and moving concluding remarks based on her extensive decades-long experience researching and writing on Palestine and the Palestinians.

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Inspired by Edward Said, our colleague Cherine Hussein argues, “everything we research, everything we write, the very analysis we are able to see or piece together on a particular topic is shaped by where we as intellectual and academics choose to place our point of beginning.” With this book, we have attempted to contribute not only a collective scholarly work but to a community of intellectuals and advocates committed to liberation, in recognition that our intellectual work is always at the same time unavoidably political work, even struggle, for someone. It is the struggle for justice and well-being for Palestinian people in Palestine, and beyond, that this edited volume aspires and commits to. And it is to Palestine and the Palestinian people that we also dedicate this book.

## PRAISE FOR *POLITICAL ECONOMY OF PALESTINE*

“The *Political Economy of Palestine* is a remarkably coherent and important volume. The authors take a critical political economy approach, placing issues of class and power at the center of their analyses of politics and development of contemporary Palestine. Their essays on such key issues as land allocation and control, food sovereignty, labor and waste management are historically grounded and empirically rich. Taken together, they provide important lessons regarding the complex dynamics and interdependencies of international, Israeli and Palestinian forces that shape Palestinians’ lives. The volume is a must-read not only for scholars who seek to understand Palestine today, but also for those interested in issues of class, power and politics more generally.”

—Ellen Lust, *Professor of Political Science and Director of the Program on Governance and Local Development, University of Gothenburg*

“This fascinating collection of articles by a number of deeply knowledgeable researchers offers exciting new vistas into Palestinian political economy, covering a range of subjects in thoughtful ways. Using a critical perspective, the authors encourage us to examine everything from infrastructure and security to class formation and struggles around land with new eyes.”

—Laleh Khalili, *Professor of International Politics, School of Politics and International Relations, Queen Mary University of London*



“The *Political Economy of Palestine* provides an extensive and exemplary analysis of reasons behind and the consequences of Israeli occupation. It does so with analytical heft, theoretically grounded evaluation and empirical case studies. It is the ‘go to’ collection of timely essays committed to liberation and decolonisation. Based on wide ranging and rigorous research authors reject eurocentrism and neoliberal tropes demonstrating, among other things, that political circumstances are not inevitable but conditional on a history of de-development and unfinished struggles for Palestinian sovereignty and self-determination. A fabulous yet daunting read.”

—Ray Bush, *Professor of African Studies and Development Politics,  
University of Leeds*

“The political economy perspective is not new to studies of Palestine and the Palestinians. This edited book stands out as a major multi-disciplinary contribution of political economy to our understanding of the transformation of historical Palestine under the yoke of settler colonialism, racial capitalism, and neoliberalism. Although Israel’s Zionism is the main culprit in this process, the book provides a timely critique of the Palestinian Authority, other Palestinian elites, the Arab state system, and Western states which defended Israel’s Zionist programme in dispossessioning the Palestinians. The book will prove to be an essential resource for students of the Arab-Israeli conflict.”

—Elia Zureik, *Emeriti Professor in Sociology, Queen’s University,  
Ontario, Canada*

“The field of critical studies of the political economy of Palestine has been remarkably building up over recent years in response to the failed attempt by Western powers to drown the politics of Palestine into economics. This excellent collective work brings the field into the post-Trumpian era and displays a comprehensive state of the art in all aspects of the political economy of Palestine, with due attention to its colonial dimension.”

—Gilbert Achcar, *Professor of Development Studies at SOAS,  
University of London*

“The *Political Economy of Palestine* is a set of analytical essays about the power levers in the Israel-Palestine relationship. Deploying *macro* political economy, the essays avoid the current tendency in much of the literature to treat Palestine as a ‘humanitarian problem’, separate from larger issues

in the Arab world. Deploying *micro* political economy, they analyse particular institutions that shape Palestinian lives. And they provide serious suggestions for ways forward in case circumstances change sufficient for them to gain good currency. Brilliant!”

—Robert H. Wade, *Professor of Global Political Economy, London School of Economics & Political Science (LSE)*

“This collection is essential reading to anyone wishing to understand the political economy of occupied Palestine. Its in-depth analysis of colonial dispossession, the main theme that ties together the various contributions, sheds light on previously uncharted theoretical territory. I strongly recommend it.”

—Ali Kadri, *Professor & Senior Fellow, National University of Singapore*

“A quarter-century after the signing of the Oslo Accords that promised a negotiated end of Israel’s occupation, roughly half of an increasingly desperate Palestinian public considers armed struggle as the only real solution to their plight. The *Political Economy of Palestine* explains why. The ‘peace process’ turns out to have been an exercise in the dispossession and dehumanization of a people.”

—Robert Vitalis, *Professor of Political Science, University of Pennsylvania*

“The Palestinian struggle for rights and self-determination is at a critical juncture. Israel’s rule over the occupied Palestinian territory has tightened in the past 25-30 years under cover of an internationally recognised peace process. Trump’s 2020 Peace Plan merely recognised and rewarded these ‘facts on the ground’. This important collection catalogues how this happened through interdisciplinary analyses of a range of topics with a strong emphasis on critical political economy. Through empirically and conceptually rich chapters, the imperial origins of the current crisis are clearly mapped. But while it might not seem so now, at this dark moment, history does not stand still. No one predicted the fall of the Berlin Wall in 1989, the end of apartheid in the early 1990s, the revolutions that swept the Arab world from 2010, and the achievements of the Black Lives Matter movement in the United States in 2020. Edward Said wrote: ‘We can not fight for our rights and our history as well as future until we are

armed with weapons of criticism and dedicated consciousness.’ This book provides both.”

—Mandy Turner, *Professor of Conflict, Peace and Humanitarian Affairs, University of Manchester, UK. Co-Editor of Decolonizing Palestinian Political Economy: De-development and Beyond* (Palgrave Macmillan, 2014)

“This brilliant book brings together some of the most innovative and critical work on the political economy of Palestine today. It accomplishes the difficult task of not only presenting an informed analysis of contemporary dynamics of class, power, and colonialism in Palestine – while simultaneously speaking to a wider set of theoretical debates and literatures that have typically ignored the question of Palestine. A fascinating collection that makes a valuable contribution to our understanding of the Palestinian struggle - past, present, and future.”

—Adam Hanieh, *Reader in Development Studies, SOAS, University of London*

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## ABBREVIATIONS

BDS	Boycott, Divestment, and Sanctions
COGAT	Coordinator of Government Activities in the Territories
DFID	Department for International Development, UK
DFLP	Democratic Front for the Liberation of Palestine
DoP	Declaration of Principles, Israel-PLO
EC	European Commission
EIB	European Investment Bank
EU	European Union
EUPOL COPPS	European Union Police Coordinating Office for Palestinian Police Support
GDP	Gross Domestic Product
GNI	Gross National Income
GRM	Gaza Reconstruction Mechanism
HDI	Human Development Index
ICBS	Israeli Central Bureau of Statistics
ICC	International Criminal Court
ICJ	International Court of Justice
IDB	Islamic Development Bank
IDF	Israeli Defense Forces
IFI	International Financial Institution
IHL	International Humanitarian Law
ILS	Israeli New Shekel
IMF	International Monetary Fund
INGO	International Nongovernmental Organization
MNCs	Multinational Corporations
MSW	Municipal Solid Waste

NGO	Nongovernmental Organization
NSF	National Security Forces
OECD	Organization for Economic Cooperation and Development
OPT	Occupied Palestinian Territory
PA	Palestinian Authority
PASF	Palestinian Authority Security Forces
PCBS	Palestinian Central Bureau of Statistics
PCP	Palestinian Civil Police
PER	Protocol on Economic Relations (Paris Protocol)
PFLP	Popular Front for the Liberation of Palestine
PIPA	Palestinian Investment Promotion Agency
PLC	Palestinian Legislative Council
PLO	Palestinian Liberation Organization
PMA	Palestinian Monetary Authority
SDI	Sustainable Development Index
SSR	Security Sector Reform
UN OCHA	United Nations Office for the Coordination of Humanitarian Affairs
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNISPAL	United Nations Information System on the Question of Palestine
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
USAID	U.S. Agency for International Development
USD	United States Dollar
USSC	United States Security Coordinator
VAT	Value-Added Tax
WB	World Bank
WBGS	West Bank and Gaza Strip
WFP	World Food Programme

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# Palestinian Political Economy: Enduring Struggle Against Settler Colonialism, Racial Capitalism, and Neoliberalism

*Timothy Seidel, Tariq Dana, and Alaa Tartir*

## INTRODUCTION

It is not an overstatement to claim that Palestinians today are undergoing one of the most difficult phases since the *Nakba* of 1948. This was when the world witnessed the mass displacement and dispossession of the Palestinian people—an effort to eliminate an indigenous population in order to replace with a settler society. Only a few years after the

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*Nakba*, Palestinians built an influential national liberation movement with global outreach and considerable impacts that brought the Palestinian cause to the center of regional and international politics for decades. However, as the cumulative effects of over 25 years of the Oslo process demonstrate, the current status of Palestinians is one torn by multifaceted political divisions, socioeconomic inequalities, and geographical fragmentation, with the Palestinian national movement having become effectively coopted, besieged, and unable to influence the political dynamics on the ground. The international donor-backed Palestinian Authority's (PA) "state-building" program is played out by institutions riddled with corruption and inefficiency, and the PA has dangerously drifted toward higher levels of authoritarianism resembling other regimes in the region. Ordinary Palestinians feel increasingly betrayed by Arab leaders, as evidenced most recently in the United Arab Emirates normalization deal with Israel, fearing that their just demands are being abandoned or manipulated by former allies in the international community. Indeed, on the 25th anniversary of the Oslo Accords, one policy round up noted that after a quarter century, a sovereign Palestinian state remained out of reach while Israel's settler colonial project had significantly expanded.<sup>1</sup> Despite the gravity of this trajectory, which many feel presents an existential threat to the Palestinian cause, the stagnation and disorientation of the Palestinian political leadership persist (Al-Shabaka 2020), with no apparent attempt to reconstitute national institutions along new principles that break with the Oslo framework.

This trajectory has been accompanied by an intensified attack on Palestinian rights in recent years, taking on various forms and having multiple effects. Whether it is the halt of U.S. aid to the PA and UNRWA, the freezing of tax transfers to the PA from Israel, the Trump administration's foray into Palestine-Israel, and the optimism around the role of global business in creating "peace"—a notion itself built on the view that the struggle for liberation and decolonization can be traded for minimal material gains—a quarter century on from Oslo offers an opportunity for critical analysis and reflection on recent developments in occupied Palestine. That is what this book aims to do.

For example, in January 2020, U.S. President Trump unveiled his "Deal of the Century." Unlike previous U.S. pretenses of being a "neutral broker" in a "peace process," Trump's plan dispensed with any claim to neutrality and overtly proposed a solution based on a slightly expanded version of the Oslo-based autonomy. This included an uncertain promise

of recognizing a Palestinian mini-state that falls short of sovereignty on a series of Bantustans connected by roads, bridges, and tunnels controlled by Israel (Hawari 2020; Tartir 2020). A state of this sort would be granted only if the Palestinians unconditionally accept and implement all the terms imposed upon them, including, for example, Israel's annexation of 30 to 40% of the occupied West Bank, all of occupied East Jerusalem, the Jordan Valley and major illegal Israeli settlements, and giving up the right of return for Palestinian refugees that is enshrined in international law.

For mainstream analysts, this was seen as a cynical move by the Trump administration that foreclosed the possibility of a "two-state solution." But for others, including Palestinians, it finished off the delusions of the Oslo process (Bishara 2020; Fatafta and Tartir 2020), signaling an advanced phase in Israel's settler colonial expansion in occupied Palestine (Ayyash 2020). It continues the trajectory of de-development (Roy 2007, 2016 [1995]) and accumulation by dispossession going back over a century (Said 1992 [1979]; Khalidi 2020), ultimately legitimizing Israel's exclusive sovereignty as a settler-state over all the area from the Jordan River to the Mediterranean Sea, known as historic Palestine.

Trump's proposal includes an economic stimulus that would "unleash the economic potential of the Palestinians" through its US\$50 billion investment plan. This "economy first" approach is a familiar one when surveying the past quarter century of failed "peace" processes and recycles "peace initiatives" proposed by past U.S. administrations. Indeed, during the Oslo era, promises of economic peace were abundant (Turner 2019). This time, however, Trump's economic approach is designed at a much larger scale that includes major processes of economic normalization and integration at the regional level, where surrounding countries and the Arab Gulf States are directly and actively involved in the process. If fulfilled, Trump's plan will offer the Palestinians a sort of "prosperous apartheid" (Dana 2020). Guided by the same logic that defined previous U.S. interventions, this "peace" proposal depoliticizes a brutal settler colonial project that should be resisted, misleadingly presenting it as a conflict between two equal actors that needs to be resolved. This underscores the importance of a critical political economy approach to contextualize and understand these recent developments.

This book seeks to uncover those structural elements to the current Palestinians' structural crisis. It does so by exploring the political economy of Palestine from a variety of angles and approaches, giving specific

attention to critical, interdisciplinary, and decolonial perspectives. As mentioned, a political economy approach matters when analyzing the current situation in Palestine, and the contributions in this book unveil critical elements of both the material and discursive expressions of power, underscoring that an approach to economics that does not consider the political—a de-politicized economics—has time and again proven inadequate to understanding the situation in occupied Palestine.

Political economy is concerned with institutions, relations of power, and social conflict. Our approach to political economy in this volume aims to denaturalize capitalism in order to obtain a more robust analysis of settler colonialism, racial capitalism, and neoliberalism. In other words, it aims to demonstrate how our understandings of economics and economic relations are not given or natural. This is arguably the key task of political economy: to historicize and (re)politicize economics. Politics and economics are deeply inter-related and reside in (and emerge from) particular social, spatial, and historical locations. Given these inter-dependencies (and our inter-subjectivities), a critical political economy looks for the local and global dimensions of all politics and economics. Such a broad perspective requires particular consideration of historical processes, the interplay of external and domestic forces, and the institutional landscape in shaping and reshaping class formation, social structures, economic development, and the structures of domination and the responses of resistance.

Over the last twenty-five years, this neoliberal political and economic order defining appropriate behavior in late modernity has been displayed through institution-building agendas and commitments in occupied Palestine, through a performative politics of state-building (Pace and Sen 2019). This has been expressed in terms of humanitarianism, foreign aid, and dependency, as well as political economic and security sector reform. These agendas have followed a neoliberal ideal that politics does not matter, or at least that politics follows economics. While its usage is wide and varied, neoliberalism refers here to a logic and an order that advances an understanding of social and political freedom that can only be realized in free market terms (Harvey 2005; Klein 2007; Tartir and Seidel 2019). Challenging the claims of neoliberal politics and economics as an objective—thus de-historicizing and de-politicizing—technical intervention informs our approach to political economy.

We want to say at the outset that much critique in our volume is leveled at the Palestinian Authority as well as Israel, the U.S., and the

international community. We want to be clear that this political economic critique of the PA is not a victim-blaming exercise, but is more fundamentally a critique of the imperial legacies that bear on the present moment and, more specifically, of Oslo and the political economy of Oslo that ushered in neoliberalism, reinforced the logic of racial capital, and facilitated settler colonialism. Any critique of Palestinian political institutions is at the same time a critique of the imperial histories out of which those institutions emerged, which were intended to produce an environment of divide and rule—an important point in any analysis of “sectarian” or internal divisions within Palestinian politics. It is not about claims as to the “habits” or “culture” ingrained in a population of the region; rather, historically and today, dominant powers foster sectarianism and internal divisions for political and economic advantage. As such, it does not let Israel, the U.S., Europe, regional Arab states, nor global business off the hook. For example, one cannot say that internal divisions in occupied Palestine are strictly self-inflicted. One has to understand how and why people are oppressed and how domination happens as a structure that impacts social, political, and economic relations. The PA is in part the product of the longer histories, systems, and processes of racial capitalism and settler colonialism that Palestinian elite have colluded with, but that—given configurations of power in occupied Palestine—Israel, the U.S., Europe, regional Arab states, and global business are also responsible.

### CRITICAL, INTERDISCIPLINARY, AND DECOLONIAL

Using *critical*, *interdisciplinary*, and *decolonial* perspectives on political economy sharpens a focus on resistance and aids in the exploration of embodied forms of political subjectivity, especially in neoliberal, settler colonial contexts. Important work has been done in the past decade on critical political economy and decoloniality in Palestine (Turner and Shweiki 2014; Tabar and Salamanca 2015; Khalidi 2016; Farsakh 2016; Haddad 2016; Kadri 2020). Using these perspectives, this volume aims to bring together and build off of these conversations in an updated and more deliberate way.

A *critical* approach to political economy challenges prevailing neoliberal logics and structures that reproduce racial capitalism (Robinson 2000 [1983]; Clarno 2017; Burden-Stelly 2018).<sup>2</sup> It opposes Eurocentrism, both methodological individualism and methodological nationalism, and, among other things, “addresses the mutual constitution of states, markets,

and classes, the co-constitution of class, race, gender, and other forms of identity...the construction of forms of knowledge and hegemony...and practices and cultures of domination and resistance” (Beinin 2017, 4).

This critical approach also explores how the political economy of occupied Palestine is shaped by (neoliberal and settler colonial) processes of accumulation by exploitation and dispossession from both Israel and global business, as well as from Palestinian elites. Significant to a critical political economy perspective are class differences in Palestinian society that have been exacerbated by the Oslo liberal peace paradigm, including the PA’s embrace of a neoliberal agenda. It analyzes the discourse and impact of intervention strategies by donors and multilaterals, guided by the principle: “follow the money, uncover the power dynamics” (Turner 2017).

Our approach to political economy also embraces *interdisciplinary* perspectives. As an interdisciplinary method, political economy helps reveal the subtle and complex dynamics—especially in a settler colonial context—that cannot be simply detected by a single discipline. Indeed, political economy as a critical interdisciplinary method has become of great epistemological, theoretical, empirical, and analytical significance to unpacking the intertwining relationship of colonialism, exploitation, nationalism, and patriarchy within the dynamics and trajectories of capitalism.

Finally, our approach to political economy endeavors to be *decolonial*, exploring the ways Palestinian political economy turns on questions of settler colonialism and indigeneity. A commitment to decoloniality is a commitment to historical interpretations that challenge the logic of elimination, giving attention to the erasure of history and to the history of erasure (Kauanui 2016). This attention, for example, has as its point of departure the presence of indigenous writers and scholars. It uses a settler colonial analytic within an indigenous framework, foregrounding race, gender, ecology, and the hierarchies (re)produced in Palestinian political economy. It underscores the need for scholarship and liberatory movements that demonstrate an epistemic and political commitment to decolonization, and encourages organizing strategies that forge anti-colonial connections and solidarities with indigenous struggles around the world.

A decolonial approach also aids in the de-fragmentation of Palestinian life, land, and political economy that Oslo perpetuated, but whose histories of de-development over all of Palestine can be traced back for over

century (Roy 2007; Turner and Shweiki 2014). What make the contributions in this volume distinctive are their attempts to cover all of historic Palestine, from the river to the sea, in order to counter the fragmentation that is reflected in the prevailing academic scholarship.

Given the impact of neoliberal and settler colonial policies and institutions, a decolonial approach to Palestinian political economy foregrounds land-based, place-based struggles against those policies and institutions. This is necessary to any approach that challenges the logic of elimination and histories of erasure. And given this logic shows up in the neoliberal and racialized settler colonial context of Palestine, contributions to this volume explore the enduring indigeneity of Palestinian people articulated as struggle and resistance.

## PALESTINE AND PALESTINIAN POLITICAL ECONOMY

The study of Palestine and Palestinians includes the vast complications and difficulties that have been generated by a century-long settler colonial project (Salamanca et al. 2012; Tartir and Challand 2019). This state of affairs subjugated the Palestinians to varying modes of governance and political and economic systems within separate territorial jurisdictions, introducing an array of divisions and fragmentations in almost every sphere of human activity. By recognizing this structural feature of the study of Palestine and the Palestinians, one can conclude that a single political economy of Palestine is non-existent, but rather a multiple political economy sub-reality that is collectively regulated by Israel's settler colonialism.

The impact of this structural feature on the production of knowledge has been profound and multifaceted. It created numerous dilemmas for critical studies whose primary concern is to deconstruct settler colonial formations, structures, and apparatuses of control. Since the onset of Oslo in 1993, most studies focused on the West Bank and Gaza as a single analytical unit, where the center of the PA's politics and the economy is located. The internal Palestinian schism between the West Bank and Gaza in 2007 had a strong reverberation on academic research. While most studies continued to focus on the issues of state-building and economic development under colonial constraints in the West Bank, the fewer studies conducted on Gaza have been overwhelmed by the humanitarian devastation of the Israeli-imposed blockade. The fragmentary aspects of these studies are also evident in studying a single context. For example,



most research focusing on the West Bank has been spatially confined to Ramallah, the PA's de facto capital, overlooking critical dynamics occurring in other areas within the West Bank, such as East Jerusalem and Area C. Palestinians of 1948, those holding Israeli citizenship, are analytically regarded as a distinct area of study due to the different historical interaction with Israeli settler colonialism, let alone Palestinians in the refugee camps in the surrounding countries and the Palestinian Diaspora in exile.

Turner and Shweiki's volume *Decolonizing Palestinian Political Economy: De-development and Beyond* captured the fragmentation dilemma as a starting point for their analysis, arguing for the political and strategic imperative of deploying a broader decolonial perspective and sophisticated methodological instruments to incorporate the different political economy contexts into a single body of knowledge, while for objective reasons acknowledging the peculiarities and specificities of each context.

While these processes of fragmentation continue apace, there is an invisible colonial grammar that takes these divisions for granted and reifies them – creating a narrative that needs to be unpacked and critiqued. There are, to be sure, many analyses of the experiences of different sections of the Palestinian people, but rarely are Palestinians analysed as one people that has been fragmented but which has a history that binds it together. (2014, 2)

It is, therefore, essential in this regard to emphasize that the roots of the ongoing fragmentation of Palestinian political economy lie in the historical settler colonial processes that began to take shape during the pre-*Nakba* decades. In particular, the interplay of Zionist colonization and the British colonial mandate at the time inflected structural changes on Palestinian society and economy to favor the Jewish settler community, setting the ground for large-scale and long-term processes of disposessions, exploitation, and exclusion. Therefore, it is imperative to contextualize Palestine's political economy (ies) in the hierarchy of colonial relations forged by the Israeli Zionist version of capitalism.

Traditionally, Israeli social scientists adopted colonial sociocultural approaches and variants of the modernization theory to justify the inferior status of the Palestinian economy in relation to the Israeli economy. As the dominant interpretations for some time, these works emphasized Arab cultural and social traditionalism and tribal relations as the main source

for the Palestinian economic “backwardness.” Emphasis on social and cultural explanations as the main and only explanatory variable was largely in service of the Israeli state, especially through concealing the structures of colonial dominations and exploitations that lie at the core of Palestinian de-development. Since the 1970s, these studies were challenged, and their sociocultural approaches were invalidated as being essentialist and static by a new set of critical studies, not least in indigenous scholarship produced by Palestinians experiencing Israel’s dispossession and displacement first-hand (Sayegh 1965; Sayigh 1979; Zureik 1979, 1983). Instead, these critical studies employed an array of structural analysis, attributing the economic de-development and its impacts on Palestinian politics and society to Israeli colonial institutions, policies, and relations. Most importantly, Elia Zureik’s work proposed to “turn to study the role of political economy, and move away from current approaches fashionable in socio-anthropological writing which emphasize the centrality of values and kinship systems” (Zureik 1976, 61).

Among the early studies that integrated a political economy analysis for understanding Palestinian development was George T. Abed’s edited volume *The Palestinian Economy: Studies in Development under Prolonged Occupation*. This volume brought together diverse contributions by scholars and development economists to highlight different themes and contexts of the Palestinian economy. While the volume acknowledges the inherent limitations encountering field studies on Palestinian development, such as a monopoly of data by Israeli institutions, the volume succeeded in pointing later studies in the right direction by stressing that “every development programme, every project, every economic act is to be judged as to whether or not it reinforces the occupation or weakens it, whether or not it promotes dependency or self-reliance” (Abed 1988, 9).

Farsakh underscores this approach to the Palestinian body politic as a whole that reexamines and fosters “economic and political links between the various Palestinian communities (including the [Palestinians of 1948], the refugees, the diaspora), given the continuing impact of Zionist colonialism on all of them” (2016, 67). The shift this approach requires is “inextricably tied to redefining Palestinian struggle and self-determination in terms of liberation rather than statehood” (Ibid., 67).

The contributions in this volume pick up these themes and goals in an effort to advance a conversation on Palestinian political economy committed to liberation and decolonization. They highlight the deep

relationship between capitalism and colonialism, their imbrication and even co-constitution, in terms of their both historical emergence and contemporary global expressions. For example, Taha writes about the consolidation of capitalism and colonialism, “in which colonizing both land and labor were crucial.” Chiniara Charrett explores the dynamics of colonialism as management of “problems” in Gaza.

The attention to the relationships between race, capitalism, and colonialism, that foreground processes of accumulation by exploitation and dispossession, also appears where contributors explore the world-historical scope of political economic systems. Shikaki utilizes dependency theory to explain Palestinian political economy. Dana and Habbas offer rich insights into processes of peripheralization and domination that occur through integrating Palestinian political economy into the world system. Wildeman and Tartir describe in depth the critical role and competing understandings of foreign aid in that political economy. And Hever shows that a focus on world systems reframes the object of development from a narrow emphasis on economic growth (GDP) to one that centers the problems of inequality in all of Palestine-Israel.

Hever, Habbas, and Taha all explore processes of integration that attempt to pull Palestine-Israel into a single economic entity. World systems analyses aid in understanding these processes as a critical indicator of the logic and impact of capital that totalizes (or attempts to) on a global scale—revealing a global economic system (the market) that has historically sought to expand and integrate the planet, through processes of peripheralization, underdevelopment, and, as Wildeman and Tartir explore, the de-development of Palestinian political economy. Contributors reveal this in all of Palestine-Israel in a manner consistent with a de-fragmenting that characterizes a decolonial approach to political economy.

This integration produces intermediaries, particularly in spaces of informality, another significant theme in our volume. These intermediaries or informal actors show up as brokers across occupied Palestine for Habbas, the indigenous capitalist class inside Israel for Taha, and informal actors in Gaza for Tannira that emerge with an informal economy through tunnels, and who displace existing economic actors. For Stamatopoulou-Robbins, waste and disposability also give us important insights into the political economy of governance, extraction, and capitalist state-building in a settler colonial context.

Several contributors explore expressions and experiences of violence in Palestinian political economy. Dana gives attention to both the physical and symbolic violence Israel perpetrates against Palestinians. Iqtait highlights processes of extraction and political territorial power. And Chiniara Charrett highlights Israel's anti-Arab violence and the disposability of Palestinian bodies in its settler colonial logic. Mustafa draws attention to Security Sector Reform and the violence of securitized orders. These discussions elaborate on the settler colonial logics of erasure and elimination, as Seidel describes, demonstrating how violence in a settler colonial context is linked discursively and materially to the logic of elimination.

Finally, the themes of struggle and resistance run throughout our volume. Seidel focuses on land-based struggles as a political economy of resistance in a settler colonial context. Habbas explores resistance through new (informal) actors and activities, Chiniara Charrett through the "Great March of Return" in Gaza, and Taha through *zakat* and provision. In contexts where capital depoliticizes, everyday acts such as mutual aid are acts of resistance because they are political acts, not least because they do not subscribe to state- or market-based understandings of freedom.

## BOOK OVERVIEW

The book is divided into three parts. Part I "Contextualizing Palestinian Political Economy" offers an in-depth analysis and an overall framing to some critical dimensions in the realm of political economy in Palestine. It aims to set the stage for the succeeding chapters in this book by analyzing Israeli strategies and policies in the Occupied Palestinian Territories (OPT) since 1967 that shaped the Palestinian political economy through pursuing economic domination and economic pacification. It also investigates the political economy of dependency and class formation in the OPT since 1967 until the present day. Furthermore, Part I of the book examines settler colonialism and land-based struggle in Palestine and proposes a transformation toward a decolonial political economy understanding and approach.

Chapter 2, written by Tariq Dana, uncovers political economy dimensions of Israeli strategies and policies in the OPT since 1967, and how they impacted Palestinian politics, economy, and society. Dana also sheds light on the Palestinian interaction with and response to these strategies. He argues that over decades of colonization, Israeli policymakers deployed the dual principles of economic domination (through physical

violence) and economic pacification (through symbolic violence) as an integral feature of a grand colonial strategy. Although Palestinian anti-colonial resistance exposed the structural shortcomings of these colonial Israeli strategies in the pre-Oslo Accords era, these colonial strategies have grown in sophistication and complexity after the initiation of the “Oslo peace process.” Dana concludes that economic domination was in fact institutionalized by the Oslo Accords and its economic annex (Protocol on Economic Relations or “Paris Protocol”), which enabled Israel to exploit the land and natural resources, and to use coercive means to control the Palestinians economically, politically, and territorially. Furthermore, Dana concludes that Israel’s economic domination has been facilitated by the extensive pacification of large segments of the Palestinian national movement, the private sector as well as substantial forces of civil society.

In Chapter 3, Ibrahim Shikaki examines the political economy of the OPT through the lenses of dependency and class formation. Shikaki divides the analysis into a pre- and post-Oslo process/era, and establishes that dependency on the Israeli labor and goods markets was fully established in pre-Oslo years and that the proletarianization process was at full acceleration during those years. Yet, they took other complementary forms and shapes in the aftermath of the Oslo Accords. Shikaki argues that in the Palestinian-Israeli context, mainstream neoclassical economics is insufficient as a tool of analysis. In contrast, he underlines the historical material conditions using a political economy approach—one that considers issues of class, power, and politics. Therefore, he discusses, among others, the evolution of the Palestinian labor and goods markets, the contribution of economic sectors to employment and output, trade relations, and the economic implications of policies implemented by Israel and the Palestinian Authority (PA). He also discusses the parallel process of class formation within Palestinian society and examines the proletarianization process that proliferated after 1967. Shikaki concludes that the multileveled failure in addressing the sustainable development of the Palestinian economy in the OPT is largely due to the insistence of delinking economics and development from politics and class.

Chapter 4, written by Timothy Seidel, explores the structures and process of settler colonialism in occupied Palestine, how it constrains the livelihoods of Palestinians, and how Palestinians respond to those social, political, and economic realities. In particular, Seidel examines land-based configurations of power and land-based struggles and political economies

of resistance. To aid in this, he explores the contours of a decolonial approach to political economy that foregrounds land and the experience of indigeneity in the context of settler colonialism—an approach that also uncovers the global, transnational, anti-colonial inflections of that struggle. He argues that a decolonial approach not only gives attention to histories of erasure and enduring indigeneity, but also to the role of land in social and political economy in the struggle for autonomy, sovereignty, and self-determination. Seidel concludes that in Palestine, resistance as *sumud* or steadfastness reminds us that it may not be about a pre-determined political economic telos per se but about existence, being, land, and a refusal of erasure and elimination.

Part II, “Political Economy of Integration, Fragmentation, and Inequality”, presents courageous and highly original analyses that aim to rethink Palestinian political economy. The originality of the analyses stems from the distinctive framings and lenses that the chapters utilized and instrumentalized. On the one hand, this part of the book problematizes the West Bank-Israel economic integration through the Palestinian interaction with the Israeli border and permit regimes, as well as examines the political economy of the Gaza Strip under Hamas rule. On the other hand, this part of the book addresses the invisibility of the Palestinian citizens of Israel in the analyses on Palestinian political economy and discusses that through the prism of neoliberal contestations, Israeli capitalism, and class formation. Finally, this part of the book ends with a proposal to shift the analysis and the methodological framework toward addressing the one-state reality of apartheid and the accompanied inequality and discrimination.

In Chapter 5, Walid Habbas is interested in the Palestinian-Israeli economic encounters in daily life. Habbas highlights how Palestinian actors, operating in different economic sectors, can innovate strategies of “adaptation” and convert the complexity of the structure into ingredients to improve their life chances. He argues that Israel’s colonial domination of the West Bank has indeed resulted in a deprived, exploited, and pauperized economy, but it has also given rise to profit-seekers and cross-border networks. He contends that Palestinian-Israeli economic relations have been extensively analyzed on the aggregated level, yet essential components of economic integration that are more observable on the disaggregated level have gone under-researched. Therefore, Habbas focuses on smugglers and permit brokers, and conceptualizes

their roles through drawing insight into the political economy of borderlands and the sociology of brokerage frameworks. Habbas concludes that any engagement in the political economy of Palestinian-Israeli economic integration should not exclude the myriad interlinks, and relations of power, that are being classified as “illegal” or “informal.” In fact, these relationships constantly deepen economic integration.

Chapter 6 by Ahmed Tannira illustrates how the rule and control of Hamas over the Gaza Strip since 2007 have influenced the economic and social realities under the Israeli siege and blockade on the Strip. Tannira also looks at how the short-lived tunnel economy imposed a long-term, continuing impact on reconstructing Gaza’s economic elite, with emphasis on Gaza’s private sector. He argues that the shape and form of Gaza’s political economy under Hamas’ rule witnessed significant changes in terms of key players and actors, performance, and the nature of economic activities. This includes the emergence of a new economic elite that soon dominated the work of Gaza’s private sector and redrew its map, the empowerment of a group of non-traditional traders and businessmen through the tunnel economy, and the detrimental consequences of the duality in the political system. Tannira concludes that the process of reforming social and human capital in the Gaza Strip entails rebuilding trust between both society and its economic institutions, especially when both operate within a political framework characterized by constant polarization.

Hebatalla Taha focuses on the contemporary political economy of Palestinians of 1948 (also known as Palestinian citizens of Israel) in Chapter 7. Taha demonstrates the ways in which neoliberalism has restructured Palestinian capital and labor as well as the ways in which Palestinians have, as active agents, often embraced neoliberal processes to challenge their precarity. She traces class contestation and formation by highlighting the emergence of an indigenous capitalist class that has coalesced around ideas of economic development and whose members have become key intermediaries in processes and mechanisms of neoliberalism. In doing so, Taha simultaneously engages with the role of this class as a supposed “patriotic bourgeoisie” and demonstrates that members of a neo-liberalizing class are an integral node in sustaining the relationship between capitalism and Zionism. Thus, Taha argues that the history of dispossession and proletarianization and the emergence of neoliberal development have been employed simultaneously and play a crucial role in processes of settler colonialism.

Chapter 8, written by Shir Hever, suggests that it is time for a paradigmatic shift in the study of the political economy of the Israeli occupation in the OPT, through shifting the focus from the concept of occupation to the concept of apartheid. The economic study of the occupation and of Israeli colonial policies in the entire Palestine-Israel region must catch up with the political and sociological research, Hever suggests, and hence, it urges for putting inequality at the center and focuses on the economic aspects of apartheid. In particular, he suggests shifting the focus from one in which the state is the unit of analysis (measured by national income or national product indicators, trade, and institutional capacities) to an analysis of inequality and discrimination. Hever argues that conceiving of Palestine-Israel as a single economic unit, the question becomes how to measure the unequal distribution of resources among certain groups (defined by nationality, geographic location, and different sets of rights), and what trends can be determined toward equality or toward greater inequality. Hever proposes a methodological framework to begin this much-needed original analysis and identifies the types of data which will be required in order to continue the research.

Part III, “Political Economy in the Absence of Sovereignty,” explores multiple sectors (such as foreign aid, security, fiscal, and waste and its infrastructures) and their interaction with the sphere of political economy in the absence of sovereignty. The sectoral and in-depth analysis presented in this part of the book examines the Gaza Strip and the political economies of indigenous (non)-futures, offers a conceptual framing for the political economy of foreign aid in the OPT, and extends the analysis to investigate the political economy of the Palestinian Authority and the economic architecture of Oslo Accords through fiscal control lens. Furthermore, the political economy of intervention and securitized ordering in the OPT is another critical element in understanding the existing complex dynamics which is discussed in this part of the book, as well as Palestine’s political economy from the point of view of the materialities, valuations, and circulations of wastes such as sewage, garbage, debris, and the infrastructures and spaces through which they circulate. These five thematic and sectoral focuses are framed and understood through their interaction with the absence of sovereignty and the ramifications of that interaction.

Chapter 9 by Catherine Chiniara Charrett explores how the non-future of the Gaza Strip as a site of indigenous elimination and resistance against it is performative of local, regional, and transnational symbolic and



material economies. Within analyses of the political economy of settler colonialism, the elimination of indigenous populations is a central figuration. Through queer and anti-colonial, anti-racist, and anti-imperial feminist writings, Chiniara Charrett explores the attraction of participating in the neoliberal project when under threat of elimination, which acts as a tool of pacification and division within colonized communities. She explores Gaza as a site of gratuitous anti-indigenous violence and shows how indigenous non-futures are pitted against the future of tamed or pacified neoliberal subjects. She therefore shows that the perpetual and increasing violence against the refugees and residents of the Gaza Strip is not only productive of weapons economies, but also the racialization and disposability of resistance movements, which is performative of histories of indigenous elimination. Chiniara Charrett concludes that the feminization of the Gaza Strip, as a site of indigenous struggle, is performed as needing to be saved or tamed, and the neoliberal projects directed at “saving” Palestinians are performative of a whitewashing of native dispossession.

Jeremy Wildeman and Alaa Tartir tackle the political economy of the nexus of development aid and the Palestinian de-development process taking place under colonial Israeli rule in Chapter 10. They do this by categorizing and assessing the way policymakers and analysts have approached Palestinian development, based on the analysis of key features, underpinning assumptions and arguments. Wildeman and Tartir categorize them into four approaches that developed over the era of Oslo Aid: Instrumentalism; Critical Instrumentalism; Critics; and Neo-Colonialism—some of which are comfortable with the status quo, and some that want to challenge it. Wildeman and Tartir conclude by arguing that any political economy-driven analysis or framing of the impact of foreign aid in the Palestinian context necessitates recognizing the inherent and embedded structures of power and relations of colonial dominance and control in the development paradigm and de-development processes.

In Chapter 11, Anas Iqtait explores the political economy of the Palestinian Authority (PA) through a fiscal sociology approach. He examines the nexus between contemporary and historical fiscal affairs and economic structures of the West Bank and Gaza Strip before and after the establishment of the PA. Iqtait studies the evolution of public revenues since 1967, investigates recent neoliberal attempts at tax reforms, and identifies the economic consequences of the PA’s fiscal structure. By shifting the focus from the spending side of PA budgets to the revenue side, Iqtait illuminates the fiscal structure connecting Israeli colonial policies

with neoliberal economic development in the OPT. The chapter contends that in the absence of sovereignty and legitimation, the PA had to design domestic revenue collection strategies for building fiscal capacity and ensuring its financial survivability. However, the PA's fiscal operations ultimately further entangled the Palestinian economy with the availability of external income. He further argues that readily available funds, in the form of foreign aid and clearance revenue, have relieved the PA of constructing an authentic contract with its populace and widened the gap between its senior employees and rest of society. Iqtait concludes that public revenues in the OPT have historically served as agents in an overarching political economy architecture of control, and that the PA's budget reinstated and, at times, innovated new measures of economic and fiscal colonial control in OPT.

Chapter 12 by Tahani Mustafa describes the political economy of securitized ordering in the OPT and its implications for the emergence of a Weberian end-state. Mustafa therefore focuses on the ways in which Security Sector Reform (SSR) becomes a pivotal programmatic process in the (re)construction of space, creating actors, structures, and processes. The chapter argues that the political economy of control in the OPT is shaped by a multifarious network of engagement between the Palestinian Authority Security Forces (PASF) and the Israelis, the broader Palestinian society, the international donor community, and self-interested regional Arab states. These networks of engagement shape outcome expectations and continuously create and recreate multiple levels of agency, interests, and hegemony in the OPT. Thus, Mustafa scrutinizes the creation of these various levels of authority that have largely influenced the current socioeconomic, political, and security landscape within the OPT. She further evidences how the Oslo Accords sought to redefine the means and ends of security, highlighting how this process contributed to creating new security configurations to supplement existing ones and how differing Critical Security Interlocutors (CSI) position themselves vis-a-vis national, regional, and international security partners.

In Chapter 13, Sophia Stamatopoulou-Robbins asks what can a political economy of waste demonstrate about contemporary Palestine? And what can the ways in which Palestinians participate in trading, regulating, and valuing discarded materials tell us about the nature of settler colonial occupation in twenty-first-century Palestine? Stamatopoulou-Robbins answers these questions by drawing on ethnographic fieldwork on waste and its management in the West Bank between 2007 and 2017. She

explores the ways that waste creation and management is not simply a political and economic “externality” but is fundamentally linked to capitalist state-building processes. Stamatopoulou-Robbins focuses on the techniques the PA deployed to extract payment for increasingly costly waste services from residents, shining light on how, through automation of waste fee payment, the relationship between Palestinian governance and its subjects was rearranged in a settler colonial context.

Finally, looking beyond the more obvious political explanations, Professor Sara Roy, in her concluding chapter, examines another lesser understood but equally compelling reason for why the production of so much knowledge—evidence and data—has failed fundamentally to improve conditions for Palestinians in the West Bank and Gaza Strip and the possibility of a meaningful resolution to the conflict. Professor Roy reminds us that knowledge is exponential, and that knowledge production is itself a form of resistance. Professor Roy’s conclusion underscores our book’s themes on critique, as an act that historicizes, offering powerful stories that foreground the erasures and the logic of elimination central to settler colonialism. Her chapter also speaks to the decolonial approach we are aiming for in this book, namely an approach that understands this work as both a material and an epistemic project, which underscores the role of the intellectual, even as a part of resistance.

## CONCLUSION

The contributions to this volume demonstrate that critical, interdisciplinary, and decolonial perspectives provide a more robust framework to understand the political economy of occupied Palestine, and, importantly for our scholarship, signals our commitments to a politics of solidarity with the popular struggles in occupied Palestine and around the world. Ongoing developments in the region (e.g., among the U.S., Israel, and the United Arab Emirates) demonstrate once again the failures of “economic peace” and the need for such a politics of solidarity that a critical political economy approach takes.

The Oslo process diverted many intellectual efforts toward the illusion of liberal state-building and economic development, involving technical exercises influenced by the World Bank and other donor agencies, distracting scholarship from the impacts of Israel’s settler colonial project. Given the hollow and de-contextualized conclusions of Oslo-inspired research, the past two decades have witnessed a resurgence of vigorous

studies that have deconstructed the very meaning of “peace” in the Oslo context and unpacked the Israeli matrix of control over all of Palestine. This trend is represented by a new generation of scholars of Palestine studies whose production of “pioneering research,” according to Raja Khalidi:

departs from, indeed renounces, the preceding trend in studying the realities of Palestinian development. While drawing on the earliest traditions of national liberation social science, these voices have explicitly challenged the prevailing narratives of so-called peace building, including the neoliberal economic policies that underpin much of the post-Oslo literature on Palestinian development. They seek to make their scholarship meaningful not only academically but also politically, on the ground so to speak. In doing so, they have brought back to Palestinian social sciences a renewed sense of realism, resistance, and conceptual rigor and innovation. (2016, 7–8)

We hope that our volume contributes to this work and scholarly effort, not only for the sake of producing knowledge but also to transform this knowledge into a force for social, economic, and political change. As Professor Roy states in the conclusion of this book, we believe that if the role of authority is to obfuscate, then the role of the intellectual is to reveal. We hope readers will find the following chapters to be sufficiently engaged with this process of revelation.

## NOTES

1. The Palestinian Policy Network Al-Shabaka put forward several policy analyses concluding that “Palestinians can only achieve their basic political, civil, and human rights by reversing the Accords’ detrimental effects on the Palestinian struggle and rebuilding consensus around their national goal” (Al-Shabaka 2018).
2. The notion that capital has always been racial capital is central to understanding the world political economic system (Robinson 2000 [1983]). Racialization as a “process of regulating, organizing, and subjecting populations through capital and labor—is integral to and endemic in the capitalist world-system. It justifies superexploitation, extreme surplus value extraction, and resource expropriation for the purpose of accumulation and profit” (Burden-Stelly 2018).

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PART I

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Contextualizing Palestinian Political Economy





# Dominate and Pacify: Contextualizing the Political Economy of the Occupied Palestinian Territories Since 1967

*Tariq Dana*

## INTRODUCTION

As with every settler colonial formation, Israel employs various methods of structural violence and lethal force to subdue Palestinian organized resistance to its project of dispossession, erasure, and elimination. Indeed, physical violence is a defining feature of Israel's presence in the Occupied Palestinian Territories (OPT), which is informed by a combination of military and settler colonial forces (Seidel 2017; Ron 2003). However, the intensity of physical violence often backfires, as it tends to encourage political radicalization and national consciousness, leading to new methods and tactics of resistance (Fanon 2005). Therefore, while central to settler colonialism, physical violence alone can be destabilizing to colonial dominance, and as such, it is supplemented by complementary strategies centered on non-physical, yet coercive forms of violence.

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These non-physical forms of violence are examples of what Pierre Bourdieu calls “symbolic violence,” encompassing a complex set of political, economic, social, psychological, and legal pressures (Burawoy 2019). In a settler colonial context, the overall aim of this symbolic violence is to disempower, pacify, coopt, exclude, and ultimately enforce surrender on and elimination of the colonized subject. The deployment of both physical and symbolic violence became the overarching principle that governed Israel’s policies toward the Palestinians since 1967.

Since 1967, Israel’s settler colonial project in the OPT has been primarily guided by the ideological imperative of redefining the demographic-spatial equation along the lines of the general Zionist goal of “maximum land with minimum Palestinians” (Dana and Jarbawi 2017). Correspondingly, the strategy of combining physical violence and symbolic violence has been grounded in the dual policy of a creeping annexation of land and resources and dismissal of the Palestinian indigenous population as a nuisance and undesired aliens. Despite the settler colonial nature of the Israeli project, which is inherently eliminatory and dispossessive, the post-1967 regional and international environment restrained Israel’s inclination to replicate the 1948 scenario during which the majority of the Palestinians were ethnically cleansed by Zionist paramilitary groups. Thus, the post-1967 Palestinian population density, often referred to as the “demographic threat” in Zionist discourse, has to be neutralized and eliminated by other means. In response to this reality, Israeli strategists have developed methods of counterinsurgency and population management, deployed them against its involuntary Palestinian minority since 1948, and invented new sophisticated models of governance, surveillance, and control. The overall objective is to make the life of the Palestinians in the OPT unbearable and hopeless and therefore institute the conditions for their eventual transfer, either through indirect expulsion via immigration or direct expulsion via dispossession (Zureik 2003).

This chapter focuses on the economic sphere and looks closely at how the interplay between physical and symbolic violence was translated into political-economic tools to manipulate Palestinian institutions, economic development, and social transformations. Therefore, the analysis advanced in this chapter seeks to uncover significant, yet subtle, political economy dynamics embedded in Israel’s strategies toward the OPT since 1967, exposing their impact on Palestinian politics, economy, and society, as well as to shed light on the Palestinian interaction with and response

to these strategies. By so doing, it establishes a deeper understanding of particular aspects of Israeli violence involved therein, both in terms of physical violence, presented here as economic *domination*, and in terms of symbolic violence, which takes the form of economic *pacification*.

This chapter is divided into six sections. The first section provides a theoretical insight into the dual principles of domination and pacification that Israel deployed to underpin its settler colonial domination in the OPT. The second section identifies the simultaneous deployment of domination and pacification during the early years of the occupation (1967–1979). The third section highlights the relapse of Israeli strategies in the 1980s resulting from the Palestinian rejection of the occupation expressed in the first Palestinian Intifada. The fourth section discusses how Israel manipulated post-Cold War regional and international developments and the expansion of global neoliberalism to reconfigure its settler colonial structure in the OPT, culminating in the Oslo Accords. The fifth and sixth sections discuss the legalization of economic domination and the institutionalization of economic pacification ensuing from the Oslo process.

## THE DUAL PRINCIPLES OF DOMINATION AND PACIFICATION

A closer investigation reveals that major Israeli strategies over decades of colonization have revolved around the dual principles of economic *domination* and economic *pacification*. The first principle, economic domination, resembles the classical colonial practices that aim to devastate the indigenous economy through human dispossession, land confiscation, local production disarticulation, resource exploitation, in addition to myriad policies that target the spheres of land, natural resources, and labor (Reinhard 2011). Economic domination intensifies in the context of settler colonialism, where the ultimate objective is not only to exploit but rather to degenerate the native society and economy and replace them with a new settler society on the expropriated land. In other words, economic domination by settler colonialism is “inherently eliminatory,” where the destruction of the natives’ resources and livelihood is the key to the overall land-centered settler invasion (Wolfe 2006, 395).

The second principle, economic pacification, is a means to stabilize and normalize the colonial regime. The notion of pacification can be understood:

not just as military action to crush the enemy insurgency, but also a broader and far-reaching action to construct a new social order. Such an order would be one in which insurgency would not and could not occur... (Neocleous et al. 2013, 1)

More specifically, the economic dimension of pacification serves as a political instrument to mitigate the harmful effects generated by the cruel practices of economic domination, serving to undermine the political radicalization and anti-colonial struggle engendered by the latter. Economic pacification is exercised through a range of techniques and incentives such as employing wage labor in the colonial marketplace, promoting some limited projects of economic modernization, offering conditional aid, facilitating trade and exchange, promoting the acquiescent elite, and stimulating limited economic growth. These incentives are offered through highly controlled mechanisms and ought to produce, directly or indirectly, economic benefits to the colonial economy. Furthermore, the material resources allocated to selected individuals and groups in the colonized society represent a fundamental source for class formation and the creation of a social hierarchy dominated by an elite whose local power and privileges are tied to the colonial order. In other words, the pacification principle is designed to produce social fragmentations and economic inequalities within the colonized society, thus contributing to strengthening the overall colonial control over the population.

While both principles might seem paradoxically inconsistent, they are essentially deployed in a mutually reinforcing manner. The implementation of these principles varied over time, depending on multiple political and economic factors. In some instances, Israel has deployed them simultaneously and in other instances, favored one over the other. Nevertheless, both principles have been active at all times, yet balancing the two principles is generally contingent on the changing dynamics within the settler colonial context as well as on regional and international factors. An example of how the dual principles of domination and pacification operate simultaneously can be observed in the realm of labor. Whereas Israel imposes domination policies that hinder the access of Palestinian labor to Israel and hamper their mobility within the OPT, it offers pacifying mechanisms through the permit regime and security profiling to allow specific Palestinians to obtain special permits (working permits, VIP cards, etc.). While the Palestinian national movement had challenged both economic

domination and economic pacification on numerous occasions in the pre-*Oslo* decades, the interplay of both principles has profoundly altered the political economy landscape of the OPT and shaped the development of local institutions, economic activities, class formation, and social relations.

### THE EARLY YEARS (1967–1979)

Although the 1967 occupation of the West Bank and Gaza has brought all of historic Palestine under Israeli rule, Israel's inability to conduct massive depopulation suspended the maximalist Zionist demand for full legal annexation of the OPT into Israel "proper." In this context, Israel's primary concern became one of maintaining unchallenged control over the land and resources while neutralizing the Palestinian demographic factor, which could endanger the Jewish character of the Israeli state. The subsequent Israeli governments, formed either by the Zionist left or right or by national unity coalitions, have dealt with this challenge by manipulating the relationship between the Palestinian people and the land. This manipulation is strongly evidenced in almost every Israeli strategy, ranging from counterinsurgency, governance, and autonomy to security, and economic development and the US-backed "peace" proposals.

Among the initial steps to institutionalize the nascent settler colonial reality in the OPT was creating several intricate policy and legal frameworks to regulate the macro- and micro-aspects of Palestinian life. First, Israel replaced all Arab and local banks with its own financial system. The Bank of Israel became the supreme authority in charge of all monetary arrangements and imposed the Israeli currency as the legal tender in the OPT. Second, the subsequent Israeli governments ordered massive expropriation of lands and the dispossession of the inhabitants to build Jewish-only settlements over strategic and resource-rich areas such as the Jordan Valley and hills surrounding and overlooking Palestinian towns. The policy of land expropriation was implemented under different pretexts, ranging from "security" by the labor governments to messianic justifications by the Likud and right-wing movements. In either case, Israel deliberately targeted arable lands and abundant natural and water resources which were diverted to serve the settlements' economic activity. As a result, Palestinian agricultural productivity has fallen sharply from 53% in 1967 to 13% of the overall GDP by the late 1980s (Butterfield et al. 2000).

Third, Israel maintained full control over borders and terminals, effectively controlling people's movement and trade interactions with the outside world. By restricting Palestinian imports from the surrounding countries, Israel captured the Palestinian market for its own Israeli manufactured goods and agricultural products. Consequently, the OPT became a "captive market" for Israeli imports. In the 1970s and 1980s, Israeli products constituted over 90% of total imports, and the OPT became the second largest destination of Israel's exports after the USA (Sayigh 1988, 260). Israel institutionalized the unbalanced trade relations by imposing a one-sided customs union, coupled with an oppressive taxation regime (customs, income tax, VAT) that depressed Palestinian economic activity (Taghdisi-Rad 2010, 16). These policies granted Israeli products free access to the Palestinian market while simultaneously restricting the entry of Palestinian goods to the Israeli market. Tax revenues on imports to the Palestinian market have ended up financing the Israeli public sector (Arnon 2013, 176).

Fourth, Israel restricted the licensing of industrial zoning and planning in the OPT and only allowed for a few light and low-value-added industries to process Israeli raw and semi-processed materials, particularly in food, textile, and clothing (Taghdisi-Rad 2014, 16). Consequently, this policy transformed nascent Palestinian industries into subcontractors for Israeli companies and effectively prevented them from competing with Israeli industry. In contrast, the Israeli state heavily subsidized Israeli private manufacturers by offering them a range of incentives such as investment assistance and loans and encouraged them to relocate into tax-free industrial zones in Jewish settlements in the OPT. By restricting trade and industries, the Palestinian market became a "convenient dumping ground for shoddy Israeli industrial products which could not compete with the local manufacturers of the industrialized countries of Europe and North America" (Sayigh 1986, 49). This brought a massive profit to the Israeli economy and produced a new layer of the Israeli capitalist class whose manufacturing activity was primarily consumed in the OPT.

Fifth, all critical inputs for a functioning economy, and by extension for the ordinary daily life of the population, such as communication, transport, electricity, construction, and infrastructure, were fully subject to Israeli control. These vital sectors were intentionally left in poor shape and often were instrumentalized to punish individuals and communities active in political resistance. As stated by Moshe Dayan, the Israeli

Minister of Defense (1967–1974) and the principal architect of the colonial political economy in the OPT “if Hebron’s electricity grid comes from our [Israeli] central grid and we are able to pull the plug and thus cut them off, this is clearly better than a thousand curfews and riot-dispersals” (quoted in Ron 2003, 133). These punitive measures had intensified in the 1980s to undercut the PLO’s rising influence in the OPT, which deprived entire villages and towns of electricity, telecommunication services, and construction permits.

With the Palestinian economy’s agricultural and industrial developmental potential rendered limited and dependent, Israel incorporated the Palestinian workforce into labor-intensive work in the Israeli marketplace (Farsakh 2005). As a result, the OPT was rapidly transformed into a pool of cheap and unskilled labor who depended on employment in the Israeli marketplace for economic survival. At the same time, Israel controlled the flow of labor according to its needs by instituting a wide range of mechanisms to protect its economy from dependency on Palestinian labor.

The abovementioned practices of economic domination were accompanied by the “open bridges” policy, which exemplified the first Israeli attempt to pacify the population through economic incentives and opportunities. The open bridges policy, spearheaded by Moshe Dayan when he was Minister of Defense, was officially adopted by the Israeli government in the immediate aftermath of the 1967 occupation. As stated by Dayan, the overall objective of the open bridges was to make the “occupation invisible” (Gordon 2008, 49). Consequently, the open bridges policy had effectively redefined the socioeconomic conditions in the OPT in a way that helped stabilize the initial phase of colonization (Abed 1988, 8). The open bridges implied four sub-policies:

1. Fostering a sort of indirect colonial rule system by maintaining the pre-occupation traditional elite-led local institutions and sustaining the Jordanian influence over these institutions (Shafir 2017, 85). This policy drew on a longer tradition of colonial control over the colonized subjects and territories. It aimed to give a false impression that the population could freely manage their daily social and civic affairs without interference from the Israeli authorities. This was despite the fact that the OPT was effectively governed by the Military Governorate, which was formed following the 1967 occupation,

- and acted as the highest authority with unchecked administrative powers through issuing military orders.
2. Decreasing the visibility of the Israeli military forces in the Palestinian towns and cities in order to avoid political agitation and maintain the calm. As part of the open bridges' pacification effort, this policy aimed to avert the disruption of the nascent status quo.
  3. Fostering economic exchange with Jordan. While Israel prevented the Palestinians from continuing international trade with the external world, the open bridges facilitated trade relations between the OPT and Jordan. On the one hand, Israel manipulated the Palestinian-Jordanian trade channels to stimulate Israeli exports and penetrate the Arab markets (Taghdisi-Rad 2014, 16). On the other hand, encouraging the continued economic ties between the two banks of the Jordan River would pave the way for a future political settlement.
  4. Endorsing limited "modernization" of the economy, including agricultural and light industrial projects, which were designed to benefit the Israeli economy directly (Hever 2010). However, Israel negated the implementation of meaningful productive and infrastructure projects that could create a solid independent economic base in the OPT. Besides, the opening of the Israeli marketplace to the Palestinian labor force was essential to the relative success of this policy because it produced new sources of income and improved socioeconomic conditions. It is estimated that two-fifths of the labor force were employed in Israel, with a total of 87,000 workers from the West Bank and Gaza Strip. This constitutes 37.8% of the 232,500 total employed persons (32.7 and 46.5% for the West Bank and Gaza Strip, respectively) (Sayigh 1988, 262). The workers' income constituted a substantial portion of the Palestinian economy, amounting to 30% of the OPT's GDP (Arnon and Weinblatt 2001, 293). Moreover, while Israel prevented the emergence of an independent Palestinian productive base, and by extension obstructed the process of capital accumulation necessary for the creation of a local capitalist class, it fostered the formation of dependent businesspeople, or comprador class, whose profit lies in mediating between Israeli manufacturers and the local market in the OPT. Consequently, this situation pushed both Palestinian labor and business groups into a state of structural dependency on Israel (see Habbas' chapter in this volume).



The open bridges generated pacifying effects through stimulating limited economic growth and some improvements in socioeconomic conditions in the OPT. However, this process was largely artificial and illusory because it went hand in hand with the disintegration of the Palestinian productive base and the increasing incapacity of the economy to utilize the local natural resources and incorporate the labor force. As noted by Leila Farsakh, the open bridges led to contradictory outcomes: while it contributed to the doubling of per capita income, it effectively dissolved the capacity for an independent Palestinian economic base (Farsakh 2005).

After nearly a decade of the 1967 occupation, the implementation of economic domination and pacification policies had produced mixed results, mainly reflected in two contrasting structural transformation processes that engulfed the political, economic, and social landscape in the OPT.

The first was that the Palestinian economy became structurally dependent on the Israeli economy, coupled with a rapid “process of de-agriculturalization and de-industrialization” that deprived the Palestinian economy of key resources to develop independently (UNCTAD 2016, 8). This has resulted in the “de-development” of the Palestinian economy. The term de-development stresses the peculiar aspects of the Palestinian economy being subjected to ongoing colonization, which is distinct from the “underdeveloped” economies that characterize the global south. According to Sara Roy, de-development is “the deliberate, systematic and progressive dismemberment of an indigenous economy by a dominant one, where economic – and by extension, societal – potential is not only distorted but denied” (Roy 2006, 33).

The second process was observed in changes in Palestinian social and class structures. Since Israel embarked on extensive land confiscation to construct Jewish settlements, it had dramatically, but inadvertently, weakened the position of the traditional landed elite who Israel attempted to promote (Hiltermann 1993, 9). Israel favored this elite stratum due to its moderate politics and ability to govern the population and counterweight the emergent nationalist leadership. The key to the declining power of the traditional elite was the “proletarianization” of the Palestinian labor, which occurred through the rapid shift in the structure of employment from the local agricultural sector into low-wage laborers in Israel. This change in class structure had radically altered social mobility in favor of the Palestinian national movement (Hilal 1977). First, the

decline of the traditional elite implied the marginalization of a politically moderate leadership that would accommodate the occupation's desire to preserve the status quo. Second, the vacuum left by the demise of this elite was filled by Palestinian Liberation Organization (PLO)-affiliated nationalist leadership, comprised of unprivileged groups such as refugees, laborers, and the educated but economically disadvantaged middle class. The PLO was able to expand its influence in the OPT and mobilize at a grassroots level, bringing about radical, political, and ideological changes in the masses' consciousness (Taraki 1990). The rising PLO influence in the OPT was expressed in the formation of grassroots organizations, such as labor unions, women and student movements, and voluntary associations, which played counter-hegemonic roles in resisting the occupation through broad mobilization and politicization of the population.

### THE RELAPSE OF ISRAELI STRATEGIES IN THE 1980S

By the early 1980s, the Israeli economy experienced an acute crisis as a result of rising oil prices and overspending on the war economy, which led to a budget deficit, hyperinflation, and mounting foreign and internal debt (Nitzan and Bichler 2002). Many Palestinian workers in Israel lost their jobs and sources of income, thus affecting the socioeconomic conditions in the OPT (Gordon 2008, 82). Besides the economic factor, the intensified settler colonial violence and the widespread repression of Palestinian political activism contributed to the creation of the objective conditions necessary for the outbreak of a large-scale anti-colonial rebellion.

In 1987, the first Palestinian Intifada erupted as a broad and organized popular resistance. It was characterized by a cross-class alliance that was sustained by the progressive interaction among local leaders, political factions, mass-based movements, and the myriad neighborhood committees that existed in almost every locality (Hiltermann 1993). While the Intifada was widely studied as a form of political struggle, it implied a conscious dimension of "economic warfare" (Gabriel 1988, 202). This "economic warfare" was underpinned by two fundamental approaches. The first sought to harm Israeli economic interests in the OPT through tactics of civil disobedience such as commercial strikes, boycotting of Israeli products, withholding tax payment, and refusing to work in Israeli marketplace and settlements. The overall objective was to deliver a heavy blow to the Israeli economy and to transform the occupation into an

economic burden (Bishara 1989, 225). This perception was based on the understanding that as long as the Palestinians remained dependent on the Israeli economy, their political struggle would continue to be hindered by Israel's mechanisms of control. Hence, by engaging in economic resistance as part of the broader anti-colonial strategy, the costs of the Intifada would ultimately exert pressure on the Israeli occupation to withdraw from the OPT.

The second involved the Palestinians embracing domestic models of household and neighborhood economies to ensure survival and self-sufficiency. For example, the neighborhood committees introduced the "victory gardens" model, which coordinated different activities such as agriculture, animal husbandry, and small-scale agroindustry. By the second year of the Intifada, "victory gardens" had planted over half a million trees in the OPT (King 2007, 231). In some towns, most notably in Beit Sahour, products from "victory gardens" and household businesses replaced food imports from Israel, ensuring some level of self-sufficiency and generating employment and income (Grace 1990). Besides the economic dimension, these initiatives symbolized the popular rejection of the Israeli-imposed status quo, promoted social solidarity networks, empowered women and youth, and engaged the society as a whole in voluntary participation to serve the public good.

## POLITICAL ECONOMY FACTORS BEHIND THE OSLO PROCESS (1990–1993)

Intertwining local, regional, and global factors had brought the Israelis and the PLO leadership to the negotiating table, ultimately signing the Oslo Accords in 1993. These factors are closely associated with the shift in global power relations following the end of the Cold War and the expansion of American-led neoliberal globalization.

On the Israeli front, domestic and global changes in the political economy demanded a visible effort toward a political settlement. The Israeli economic crisis of the 1980s was resolved by a liberalization plan that introduced structural adjustments to the economy (Shafir and Peled 2018). As such, Israel's neoliberal turn replaced the state's conventional welfare-warfare politics with the (neo)liberal discourse of regional peace and economic integration (Nitzan and Bichler 2002). This change was motivated by the urgency to facilitate the integration of the Israeli

economy into the global economy, primarily through creating the political conditions for foreign direct investments and economic normalization at the regional scale. For this purpose, Israel embarked on a foreign policy agenda that prioritized negotiations and reconciliation with the PLO as a precondition to enforce the political stability needed to accommodate the neoliberal pattern of capital accumulation (Aran 2011).

Much of the changes in Israeli politics were influenced by the then Foreign Minister, Shimon Peres, whose strategic vision of “New Middle East” sought to redefine Arab-Israeli relations along the lines of a regional common market (Peres and Naor 1993). Influential Israeli businesspeople keenly supported Peres’ vision. Their interests lay in a peaceful settlement that would expand their business opportunities and profit by penetrating the Arab market and transforming the OPT occupation from a colonial into a neocolonial project (Hever 2010). Thus, the Oslo Accords served as a strategic channel through which Israel could reorganize its settler colonial apparatus in the OPT and normalize relations with the Arab states as a prerequisite for instituting a new regional order.

For the PLO leadership, a peaceful settlement with Israel had become a top priority following the changes in the regional and international power relations in the early 1990s. In the first stance, the PLO lost key allies and financial and military resources after the disintegration of the socialist bloc and the demise of liberation and revolutionary movements around the world (Dana 2019). The PLO crisis was further exacerbated after the PLO leadership supported the Iraqi invasion of Kuwait in 1990, which in turn ended the inflow of significant financial aid from the Gulf States. Similar to their Israeli counterpart, the role of the diasporic Palestinian capitalist class was also visible in the process (Nakhleh 2012). The Palestinian capitalists were eager for a peace agreement that would secure a Palestinian state and regional stability, where new investment opportunities and businesses can flourish.

It can be observed that the signing of the Oslo Accords in 1993 represented something of a convergence of interests between Israel and the PLO. It was indeed an inter-elite compromise whose main objective was the reconfiguration of domestic hegemony and international legitimacy rather than reaching a real “peace” (Selby 2008, 13). Given the excessive power asymmetry in the process, Oslo had therefore been regulated by the changes of political economy and geography of Israel and the expansion of global neoliberalism into which the Palestinian Authority (PA) emerged (Turner 2012, 502). The Oslo context allowed Israel to institute

powerful pacification mechanisms into the multiple structures and functions of the PA, which effectively coopted a significant segment of the Palestinian national movement and facilitated Israeli colonial domination over land and natural resources.

## OSLO'S "LEGALIZATION" OF ECONOMIC DOMINATION

The most significant consequence of the signing of the Oslo Accords between the PLO and Israel in 1993 was the fact that it introduced a cost-effective restructuring of Israel's settler colonial regime. An extra advantage for Israel has been the introduction of powerful mechanisms of control that dramatically diverted the PLO functions to serve Israeli security and economic interests, specifically through the formation of the PA in 1994.

In the first instance, Oslo facilitated the reproduction of Israeli territorial control by turning the OPT into a series of fragmented enclaves. This was possible by the PLO-Israeli agreement for the geographical division of the occupied West Bank: (1) Area A: under the PA civil and security authority, it includes 55% of the population residing in central cities and towns and covers 18% of the West Bank territory. (2) Area B: under the PA civil control and Israeli security control, it comprises villages inhabited by 41% of the population and covers 20% of the territories. Area C: under the full civil and security control of the Israeli occupation, it includes 5% of the population and 62% of the territories, and mainly lies in areas of abundant natural resources and arable lands. In order to ensure effective control, Areas A and B are fully surrounded by Area C, Jewish settlements and military infrastructures. This arrangement has interrupted the natural, spatial, demographic, social, and economic continuity among the West Bank's towns and villages as well between the West Bank, Gaza Strip, and East Jerusalem.

The reality of geographical fragmentation was further cemented by the quantitative and qualitative expansion of Jewish settlements. As of 2019, there were an estimated 763,000 settlers in the West Bank, including East Jerusalem, residing in 127 government-sanctioned unlawful settlements, compared to 150,000 settlers in 1993 (Federman 2020). These settlements are deliberately built over strategic areas, and their economic activities are largely based on the exploitation of Palestinian natural resources and labor. In parallel to the settlement construction, in 2002, Israel constructed the separation wall on confiscated fertile lands,

destroying farms and agricultural lands and further disturbing the social and economic links between Palestinian localities (Dana 2017). Israel also developed a complex regime of control, placing various restrictions on the movement of people and goods and turning the OPT into a laboratory to test new surveillance technologies (Zureik 2016).

Israeli economic domination was legalized by the Protocol on Economic Relations (PER) or Paris Protocols of 1994, the economic annex of the Oslo Accords. Simply put, the PER reaffirmed Israel's overall control of the Palestinian economy. In particular, it maintained the dependency of the Palestinian economy on Israel but changed its legal status from one subject to an illegal occupation policy to a regulated dependency endorsed by international agreements. The PER, for example, reinstituted the unbalanced trade regime through the formalization of the customs union that was imposed on the OPT since 1967 (Arafah 2018). This arrangement obliges the PA to formulate the trade policy and tax system in accordance with the Israeli system, which is more appropriate for an economically developed state than for a de-developed and colonized economy (Turner 2015). In terms of tariff structure, for instance, the PA cannot reduce the VAT rate to lower than 2% below the Israeli VAT rate. Given the excessive economic disparity between the Israeli and the Palestinian economies, restrictions on determining the VAT rate have generated grave and perpetual consequences on the purchasing power and costs of living in the OPT. With regard to trade, the PER imposed restrictive regulatory and quantitative conditions on Palestinian exports to Israel, thus ensuring an overall Israeli control over trade and perpetuating the OPT status as a captive market to imports from Israel. This condition is intended to prevent competition with Israeli goods and to protect Israeli manufacturing and agricultural products. As of 2015, about 85% of Palestinian imports come from Israel (US\$4.5 billion), and 70% of Palestinian exports are shipped to Israel (US\$400 million) (UNCTAD 2016, 6). The massive Palestinian trade deficit with Israel lies at the core of Palestinian economic dependency on Israel. Even though the PER promised the Palestinians a space to negotiate aspects of trade through joint economic committees, Israel has continued to monopolize veto power over trade policy in conformity with its economic interests.

Moreover, the PER granted Israel exclusive power to shape the general macroeconomic framework in the OPT. This includes monetary policies, trade and fiscal revenues, industrial zoning, and agricultural planning. The most salient feature of this control is expressed in the tax clearance system.

Through this system, Israel collects and transfers customs duties, VAT and other taxes, and revenues on imports from or via ports and borders controlled by Israel as well as income taxes from Palestinian workers in Israel to the PA. The tax clearance system is a key source of revenue for the PA, accounting for almost two-thirds of the PA's budget (Iqtait 2019; Arafah 2018). Israel has often manipulated and suspended the transfer of these financial resources to pressure the PA to adopt policies deemed more acceptable to Israel (e.g., following the Hamas formed government in 2006, the PA move to acquire UN recognition of statehood in 2012, and the PA application to join the International Criminal Court in 2015).

### OSLO'S "INSTITUTIONALIZATION" OF ECONOMIC PACIFICATION

The Oslo process initiated collaborationist relations between the PA/PLO and Israel, mainly defined by the compliance of the PA in maintaining the political status quo regardless of the intensified colonial dynamic on the ground. The stimulus for the PA's compliance consists of a broad institutional landscape and various forms of incentive that aim to tie the Palestinian elite and their constituents into intricate webs of interests. The Oslo pacification framework has proved highly effective because of the embedded self-enforcing mechanism within the PA's governing structures and functions (Seidel 2019). Pacification is mainly enforced through the promotion of a specific form of neoliberalism, as well as through the patron-client system that lies at the core of the PA institutional fabric and its relationship with society. Both have interconnected the elite with society through a complex system of neo-patrimonial crony capitalism (Dana 2020).

These pacification mechanisms have been promoted and consolidated by the substantial entry of international donors and the accompanying (neo)liberal peacebuilding programs of "state-building" and "economic development." Many critical studies have shown how the framing of international aid according to Oslo's political and security terms has determined the directions and allocations of aid among the complex interest networks forged by Oslo: the PA, the private sector, and certain civil society groups (Tartir and Seidel 2019).

Throughout the Oslo process, the OPT has been listed among the highest recipients of per capita aid in the world, receiving over US\$40 billion of aid since 1993 (see Wildeman and Tartir in this volume).

Such massive levels of aid reflect the strategic and geopolitical significance of the OPT in donor states' agendas, within which the overriding priority is to enforce stability and reduce the likelihood of uprisings and violent confrontations. Since donor intervention is often conditioned by Israeli security needs and disregards the ongoing colonization on the ground, donor assistance is intended to mitigate the devastating effects of Israeli colonial policies and practices. Mandy Turner reinterprets donor-promoted peacebuilding in the post-Oslo context as a form of "counterinsurgency," which operates "as another layer of pacification techniques whose goal is to secure the Palestinian population and ensure acquiescence in the face of violent dispossession" (Turner 2015, 73). This brings into light new parameters for understanding economic pacification techniques devised by external actors, which tend to complement and consolidate the Israeli pacification effort.

As early as the establishment of the PA in 1993, donors engineered an economic governance model that would coexist in tandem with, rather than in opposition to, Israeli policies (Shikaki and Springer 2015). This means that by perpetuating the Palestinian economic dependency on Israel, the PA political-economic networks would inevitably be tied to Israel in various complex and subtle ways. Consequently, the capacity of the PA elite for maneuvering has deeply eroded whereby confrontational politics became a costly option. While it is often argued that the PA has embraced neoliberalism as the backbone of its economic policy, it should be noted that the nature of the PA's mode of neoliberalism differs significantly from that of other developing countries that have attained some level of sovereignty. Above all, PA economic policy operates in the narrow policy space offered by Israeli constraints and the PER conditions. In this context, PA economic policy is carefully designed as an instrument for internal stabilization, specifically through introducing rent-seeking opportunities to constituents in order to expand the PA supporter base. For example, while mainstream neoliberal policies require austerity measures to minimize the public sector, the PA has steadily maintained an inflated public sector. This is because the public sector encapsulates the PA patron-client networks upon which the PA depends to buy loyalties and to ensure control and compliance.

Besides the pacifying power of the public sector, the PA encouraged pre-Oslo PLO business allies to dominate the private sector. The PA introduced a series of legal and institutional measures, sponsored by the World Bank and other donor actors, to attract foreign investment in



the OPT. Among these measures, for instance, was the codification of economic liberalism in the PA basic law of 1999. To facilitate the process, the PA established the Palestinian Investment Promotion Agency (PIPA) to implement regulations for promoting an investor-friendly tax regime. PIPA offered vast concessions to large businesses and exemptions from a variety of tax and non-tax-related incentives without setting in place any accountability mechanism (MAS 2014).

These measures aimed to accommodate a handful of diasporic Palestinian capitalists who enjoyed historical ties with the PA/PLO political elite. After Oslo, these capitalists returned to the OPT and established large conglomerates, such as the Arab Palestinian Investment Co. Ltd (APIC) and the Palestinian Development and Investment Company (PADICO) (Dana 2020). During the 1990s, the conglomerates' activities centered on private-public partnerships with the PA and held monopolies in strategic sectors of the economy. These activities directly involved Israeli political and security officials in facilitating the PA and capitalists' business operations. With the PA and Israel providing the necessary legal and security environment for investment, these conglomerates acquired substantial market power to the extent that it became almost rare to find a large- or medium-sized business in which they do not own a sizable stake (Hanieh 2011, 95).

The post-second Intifada reform of the PA system of governance entailed a large-scale neoliberal restructuring that surpassed the neo-liberalization processes at the regional scale. Following the intra-Palestinian rift between the Fatah-dominated authority in the West Bank and Hamas de facto government in Gaza in 2007, donor-sponsored neo-liberalization in the West Bank has accelerated to an unprecedented extent, which profoundly reshaped the political-economic conditions and produced new modes of pacification and control. In the context of the intra-Palestinian division, the level of collaboration between the PA and Israel has been upgraded by the encounter between the agenda of the former PA Prime Minister Salam Fayyad (2007–2013), and the “economic peace” strategy spearheaded by the Israeli Prime Minister Benjamin Netanyahu. Despite the apparent contrast in the political objective of each strategy, both “Fayyadism” and “economic peace” appeared to share striking similarities concerning emphasis on economics and security to achieve peace and prosperity. On the one hand, “Fayyadism” embarked on institutional modernization, security reform, and economic development to stimulate international recognition of a de facto Palestinian state

(Tartir 2015). On the other hand, Netanyahu's "economic peace" envisioned an opportunity for peaceful relations through enhancing economic and security collaboration, which, it was envisaged, would gradually lead to a spillover into the political realm (Dana 2015a).

This encounter has produced a range of incentives and privileges for the PA political and economic elites, such as exclusive access to Israeli ports, facilitation of trade and movement, and the construction of large-scale commercial projects. It also consolidated the existing crony networks: while the business elite increased their influence on the PA decision-making, the PA political elite ventured into the profitable business realm. This dynamic has developed in an increasingly authoritarian context (El Kurd 2019), where the absence of the Palestinian Legislative Council and the PA-Israeli security collaboration have subjected the public sphere to continuous repression and exclusion.

Finally, donors' pacification strategies have targeted Palestinian civil society through the promotion of NGOs at the expense of grassroots movements. For donors, civil society is an indispensable sphere that can serve as a bottom-up stabilizer of the Oslo process—a perception that led to attaching political conditionality to funding opportunities (Dana 2015b). The NGOization process has impacted the autonomy of civil society because a substantial segment of local organizations became increasingly dependent on Western conditional funding, which resulted in their gradual inclusion in the mainstream aid industry. Pacification in this context entails a redefinition of Palestinian civil society's role in society and engagement in politics. First, the NGOization process has effectively interrupted the historic links between civil society and society, leaving social constituents unrepresented, demobilized, and disempowered. Second, the political dimension of the change implied the transformation of politically active organizations into depoliticized and technical NGOs whose agenda is overridden by the requirement to accommodate the mainstream development discourse and liberal state-building program rather than conventional anti-colonial politics. As a result of NGOs' pacifying effects, key actors of Palestinian civil society that constituted the backbone of the first Intifada have ended up becoming entangled in a complex network of interests that also includes the PA and private actors.

## CONCLUSION

This chapter relied on a critical political economy approach to unpack some subtle and sophisticated components underlying Israeli strategies and policies toward the OPT. Over decades of colonization, Israeli policymakers deployed the dual principles of economic domination and pacification as an integral feature of a grand settler colonial strategy that aims to exclude and erase Palestinians and seize the land and natural resources. While these strategies have shown some effectiveness in the pre-Oslo era, especially in terms of affecting the Palestinian social structure and inflicting economic dependency on Israel, the Palestinian anti-colonial resistance exposed the structural shortcomings of these strategies. It particularly challenged Israeli methods of control, as evident in the case of the first Palestinian Intifada. Nevertheless, after the initiation of the Oslo process, these strategies have grown in complexity. Economic domination was institutionalized by the Oslo Accords and PER, which enabled Israel to exploit the land and natural resources, and to use coercive means to control the Palestinians economically, politically, and territorially. Economic domination has been facilitated by the extensive pacification of large segments of the Palestinian national movement, the private sector, as well as substantial forces of civil society. International interventions have served to powerfully reinforce and perfect Israeli pacification methods, helping to perpetuate the political status quo through a variety of economic incentives while ignoring ongoing Israeli domination on the ground.

This context has made it very difficult for the Palestinians to reorganize their resistance to Israeli colonization. As long as an influential segment of the Palestinian elite and institutions remains trapped and entangled by Israel and donors' methods of pacification and control, Israeli domination will continue unabated, seizing more territory and resources and further fragmenting the already fragmented Palestinian body politic and national fabric. After more than 27 years of the Oslo process, one could objectively conclude that internal reform of Palestinian institutions under the Oslo conditions cannot, and will not, deter Israeli settler colonial domination. Instead, it will in all probability reproduce Israeli pacification through new formulas and mechanisms. Accordingly, the Israeli strategies of domination and pacification can only be seriously challenged by a new Palestinian political strategy that bypasses the Oslo Accords' framework and runs along the principle of anti-colonial resistance and self-determination.

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# The Political Economy of Dependency and Class Formation in the Occupied Palestinian Territories Since 1967

*Ibrahim Shikaki*

## INTRODUCTION

In the Palestinian-Israeli context, mainstream neoclassical economics is insufficient as a tool of analysis. Because neoclassical economics lacks historical and political angles, it always assumes that the integration or proximity between two economies will ultimately lead to a dispersion of positive effects on the smaller economy. Particularly, mainstream theory assumes the *spread* effects, i.e., those that tend to help the small economy expand, will trump any *backwash* effects, i.e., the negative repercussions that tend to retard the evolution of the small economy and reinforce its underdevelopment (Kubursi and Naqib 2008).

In contrast, this chapter underlines the historical material conditions using a political economy approach: one that considers issues of class,

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power, and politics. As Zureik (1976) would suggest, for one to properly study the Palestinian people, their society, politics, and economic activity, one should “turn to studying the role of *political economy*, and move away from current approaches fashionable in socio-anthropological writing which emphasize the centrality of values and kinship systems” (61, emphasis added).

Concretely, this chapter argues, through an economic history narrative of the West Bank and Gaza Strip (WBGs) from 1967 until the present day, that an appropriate framework to understand the Palestinian economy is through a dependency lens, accompanied by an understanding of class formation in the Palestinian society. To understand this dependency relationship, it is necessary to discuss, among others, the evolution of the Palestinian labor and goods markets, the contribution of economic sectors to employment and output, trade relations, and the economic implications of policies implemented by Israel and the Palestinian Authority (PA). Not unrelated, and equally important is to study the parallel process of class formation within Palestinian society, and to examine the proletarianization process that proliferated after the Arab-Israeli War in 1967.

Section two below covers the period following the occupation of the Occupied Palestinian Territories (OPT) until the start of the Oslo process (1967–1993).<sup>1</sup> It is considered the core of this chapter, since dependency on the Israeli labor and goods markets was fully established in those years. Moreover, the proletarianization process was at full acceleration during those years. Section three covers the post-Oslo years, that period witnessed a continuation of previous dependencies, the creation of new types of dependencies, and it ushered the rise of a new middle class that had social and political ramifications on the Palestinian society. Finally, section four concludes.

## ISRAELI OCCUPATION AND PALESTINIAN DEPENDENCY 1967–1993

### *Part One: Dependency*

The strands of dependency theory are extensive, diverse and build on previous literature on imperialism and colonialism (see among others Baran 1957; Prebisch 1962; Santos 1970; Emmanuel 1972; Amin 1974). The extent to which this chapter borrows from this vast literature is what unites the various strands rather than what differentiates them.

Dependency theory emanated from scholars in Latin America who observed the opposite *movements* of resources and final goods. Natural resources and primary goods were exported to the Global North or “center” countries, and in the other direction, final goods were imported to “periphery” countries. As such, the extraction of value added occurred in the center, and the economic structure of the periphery morphed into whatever the center demanded, locking periphery economies in a cycle of underdevelopment.

It is easy to confuse the literal concept of dependency with the economic theory understanding, partly because both can be easily applied to the Palestinian-Israeli context. Colloquially, dependency includes direct and indirect reliance for utilities, fuel, infrastructure, finance, employment, etc. The theoretical concept of dependency, however, is more precise, and adds an important structural dimension to understanding the results of dependency.

Concretely, dependency theory explains how the movement of resources from the periphery to the center and the movement of final goods from the center to the periphery locks the latter in a vicious cycle where it cannot develop its productive base, increases its trade deficit, and remains “dependent” on the labor and goods markets of the center. To this end, we will emphasize the dynamics of these two sets of movements in the Palestinian-Israeli context; on the one hand resources (labor) moving from the periphery Palestinian to the center Israeli economy,<sup>2</sup> and on the other hand final goods moving from the Israeli to the Palestinian economy. The phenomenon of Palestinian work in Israel only exacerbates this relationship by providing Palestinians with income that flows back to the Israeli economy via the purchase of Israeli goods.

Samara (1988) argues that there is a unique relation between the Israeli and Palestinian economy that cannot be described as “internal colonialism” (Sayigh 1986). He suggests that despite the fact that exchange relations between Israel and the WBGS are not standard center-periphery relations, there is a “relation between two separate economies, between a developed capitalist mode of production dominant in one and a controlled peripheral capitalist mode in the other” (Samara 1988, 7–8). In fact, this dependency relation has been desired by Israel since its inception, as articulated by the Israeli ambassador to the United States who declared that Israel aspired to have economic relations with the Palestinians and the rest of the Arab world “akin to the relations between the United States and the Latin American continent” (Rubin 1973, 55).

*Palestinian Labor in Israel*

After Israel weathered the economic recession of the early 1960s, it was a shortage in the supply of labor that was threatening to halt the long-term expansion of the Israeli economy. The construction sector was particularly booming following the influx of immigrants to Israel, but was lacking the skilled and unskilled workers in construction. The shortage was in the type of work which the privileged strata in Israel “scorned.” Initially, that work was carried out by Jews from Middle Eastern origins (Mizrahi) and Palestinians who remained in Israel: “Employment of workers from the occupied areas thus assisted the Israeli government to maintain the privileged positions of its citizens of European and American origin” (Ryan 1974, 11).

In its early days, and not unlike many countries, Israel embraced an implicit compromise between capital and labor whereby labor recognizes the legitimacy of private ownership of property in return for near full employment. Often overlooked, but Palestinian work in the Israeli economy was crucial for this compromise to hold in three key aspects. First, the introduction of a new pool of cheap surplus labor (low wages and low benefits) curtailed wage inflation and ensured a steady profit for Israeli enterprises. The average Palestinian wage was significantly lower than Israeli wages,<sup>3</sup> Israeli employers were able to pay Palestinians more than they earned in the domestic economy, yet less than their Israeli counterparts.

Second, Palestinian workers were vulnerable to repression and unfair treatment. Davar, the daily newspaper concerned with Jewish labor, demonstrates this bluntly: “it is almost impossible to fire an Israeli worker or to relocate him without his permission and without a wage increase. On the other hand, an Arab worker is exceptionally mobile, can be dismissed without notice and moved from place to place, does not strike and does not present demands” (Samed 1976, 160). As a *latent* reserve army of unemployed (Marx 1976), Palestinian labor was utilized as an indirect tool to threaten the lowest strata of Israeli working class, and suppress their bargaining power.

And finally, Palestinian work in the Israeli economy allowed for social mobility within the Israeli community. Jewish workers, especially Mizrahi Jews who were treated as second-class citizens were able to climb the occupational ladder, accumulate capital and even exploit Palestinian workers themselves. To this extent, Zureik (1977) notes that “while Israel

*claims* to have solved the perennial problem of creating a natural occupational structure among its Jews, it has done so at the expense of creating an unnatural Arab class structure” (66, emphasis in original).

Aside from Palestinian within Israel, subcontracting Palestinian enterprises was another facet to exploit cheap Palestinian labor working in the domestic economy. This mechanism had a clear *gender* component that is worth expanding on. Samed (1976), in her work titled “Palestinian Women: Entering the Proletariat,” builds on the notion of unequal development and exchange of (Emmanuel 1972) and (Amin 1974). A manifestation of which was the severe immobility of women. The increasing cost of living and limited opportunities in agriculture forced Palestinian women into wage labor.

The wage-labor opportunities, however, were all concentrated in the Israeli market. Israeli producers tapped into female wage-work by hiring Palestinian sub-contractors whom would set up all-women workshops within their communities. The majority of such workshops specialized in textiles and embroidery, followed by food processing. Raw material would be provided by the Israeli employer, and labor provided by Palestinian women who were paid poverty wages.<sup>4</sup>

As a result, between the years 1970–1985 the vast majority of growth in economic activity centered around work in Israel, not the domestic economy. In fact, the total number of workers in the domestic economy *did not change* during those 15 years. In 1970 the domestic economy employed 152,677 workers including 71,100 wage workers; in 1985 it employed 152,881 workers including 67,400 wage workers (calculated by author from the Israeli CBS “Quarterly Statistics of Judea Samaria and the Gaza Area,” multiple years).

There is no dispute that opening up the Israeli economy to Palestinian labor had a positive impact on Palestinian unemployment levels (Fig. 3.1). Furthermore, not only did it generate income in the form of remittances, but it would also play a role in the redistribution of income and wealth. The increase in real wages and in the number of wage earners per household meant “many lower-class families began, for the first time, to enjoy some measure of prosperity and financial security. Meanwhile, the whole of the white-collar class has been relatively less favored by occupation-related developments” (Heller 1980, 195). Indeed, unemployment rose significantly for those with educational degrees, which forced them to migrate for jobs in neighboring Arab countries, particularly the oil-rich Gulf countries.



**Fig. 3.1** Unemployment vs. Work in Israel (*Source* Calculated by author from Israeli CBS “Statistical Abstract of Israel”, multiple years and PCBS 1995–2017)

However, the gradual individual richness in the WBGS (up until the 1980s) was coupled with collective impoverishment, not unlike the Arab economy inside Israel since 1948. As Zureik (1976) notes on the latter: “Although it is clear that Arab incomes and consumption have increased considerably since the formation of the state, it is also clear that the Arab region, as a producing region, has declined relative to the rest of the economy” (Gottheil 1973 as cited in Zureik 1976, 58). The Sadan committee report in 1991, which laid down key Israeli policies in the Gaza Strip, and would later become instrumental in informing Israeli negotiators, would later confirm the intentions of Israeli policies for the WBGS:

No priority was given to *the promotion of the local entrepreneurship and business sector* (...) Moreover, the authorities discouraged such initiatives whenever they threatened to compete in the Israeli market with existing Israeli firms. (Sadan 1991 as cited in Arnon and Weinblatt 2001, 295, emphasis in Hebrew original)

#### *Movement of Goods: The Flip Side of Work in Israel*

As the previous quote from the Sadan report illustrates, a number of military orders and policies were directly responsible for a *declining productive base* in the WBGS. The Civil Administration, the governing body of

Israel in the OPT, spent a minute amount on Palestinian infrastructure. It followed the British strategy of a balanced budget and transferred one-third of Palestinian taxes to Israel (Naqib 2017). As for private investment, some of the first military orders in 1967 (Military Orders, 7, 18, 26 and 30) shut down all the 30 bank branches in the WBGS from 1967 until 1986 when one Palestinian bank won a court order to reopen. Other military orders slammed Palestinian employers with hefty administrative procedures and permit restrictions, to the extent it was virtually impossible to import new machinery. Instead, Palestinian businesses were compelled to buy secondhand machines from Israel (ibid.).

An added benefit (for Israel) of Palestinian labor in Israel was the creation of a substantial purchasing power for the Palestinian population. Purchasing power combined with a weak productive sector was a recipe for an ever-increasing trade deficit. As with any dependency relationship, the periphery economy mutated: “the imposed linkage with the Israeli economy has been most influential on the small, less diversified and relatively isolated Palestinian economy” (UNCTAD 1989, 20). By the 1980s, more than *two thirds* of all Palestinian trade was tied to Israel. Trade between the WBGS and Israel steadily increased from US\$100 million in 1968 to US\$1.44 billion in 1987, as a result the overall trade deficit accumulated from US\$34 million to US\$657 million during the same years. Figure 3.2 illustrates the trade balance up until the first Intifada.

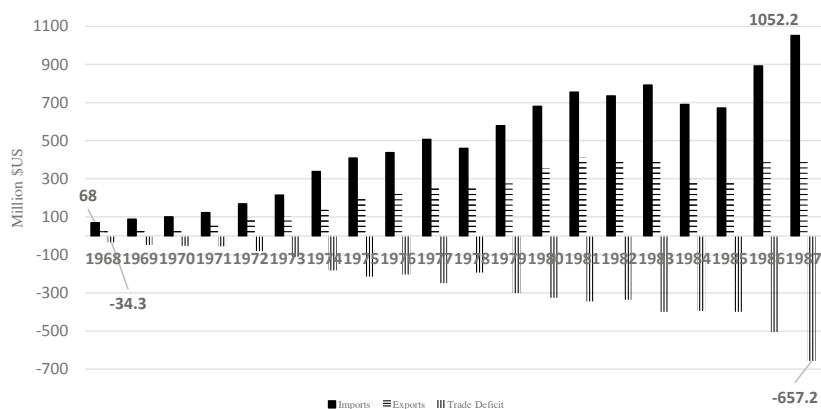


Fig. 3.2 Trade balance in goods (Source [UNCTAD 1993, 6–7])

While the size of trade is certainly indicative of a dependency relation in the making, the type of goods that are traded can be very telling. The majority of Israel's imports from WBGS are light manufactured goods, while most exports are final consumer goods and durables. A study by the UN in 1984 showed that 50% of Palestinian imports from Israel had been previously produced internally. These include non-durables like garments, leather, footwear, soft drinks, furniture, construction, and pharmaceutical goods (Naqib 2017).

It is crucial to understand the overarching Israeli trade policy for the WBGS, particularly the "open bridges" policy that dictated the West bank relationship with Jordan. The open bridges policy was part of the tripartite approach to governing Israel set to adopt. Israel applied policies of *non-presence*, *non-interference*, and *open bridges* which ultimately sought to prevent the "development of an organized political, military, or para-military opposition to Israeli military rule" (Aronson 1978, 80).

The open bridges policy entailed the unconstrained movement of people and goods between the east and west banks of the Jordan River. It became a pillar in Israeli economic policy that would shape the production and exchange patterns in the West Bank and the WBGS in general. Israel realized that the sale of Palestinian agriculture and manufacturing goods was necessary for the survival of any economic activity in the WBG. However, many Palestinian crops were at least 20% cheaper than their Israeli counterparts and the competition could harm Israeli farmers. As such, Israeli devised two parallel plans for the different types of Palestinian goods.

On the one hand, as with Palestinian lightly manufactured products, Israel allowed a small number of Palestinian crops to enter the Israeli markets, particularly those that were necessary for Israeli manufacturing and food processing like sesame, tobacco, and cotton. On the other hand, Israel utilized the open bridges policy to empty the Palestinian market from certain Palestinian goods, to make way for Israeli products (which could not be exported to Arab countries because of the Arab boycott). These were either crops that could compete with Israeli crops, including citrus crops, banana, almonds and grapes, or industrial products like soap and ghee that could not compete with subsidized Israeli commodities, and had to be discharged outside the local market.<sup>5</sup>

The open bridges policy was the beginning of a periphery-center, export-oriented trade approach that would plague the Palestinian

economy until today. For the Israeli economy, open bridges and export-oriented trade had numerous positive impacts (Hilal 1975). First, directing the local market of agriculture and industrial goods toward Jordan protected Israeli farmers from cheaper Palestinian crops and opened the Palestinian market for Israeli goods. This created a dependency on Israeli products that continues until this day. Moreover, Israel desperately needed new markets (for its less advanced goods) after the boycott of Arab countries, and up until the late 1970s, the WBGS was a key trade partner for Israeli exports, second only to the US market. Second, it maintained an acceptable level of economic activity that would provide employment outside the Israeli economy, and pacified relations with the traditional elite including large landowners and big merchants. Third, it provided Israel with the hard currency that was quickly depleting (Patinkin 1960; World Bank 1968; Naqib 2001). And finally, by allowing the natural flow of trade between the two banks of the Jordan River, Israeli policymakers were planning for a future when Israel would utilize those trade routes for exporting its own products.

*Part Two: Class Formation*

*The Demise of the Petty Bourgeoisie*

Using a political economy lens provides a much more nuanced explanation of the shift from self-employment in agriculture to wage labor in Israel. Developments in the petty bourgeoisie class of the WBGS are key in understanding the various waves of labor migration to Israel (Table 3.1).

The petty bourgeoisie class was divided into three groups: the *agriculture* component of this class bore the most severe impact. They faced a

**Table 3.1** Palestinian labor in the Israeli economy

<i>Year</i>	<i>Number of workers in Israel</i>	<i>Growth</i>
1970	20,500	—
1972	52,400	155%
1977	63,000	20.2%
1982	79,000	25.4%
1987	108,000	36.7%
1992	115,400	6.9%

Source (Farsakh 2005, table A4)



situation that combined Marx's "primitive accumulation" (Marx 1976) and David Harvey's "accumulation by dispossession" (Harvey 2004). However, while Harvey emphasizes the neoliberal policies of privatization and financialization, Palestinians faced a more direct dispossession through land confiscation. It is necessary to note that since its inception, the settler colonialism defining the Zionist movement, unlike classical colonial movements, intended to replace, not to exploit, the native population. It aimed at controlling land by displacing the population from their main means of production: land.<sup>6</sup> Land confiscation for Israeli settlements in the WBGS was at its highest levels between the mid-1970s and mid-1980s. Israeli judges advised Ariel Sharon, who was then the Minister of Agriculture (1977–1981) on an obscure Ottoman law that would allow the occupation to control and exploit state land (Azoulay and Ophir 2012). Palestinian work in Israel jumped 35% from 66,000 in 1975 to 89,000 in 1985. During that same period, the number of Palestinians working in agriculture within the domestic economy decreased from 45,000 to 37,000 workers (Farsakh 2005, table A5).

The *industrial* component of the petty bourgeoisie class faced a similar fate. To start, Israel had control over all the borders of the WBGS, therefore it controlled the entry of all machinery, intermediate goods and raw material. Second, Israeli producers were supported by the state and used capital-intensive production, hence they were able to "dump" their goods in the Palestinian market with no constraints and at low prices which Palestinian small producers could not compete with. Finally, smaller scaled industrial producers were unable to compete with the higher wages paid by Israeli capitalists or Palestinian large producers who, under the open bridges policy, were paid hefty incentives to sell their products outside the local market and open the market to Israeli products. As a result, many of the workers, the self-employed and the unpaid family members in these small enterprises were forced to seek wage labor in Israel.

Finally, the *trade* component of this class was also impacted, particularly the smaller merchants, traders, and craftsmen. They, as did other components of the petty bourgeoisie, also had to turn to wage labor after they (i) were cut off from trade deals with Israel by larger trade enterprises, and (ii) could not cope with the new Israeli taxes and the ever-increasing cost of living that accompanied the opening up to the Israel economy. The owners of relatively sizable trade enterprises and those who worked as heads of chambers of commerce within Palestinian cities,

however, made fortunes after the occupation. They will be discussed below as the capitalist bourgeoisie class.

Because of these developments, the petty bourgeoisie gradually joined the proletariat working class in the Israeli economy, as evidenced by the fall in self-employment from 45% in 1969 to 25% in 1987.

#### *The “Capitalist” Bourgeoisie Class*

As for the *large capitalist bourgeoisie*, most had fled Palestine slightly before the war in 1948, or immediately afterward. They moved their capital to neighboring Arab and gulf countries. The remaining capitalists accounted for a small segment of society: the category of “employers” in labor force surveys fluctuated between 2–5% during the 1967–1993 period.

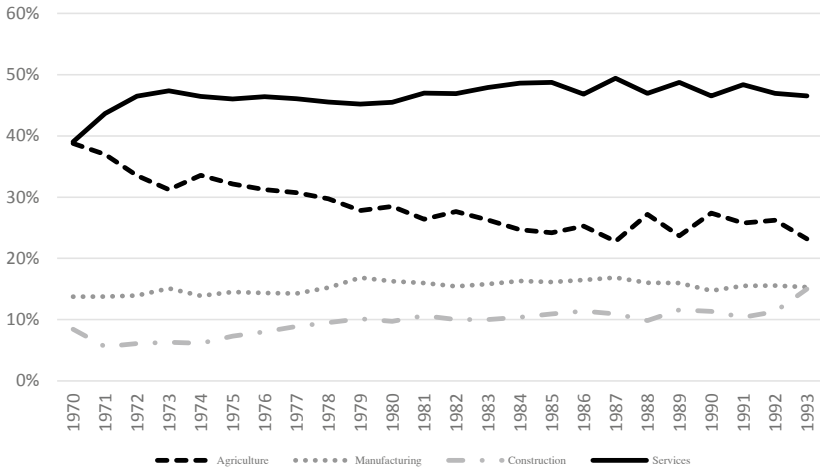
The *landed (agriculture)* capitalists, i.e., the large landowners had aligned their interests with the occupation. They shifted their investment toward capital-intensive farming, partly because of the increasing reservation wage in the WBGs and partly because Israel had encouraged them to export certain agricultural products. Still, in most cases they were not able to compete with the Israeli agriculture sector that benefited from its high capital intensity and state subsidies.

The *industrial* capitalists were very frail after 1967. Since the late 1960s Israel started to transform its industries toward specialization in electronics and a sophisticated arms industry. Palestinian industrialists were left with industries that Israel abandoned such as textiles, footwear, and chemicals: “The West Bank and Gaza Strip face a process of re-allocation of industries to their detriment. While Israel concentrates on industries with a future, the West Bank and Gaza Strip are left with branches of production at a lower technological level and with fewer prospects of growth, a situation which perpetuates the economic gap between them” (Samara 1988, 10–11). In many cases this reduced the industrial bourgeoisie to the position of sub-contractors for Israel industry.

The *merchant* capitalists, however, fared the best under occupation. During the first month of the occupation, the Israel military orders 10, 11, and 12 outlawed the import–export relation of the WBGs. The bigger merchants acquired licenses to market the products of Israeli companies, “Thus the merchants can be seen as the first social class to become linked to the Israeli economy” (Samara 1988, 10). Indeed, this class became the

textbook comprador class with interests aligned with those of the occupation. Because of the increased trade with Israel and the open bridges policy, their activity flourished and they had a tendency to negotiate and appease the relationship with the occupation: “Not surprisingly, this group of traders has shown itself willing to cooperate with the occupation authorities more than has the industrial and agricultural bourgeoisie” (Hilal 1976, 15).

Not surprisingly, following 1967 the weight of the economy was shifting from agriculture toward trade and other services (Fig. 3.3). In the *domestic* economy, the number of workers in agriculture and services in 1970 was approximately 59,000 workers. By 1993, the number of workers in agriculture managed to *decrease* to 54,000 while services employed 108,000 workers. The path dependency of this development looms large until today; the latest figures from the 2017 census show that 81,260 economic enterprises in the WBGS operated in wholesale and retail trade, constituting 52% of the total number of working enterprises (PCBS 2018b).

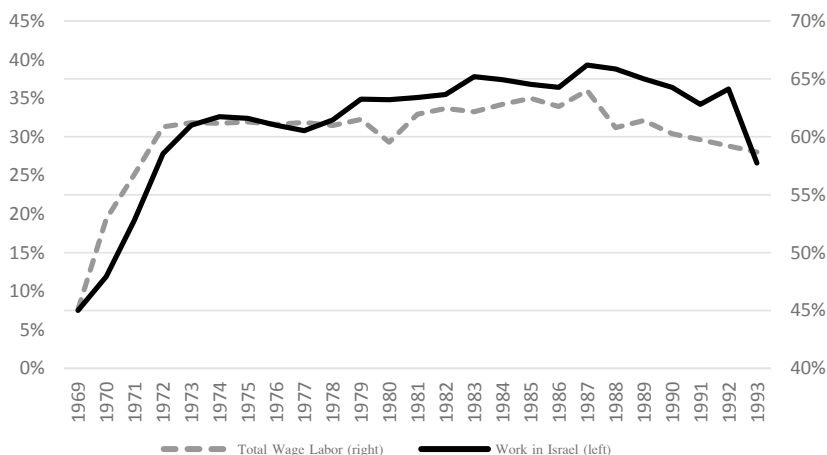


**Fig. 3.3** Employment in domestic economy by economic sector (Source Calculated by author from [Farsakh 2005, table A5])

### *Working Class “Identification”*

Palestinian work in Israel was key in Palestinian class formation. It led to a rapid process of proletarianization by expanding the number and weight of wage workers, most of whom were employed in low-skilled labor in the construction sector. Figure 3.4 shows the visual correlation between work in Israel and wage work in general (different scales).

Wage labor proliferated following the occupation, yet a proletariat working-class *identification*, which normally manifests itself in labor organizing did not fully develop. This can be attributed to a few reasons. First, around two-thirds of the working class were employed outside the domestic economy, which stalled the conflictive relationship with local capital.<sup>7</sup> Second, work in Israel was characterized as both temporary and uncertain. Third, construction employed 50% of Palestinian workers in Israel (the arrival of one million Jews from the former USSR and the subsequent demand for housing projects pushed this figure to 70% in the 1990s). The type of work in construction is decentralized; operating in small groups working various locations, hence it lacked the physical space and work recurrence that would develop a class conscious.



**Fig. 3.4** Wage Labor vs. Work in Israel (*Source* Work in Israel from [Farsakh 2005, table A4]. Wage labor calculated by author from Israeli CBS “Quarterly Statistics of Judea Samaria and the Gaza Area”, multiple years)

Finally, and perhaps more importantly, the manufacturing sector played a very weak role in the domestic economy, contributing to a mere 8% of GDP and 14% of employment on average. Manufacturing is normally a key element in forming a working-class identity due to the type of labor and the relations of production. Furthermore, the majority of manufacturing enterprises were small in size and family-owned. In 1975 only three enterprises employed 100 workers or more (Hilal 1975). According to the latest data, 165 enterprises hired 100 workers or more in 2017, a mere 0.11%. On the other hand, 89% of enterprises employed 1–4 workers (PCBS 2018b).

To summarize, after the first 25 years of the occupation, the Palestinian economy had become completely dependent on the Israeli labor and goods market. Half of the labor force worked in or for the Israeli economy, which had become the undisputed trade partner for the WBGS. In the meanwhile, the prevalent petty bourgeoisie class was unable to cope with increasing costs and occupation policies, and were forced to seek wage labor, intensifying the proletarianization process.

## THE “PEACE” PROCESS AND NEOLIBERALISM (1994–PRESENT)

### *Part One: Dependency*

#### *Formalizing Dependencies*

Despite the persistence of dependency relations, *on the surface* the institutional setting was altered by the signing of the Declaration of Principles (1993) and the creation of the PA. The key economic agreement between the two sides, the “Protocol on Economic Relations” (otherwise known as the Paris Protocol), was signed in April 1994. The protocol covers matters of trade, Palestinian labor in Israel, fiscal issues and monetary arrangements.

In terms of trade, the agreement chiefly formalized the existing semi-custom union between the Palestinian and Israeli economies.<sup>8</sup> This was disastrous for the Palestinians because it “continued to obligate the Palestinian economy to operate under the high Israeli cost structure, despite the huge income and development differences that existed between the two economies” (Samhouri 2017, 139). Labor-wise, the protocol stated that “both sides will attempt to maintain the normality of movement of labor between them,” however, Israel would continue its closure system.

The protocol also established the Palestinian Monetary Authority (PMA), which would act as the central bank, except for one key area, issuing currency.

The fiscal section was perhaps the most significant part of the protocol.<sup>9</sup> On *paper*, it stipulated Israel would be responsible for transferring value added tax (VAT), import duties on imports from third countries, and income tax deductions of Palestinian workers in Israel to the PA on a *monthly* basis. The income generated by this clearance revenue is the main source of fiscal revenue for the PA; in 2016 it reached US\$2.3 billion or 67% of total revenue (World Bank 2018).

*On the ground*, the uneven balance in power distorted the implementation of the protocol articles. Several reports have highlighted the “fiscal leakage” suffered by the PA due to its lack of control over borders (UNCTAD 2014).<sup>10</sup> This loss was accrued through two main mechanisms. First, there was the revenue lost through “indirect imports”: According to the Israel Central Bank cited in (UNCTAD 2014), 58% of Palestinian imports from Israel were indirect imports in 2008. Since Israel importers were not required to declare the destination of their shipments, they would import goods and illegally smuggle them to Palestinian merchants via Area C in the West Bank which is under complete Israeli control, and as a result the PA could not subject those goods to any taxation.<sup>11</sup> The PA is also obliged to pay a high “handling” fee of 3% on direct imports. In 2014, this amounted to US\$63 million, equaling 30% of the Israeli Customs and VAT Department budget, despite the fact Palestinian imports represent a mere 6% of total imports handled by the department (Niksic and Nasser Eddin 2016).

Second, Israel has repeatedly withheld and delayed the transfer of clearance revenue as a political pressure mechanism. Instances of such delays include the start of the second Intifada in 2000, after the results of the Palestinian elections in 2006, following the upgrade of the status of the Palestinian Liberation Organization (PLO) in the UN in 2012, and after the PA decided to join the International Criminal Court (ICC) in 2015, among others. Moreover, Israel does not respect the agreed distribution of the “exit fees” imposed on Palestinians leaving the West Bank via the Allenby Bridge with Jordan. Nor does it transfer the total income tax and health insurance fees it collects from Palestinians working in Israel and Israeli settlements.

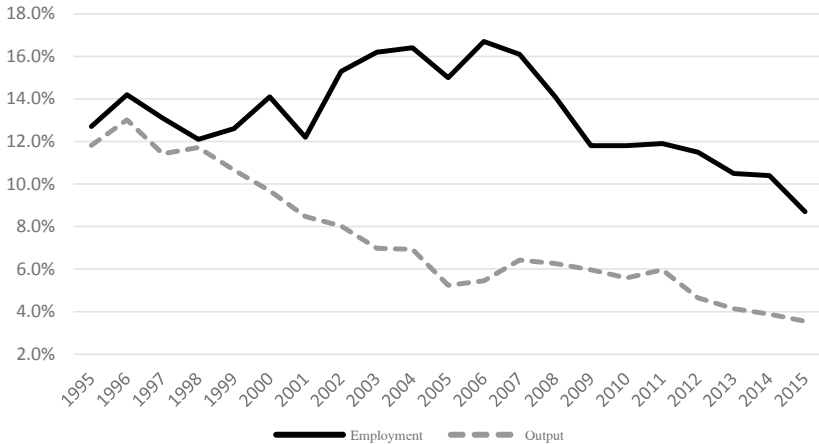
*Palestinian Labor and the Role of Agriculture*

Israel used its permit and closure regimes to control the movement of Palestinian labor, contradicting the letter and spirit of the economic agreement. As such, Palestinian labor in Israel became hostage to Israeli attempts of economic extortion, while still remaining as a literal reserve army adjustable to Israeli business cycle fluctuations. Israel realized it had to decrease its reliance on Palestinian labor as early as the first Intifada in 1987. More than 100,000 Palestinian workers boycotted work in Israel then, which led to a near halt in some sectors such as construction.<sup>12</sup> Aside from the few years that followed the Oslo Accords, the percentage of Palestinians working in Israel would never surpass 15%. To compensate for Palestinian labor, Israel arranged for “highly exploitable” (Hanieh 2002) workers via labor offices in Romania, Thailand, and the Philippines. Foreign non-Palestinian workers in Israel jumped from less than 20,000 in 1993, to 60,000 in 1994 and more than 100,000 in 1996 (Diwan and Shaban 1999).

In the meanwhile, the Palestinian labor market was not able to break through its dependency on Israel. When the PA was established, the new public sector absorbed part of the unemployed who lost their jobs in Israel following the implementation of the permit regime in the early 1990s. The post-Oslo period is a stark example of how fragile the Palestinian economy had grown in terms of job creation and absorbing labor. Figure (3.1) in the previous section demonstrates how Israeli closures would almost automatically lead to an upsurge in the unemployment rate.

The persistent dependency on the Israeli labor market is apparent after the second Intifada in 2000. Tens of thousands of workers who lost their jobs in Israel due to the closure system would return to the domestic economy only to face unemployment. The few who would be able to find a job were those who worked in agriculture. Many of them went back to farm marginal lands they would have not before, or work with family members still active in agriculture. This explains the slight increase in the percentage of the labor force working in agriculture after the second Intifada in Fig. 3.5.

The graph below is also indicative of the weak productivity in the sector after the second Intifada; in 1998 agriculture was employing 12% of the labor force and contributing 12% of output (GDP). After the second Intifada and the return of the workers mentioned above, its contribution would increase to 17% of the labor force in 2006, but only make up 5% of total GDP. Part of the falling productivity can be attributed to

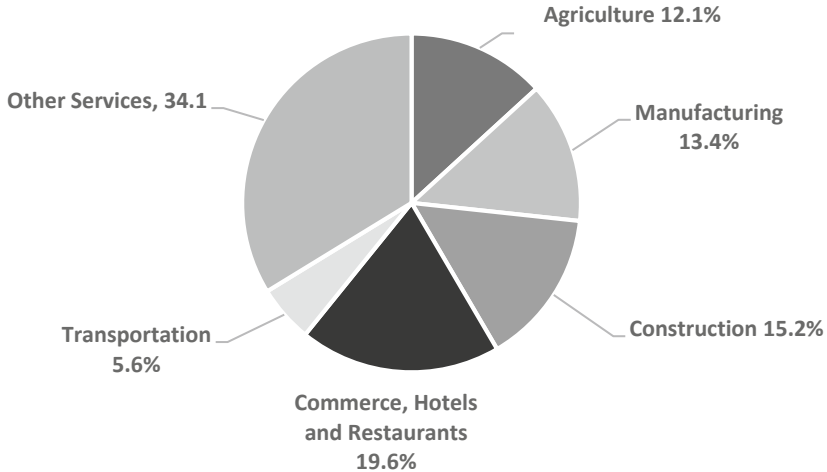


**Fig. 3.5** Contribution of agriculture to employment and output (*Source* PCBS Labor Force Survey and National Account reports, multiple years)

the temporary nature of work in agriculture following 2000. Those who lost their jobs in Israel and returned to farming did not invest in capital-intensive projects. As we will explore below, during the 20-year period following 1994, less than 1% of total credit facilities were directed toward agriculture.

Agriculture is considered more than an ordinary economic sector, rather it is widely perceived by Palestinians to be the backbone of Palestinian society and one of the last strongholds of resistance (Shikaki and Tartir 2012; Dana 2014, 2020b; Seidel 2019; Tartir 2018).<sup>13</sup> As such, another part of the falling productivity is a twofold political decision. On the one hand, access and mobility restrictions imposed by the Israeli occupation means the sector operates barely at 25% of its potential (Tartir 2018). On the other hand, there is an implicit political decision by the PA and the international community to ignore agriculture. The PA dedicates a meager 1% of its budget for the agriculture sector. In comparison, it spends US\$1 billion on security, more than a quarter of the budget, and more than what it spends on education, health, and agriculture together. Most of the spending goes to the 83,000 individuals in the various security forces factions, leading the WBGS to have one of the largest ratio of security personnel to population in the world, at 1 to 48 (Tartir 2017).<sup>14</sup>





**Fig. 3.6** Total employment according to economic sector (Average for 1995–2019) (*Source* PCBS Labor Force Survey, multiple years)

Likewise, 30% of international aid is spent on the security sector.<sup>15</sup> For the first 20 years after the peace process, approximately 1% of international aid was directed toward developing the agriculture sector, instead, international aid focused on “occupation-circumventing” activities (Shikaki and Springer 2015). This is despite the fact that the World Bank emphasizes on its Web site that agriculture can reduce poverty for 80% of the global poor population, and itself committed to spending around US\$7 billion toward the sector in 2018. As productive sectors continued to be marginalized, services including public administration, commerce, transportation, and other services contributed to around two-thirds (60%) of employment on average during 1995–2015. The remaining jobs were divided between agriculture, manufacturing, and construction equally (Fig. 3.6).

#### *Production and Trade*

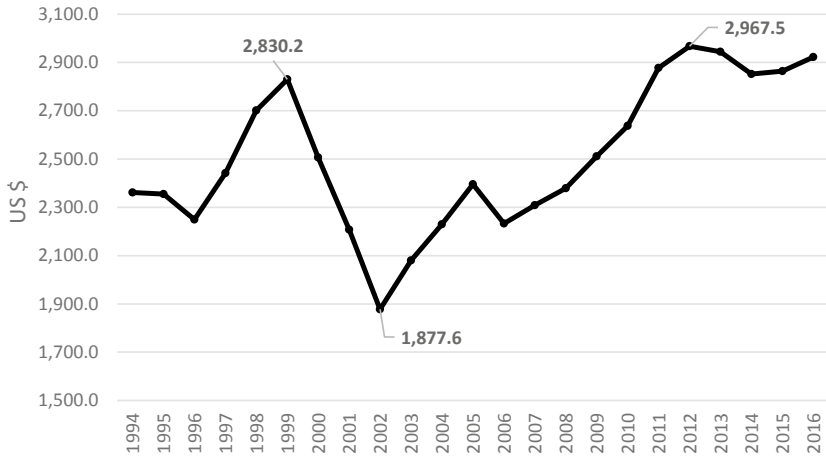
The impact of the second Intifada, and of the occupation in general on the infrastructure and prospects of the Palestinian economy were disastrous. UNCTAD reported on the “staggering” economic toll of the Israeli occupation: “Occupation imposes a heavy cost on the economy

of the Occupied Palestinian Territory, which might otherwise reach twice its current size” (UNCTAD 2016). Echoing the same sentiment, a World Bank report to the Ad Hoc Liaison Committee suggested Israeli restrictions “have been the main constraint to Palestinian economic competitiveness and have pushed private investment levels to amongst the lowest in the world” (World Bank 2016).

In particular, the Israeli closure system and restrictions on movement have been detrimental to the Palestinian economy. In the West Bank alone, there were more than 700 obstacles to movement in 2018 according to a recent UN report (UNOCHA 2018). These range from large-scale checkpoints, to road ditches, road gates as well as the system attached to the illegal Separation Wall. Moreover, Israel imposes an inefficient “back-to-back” system in order to move Palestinian goods across trade borders, increasing transportation costs significantly.<sup>16</sup> In the Gaza Strip, a siege that has been in place since 2007 led the capacity utilization of Gaza’s economic units to contract to an all-time low of 20%. As recent as 2016, electricity outages reached 20 hours per day, and 80% of the population was aid-dependent (Shikaki 2017). As a result, unemployment rates skyrocketed; in 2017 unemployment in the Gaza Strip was 44%, compared to 29% for the WBGS as a total. Unemployment was almost double for females (69%) than males (37%). And youth (15–24) unemployment reached 65%, with 88% of females in that age bracket unemployed (PCBS 2018a).

As a result of the dire economic conditions on Palestinian production after the second Intifada, GDP per capita lost one-third of its value between 1999 and 2002 alone. Figure 3.7 demonstrates the volatile growth in GDP. It is in line with the statistical analysis conducted by (Dessus 2004) on the instability of Palestinian growth during the 1968–2000 era. According to the author, the coefficient of variation, i.e., the ratio of standard deviation over the average for growth reached a 1.4 value, one of the highest in the world, and is comparable to “the most volatile episodes in Latin American.”

Given the restrictions on movement in the West Bank and the siege on the Gaza Strip, it is no surprise that the contribution of the productive sector (agriculture and manufacturing) to output and GDP would continue to dwindle. By 2015, both sectors made up 17% of GDP combined. On the other hand, services including public administration and wholesale and retail trade dominated the economy (77%).



**Fig. 3.7** GDP per Capita (Constant 2015 Prices) (*Source* PMA website, time-series table on “Major National Accounts Variables at Constant Prices”)

Similar to the situation since 1967, the increase in aggregate demand fueled by income was not matched by a comparable increase in domestic aggregate supply. The Palestinian economy would remain dependent on the Israeli goods market for both imports (70–75%) and even more so for exports (80–85%). Overall imports climbed sharply after the neoliberal policies in the mid-2000s allowed easier access to credit, as will be discussed below. An increasing portion of that credit was spent on consumption goods, mostly from abroad, to the effect that imports jumped by US\$3 billion (105%) from 2006 to 2014.

While the WBGS had been Israel’s second largest trade partner in the 1970s, the latter diversified its trade relations. The United States and Europe accounted for 60% of Israel’s exports, leaving the WBGS with a diminished, yet still significant 6% of Israeli exports, or US\$3.5 billion in 2016.

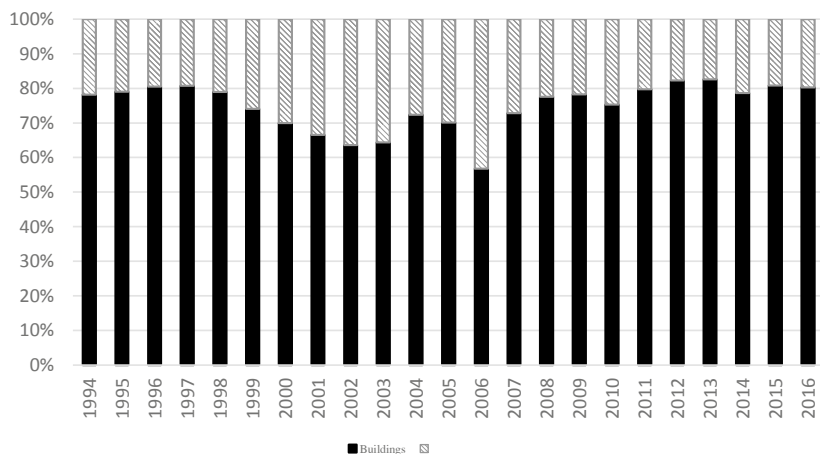
### *New Dependencies*

Both international aid and private credit represent the tools of a new *form of dependency*, and have been used to entrench the dependency of periphery countries on the global financial system (Vernengo 2006). Below is a summary of developments in these two new dependencies.<sup>17</sup>

After the establishment of the PA, Israel de facto transferred the responsibility over the 2.5 million Palestinians residing in the WBGS in 1994. However, Israel did *not* concurrently transfer the control over natural resources, borders, or monetary policy tools to the PA, creating a massive fiscal burden. The PA relied on the new income from VAT and import tax to pay part of its wage bill but had to rely on international aid for much of its development and infrastructure expenditures.

An examination of international aid confirms that devouring economics from politics is futile: Economic development is impossible under a military occupation, despite the facade of self-rule. Aid has not been able to replace investment and capital formation, nor has it been able to stimulate the “animal spirits” of employers and investors. The form of investment in the WBGS has remained constant for 50 years: The overwhelming majority of gross fixed capital formation is in the non-tradable sector and three quarters of investment went to buildings (Fig. 3.8).

As for private debt, after 2008, many of the strict requirements on private credit were removed, and a new law required banks operating in the WBGS to extend 40% of their credit locally. Banks started promoting credit on a large scale and total credit facilities skyrocketed from US\$1.3



**Fig. 3.8** Gross fixed capital formation (*Source* PMA website, time-series table on “Major National Accounts Variables at Constant Prices”)

billion in 2008 to US\$7.1 billion in 2018, a 450% increase. More importantly, very little of credit is directed toward productive sectors. In 2018 only 1% and 6% of credit was allocated for agriculture and manufacturing, respectively. On the other hand, cars, credit cards, and consumption goods are the most popular categories (33%). Given the weak productive sector, the majority of credit was spent on imports, with the only sector gaining from this being an “unproductive” sector; trade, i.e., the middlemen. It is no surprise that the 2017 establishment census found that 52% of all economic enterprises operating in the WBGS work in trade and trade-related activities (PCBS 2018b).

### *Part Two: Class Formation*

The post-1994 era did not exhibit any structural break in terms of economic activity or the dependency relationship. However, developments in the institutional framework would reflect on the dynamism of class formation. This era would witness the rise of a new “professional” middle class fueled by the creation of the PA public sector; the establishment of local and international NGOs, and the availability of professional private-sector employment opportunities made possible through the arrival of a segment of Palestinian capital from the Gulf countries.

#### *The Emergence of the “New Middle Class”*

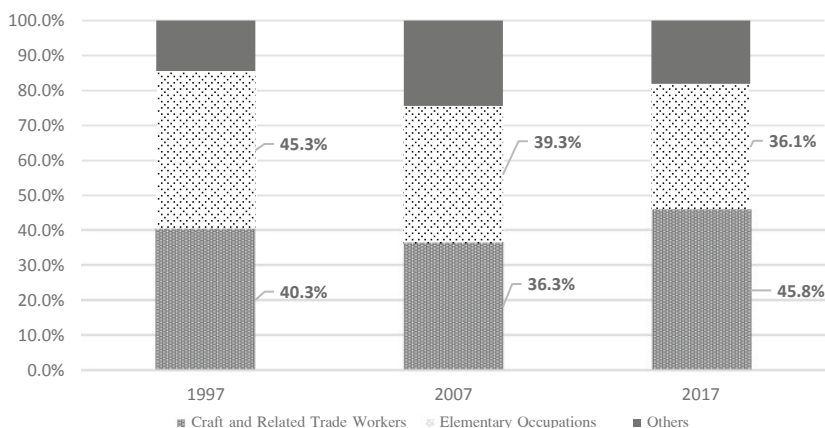
In the aftermath of the peace process and the establishment of the PA, social classes in the OPT have been delineated in three parts: a capitalist bourgeoisie class; a working-class proletariat; and a *new* middle class. Hilal (2006) differentiates between the old middle class: the traditional petty bourgeoisie, and the new or *professional* middle class.

The old middle class had more similarities with the proletariat in terms of income, working conditions, job security, and lifestyle. The new professional class demonstrated contrasting features: On the one hand, they do not own any means of production, which differentiates them from the capitalist bourgeoisie. On the other hand, the hierarchical structure in modern enterprises which contrasts between manual and office work; their higher educational attainment; the bargaining power of this class have all qualified it to a higher social status than the proletariat working class. Thus, the professional middle class “look down” at the working

class and tend to identify with—and aspire to be—the bourgeoisie who hire them.

As the reader is aware by now, following 1967 there was only demand for unskilled or low-skilled work revolving around the Israeli economy. It is no surprise then that the “type” of occupation for Palestinians working in Israel was classified either as “elementary occupations” or “craft and related trade workers” (Fig. 3.9). As a result of the low demand for white-collar professions, the new middle class would have to migrate for work, mostly in Gulf countries in the 1970s and 1980s.

After the “peace process,” however, the dynamic changed completely. First, with the establishment of the PA a new public sector was created.<sup>18</sup> Moreover, new types of jobs were created after 1994 that would fit the professional persona. These included employment in the increasing number of local and international NGOs, and the more professional private-sector positions that arose from the return of a segment of Palestinian capital from the Gulf. The weight of this class can be gauged by the evolution of the different types of occupation in the Palestinian economy. According to the Palestinian census data, occupations are divided into the seven categories detailed in Table (3.2). Following the method by (Hilal 2006) we identify the new professional middle class as the sum of the



**Fig. 3.9** Workers in Israel by type of occupation (*Source* PCBS census results “Population Final Results: Detailed Report” for multiple years)

**Table 3.2** Distribution of labor force according to type of occupation

Year	Legislators, Senior Officials & Managers (%)	Professionals, Technicians, Associates & Clerks (%)	Total “New” Middle Class (%)	Craft & Related Trade Workers (%)	Service, Shop & Market Workers (%)	Elementary Occupations (%)	Plant & Machine Operators & Assemblers (%)	Skilled Agriculture & Fishery Workers (%)
1997	2.6	18	20.6	22.8	17.6	25.3	7.6	5.9
2007	2.9	27.8	30.7	18.8	22.9	16.3	7.3	3.5
2017	6.5	30.4	36.9	19.4	16.9	18.3	6	1.6

Source: PCBS census results “Population Final Results: Detailed Report” for multiple years

first two categories, i.e., “legislators, senior officials and managers” and “professionals, technicians, associates and clerks.”

During the last 20 years, the weight of the new middle class amplified from 20.6% in 1997 to 36.9% in 2017. In comparison, before the developments in the 1990s, the professional class was significantly smaller. In Israeli surveys, the categories corresponding to the professional class added up to only 10.8% of the labor force in 1989.<sup>19</sup>

### *The Capitalist Bourgeoisie Class*

Similar to the working-class unique formation outside the domestic market, the Palestinian capitalist class would also share this unusual geographical particularity. Adam Hanieh’s seminal work on Palestinian capital in the Gulf argues that one cannot fully understand Palestinian class formation without studying the broader trends of capital internationalization in the Middle East. What he was referring to was the fact that Palestinian capital abroad should be observed “as a distinct *sub-sector* of the Gulf capital class” (Hanieh 2011, 83, emphasis added).

The Middle East became the top global provider of oil in the early 1970s. As a result of the urbanization and industrialization that accompanied this development, large conglomerates and a capitalist class arose in the Gulf countries. The line of work centered around contracts for service provision for the large US/Europe energy companies, and contracts for public infrastructure and utilities, as well as oil and gas sector projects. As such, hundreds of thousands of unskilled and skilled workers (engineers, accountants, teachers ...etc.) searching for employment would migrate

from the WBSG and other Arab countries. For example, by the mid-1970s, Palestinians were the largest non-native foreign population living in Kuwait, constituting 40% of all non-Kuwaitis (Hanieh 2011).

After the peace process in 1994, a number of Palestinian capitals would return and dominate the Palestinian economy, despite that the main source of their capital accumulation would still be “firmly” located in the Gulf, as we will see below. Hanieh divides the capitalist class structure in the WBSG after 1994 into three *interconnected* tiers. The first tier is made up of large conglomerates based in the gulf. The second constitutes the major holding companies in the WBSG who invest in major banks, industrial, manufacturing and services companies to the extent that “it is almost impossible to find a large- or medium-sized company in which they do not own a significant stake” (Hanieh 2011, 95). And the third are those companies that the first and second tier invested in.<sup>20</sup>

The evolution of the capitalist class cannot be separated from the broader political economy dynamics of crony capitalism. Both Haddad (2016) and Dana (2020a) emphasize the role of the Oslo process in nurturing the PA cronyism through the logic of distributing the peace “dividends,” and the role of the international community in choosing the winners.<sup>21</sup> Dana (2020a) observes the phenomenon of crony capitalism in the Palestinian context as an instance where “political and profit-making activities are systemically manipulated by a narrow set of political– business actors (...) implicating the PLO/ Fatah upper echelon, returnee capitalists, the PA technocrats and security leaders, whose interest lies in dominating the political and economic centres of power” (Dana 2020a, 248).

Echoing the sentiments in Hilal (1976) regarding the nature of the merchant bourgeoisie, Hanieh points out that the Palestinian capitalistic class and their holding companies are rarely involved in commodity production, but rather in services, including trade; professional services; real estate and finance (which is similar to their investment in the Gulf countries). Hanieh argues that “the economic power of the Palestinian capitalist class does not stem from local industry or production, but is comprador in nature. Its profits are drawn from the exclusive import rights on Israeli goods, and control over large monopolies that were granted to those loyal to Arafat” (Hanieh 2002, 35–26).

This is congruent with Samara who notes that US officials stated in the mid-1990s “there are at least thirteen known monopolies under the control of no more than five individuals who are members of the PA’s



inner circle” (Samara 2000, 24). Both private and public monopolies facilitate the overarching phenomenon of crony capitalism in the WBGS, Dana warns of the political and security ramifications of these monopolies, not the least due to the “complex collusion between PA and Israeli political and security officials and businesspeople” (Dana 2020a, 255).

In summary, most structural distortions persisted in the (1994–2020) period, and would become worse with the eruption of the second Intifada in 2000. Moreover, the dependency relationship continued in one direction, as Israel minimized its reliance on the Palestinian labor and goods markets. New types of dependencies on international aid and private credit emerged, in parallel with a neoliberal turn in PA policies. Furthermore, this era would see the rise of a new “professional” middle class fueled by the creation of the PA public sector, the establishment of local and international NGOs, and the availability of professional private-sector employment opportunities made possible through the arrival of a segment of Palestinian capital from the Gulf countries.

## CONCLUSION

This chapter studied the evolution of the WBGS economy for the last 50 years. Rather than follow a limited neoclassical approach that merely explores mechanisms of markets, it applied two interconnected political economy lenses: one of economic dependency, and another of class transformation.

The policies of international financial institutions and the influx of international aid failed to address the sustainable development of the WBGS economy, let alone the political aspirations of the Palestinian people. Part of the failure was due to the insistence of delinking economics and development from politics and class. This chapter and the analysis in the rest of this book are an attempt to rectify this sin and to contribute to the growing literature highlighting the necessity of a political economy understanding of Palestinian development, and the Palestinian-Israeli conflict more generally. Not long ago, the people of South Africa learnt the dangers of delinking politics and economics. The result was political apartheid transforming to economic apartheid as 90% of wealth and capital remained concentrated in the hands of 10% of the population, white South Africans.

The “peace” process and the two-state solution are all but dead today, and Israeli annexation plans are now becoming front and center of Israeli

politics, especially with the unapologetic, relentless backing up of the US administration. Out of this bleak reality, there is a silver lining that more and more scholars, politicians, and decision makers are pondering alternative solutions, including (but not limited to) various forms of what constitutes a one-state solution. The contribution of this chapter (and others in the book) provide a political economy framework that will hopefully inform current and future decision makers.

## NOTES

1. It is worth mentioning that for convenience and comparison purposes, this section does not discuss the economy of the Arab Palestinian population which remained in what later became the state of Israel. For a detailed account, see (Jiryis 1976; Khalidi 1984; Shehadeh and Khalidi 2014) and the chapter by Hebatalla Taha in this book.
2. Resources obviously also pertain to natural resources. For more on natural resources see the international legal analysis of the organization Al-Haq on land, water, Dead Sea minerals and others at <http://www.alhaq.org/publications/natural-resources> and the work of the Applied Research Institute of Jerusalem (ARIJ).
3. In the first years of the 1970s, Palestinians were paid approximately 40% of Israeli wages. Such lower wages were possible partly because half of the WBGS population was made up of refugees who lost their means of production (land) in 1948 or before.
4. Interestingly, as a by-product Palestinian women would take part in reducing the gender wage gap in Israel, predominantly in the services sector. Due to political and security reasons, Jewish women shifted from non-strategic branches of the economy such as textile and food processing, which paid them a mere 55% men's wages, into tourism and arms manufacturing, where they earned 90% of men's wages (Samed 1976).
5. To facilitate this plan, the Civil Administration distributed cash incentives and bonuses to Palestinian farmers, industrialists, and traders who would agree to export those particular products *and* deposit the Jordanian dinar payments in Israeli banks. As early as a few years after the occupation, in 1970–1971, industrial incentives equaled 3.2 million Israeli pounds, 70% of which were to ghee and soap industrialists and traders (Ryan 1974).
6. For a discussion on settler colonialism, also see Seidel's and Charrett's chapters in this volume.
7. As Hilal (1975) notes, many of those working in Israel had weak proletariat "roots." They either used to work seasonally in agriculture, were refugees from the 1948 war, or were small land-owners and craftsmen (i.e., petty bourgeoisie).

8. There were exceptions made in three different lists targeting goods from Jordan and Egypt (list A1), Arab and Islamic countries (list A2), and goods deemed necessary for the “Palestinian development program” (list B).
9. See the chapter by Iqtait in this volume.
10. In 2016 the total loss was US\$285 million. This figure does not include loss from taxes collected by Israel in Area C, or the US\$669 million of revenues owed to the PA and Palestinians working in Israel only between 2006 and 2013 (Niksic and Nasser Eddin 2016).
11. See Habbas’ chapter in this volume.
12. There was also a parallel widespread boycott of Israeli products in the first Intifada years (1987–1991).
13. See Seidel’s chapter in this volume.
14. Despite the fact that between 60–80% of Palestinians oppose the PA “security coordination” with Israel, the main role of these factions has been to arrest Palestinian suspects wanted by Israel, suppress Palestinian protests against Israeli soldiers, share intelligence with Israeli military, and create a “revolving door between Israeli and PA jails through which Palestinian activists cycle for the same offenses” (Tartir 2017).
15. See Mustafa’s chapter in this volume.
16. Goods are not allowed to pass in the same truck. Rather, the shipment on each truck has to be checked through a long process and moved to another truck that completes the journey.
17. For a more thorough review of both see Wildeman and Tartir’s chapter and Iqtait’s chapter in this volume.
18. The higher-ranked, higher-paid positions in the public sector were occupied by part of the 100,000 Palestinian “returnees” who worked with the PLO in the diaspora. The lower ranked security and civilian positions consisted partly of workers who lost their jobs in Israel due to the Israeli permit system and closures in the early 1990s.
19. Calculated by author from Israel CBS Quarterly Statistics of Judea Samaria and the Gaza Area, volume XXI, March 1993). There are three corresponding categories named slightly different: “scientific and academic workers”; “other professional, technical and related workers”; “administrators and managers, clerical and related workers.”
20. For details see (Hanieh 2011, 97–98; Dana 2020a, 253–254)
21. International aid and the NGOization phenomena has also led to a rise of a new elite: a Palestinian globalized elite composed of NGO leaders and local leaders of international NGOs. For details, see Chapter 5 in Hanfai and Tabar (2005).

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# Settler Colonialism and Land-Based Struggle in Palestine: Toward a Decolonial Political Economy

*Timothy Seidel*

## INTRODUCTION

This chapter explores the structures and processes of settler colonialism in occupied Palestine, how it constrains the livelihoods of Palestinians, and how Palestinians respond to those social, political, and economic realities. Much work has been done in recent years to understand these dynamics and the difference a frame or approach that gives attention to settler colonialism and indigeneity makes for understanding Palestinian life and land. This chapter provides an overview of that discussion and explores land-based configurations of power, struggle, and resistance—resistance that envisions alternative understandings of land and the everyday acts that express those visions. In doing so, it begins to explore the contours of a decolonial approach to political economy that foregrounds land and the experience of indigeneity in the context of

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racialized settler colonialism—an approach that also uncovers global, transnational, anti-colonial inflections of that struggle. Exploring settler colonialism and political economies of resistance in Palestine underscores a decolonial approach that not only gives attention to enduring indigeneity, erasure, and interpretation, but also to the role of land in social and political economy in the struggle for autonomy, sovereignty, and self-determination.

I begin this chapter discussing the settler colonial context in Palestine and its political economic impacts. Next I engage a discussion on the meanings of decoloniality in order to better understand that context and Palestinian political economy. Finally, discussing the post-Oslo situation in which US President Trump’s “deal of the century” has emerged, I explore land-based struggles as political economies of resistance particularly in parts of the occupied West Bank under increasing threat of Israeli annexation. For example, we see this with Palestinian farmers in the Jordan Valley in their struggle for land reclamation and food sovereignty—both as livelihoods as well as an organizing strategy that articulates transnational, global, anti-colonial connections and solidarities.

## POLITICAL ECONOMY, SETTLER COLONIALISM, AND INDIGENEITY IN PALESTINE

### *Settler Colonialism and Indigeneity*

Settler colonialism, as a particular kind of colonialism, is often characterized by its “logic of elimination,” that it is a “structure not an event” (Wolfe 2006, 387–388). In colonial contexts where indigenous communities are ruled from a metropolitan or imperial center, settler colonizers “come to stay” on the land and “destroy to replace” (ibid.). It is an effort “to erase indigenous peoples for the purpose of replacing them with another socio-political body” (Veracini 2013, 27). Attention to settler colonialism in Palestine, within an indigenous framing, aids in the de-fragmentation of Palestinian life, land, and political economy that Oslo perpetuated, but whose history can be traced back for over century (Khalidi 2020).<sup>1</sup>

This framing throws into sharp relief the manner in which Palestinian political economy turns on the colonial question, underscoring the need for scholarship and liberatory movements that demonstrate an epistemic and political commitment to decolonization. This holds the potential for

forging active, mutual, and principled alliances of solidarity with indigenous struggles around the world. It is an anti-colonial, internationalist approach that asserts “the Palestinian struggle against Zionist settler colonialism can only be won when it is embedded within, and empowered by, broader struggles—all anti-imperial, all anti-racist, and all struggling to make another world possible” (Salamanca et al. 2012, 5). And emphasizes the need to “center indigenous, anti-colonial frameworks that reconnect intellectual analyses of settler colonial relations, with political engagements in the praxis of liberation and decolonization” (Hawari et al. 2019, 4).

The political economy of settler colonial states is also characterized by its reliance on a settler and immigrant labor force “while using the resources and land expropriated from the indigenous population” (Amoruso et al. 2019, 456). This again reiterates the settler colonial logic of eliminating in order to replace: “replacing means eliminating, the indigenous, but, as an ongoing structure, settler colonialism requires the settlers’ continuous striving to indigenize” (ibid., 457). A settler colonial perspective thus “unmasks Oslo’s liberal peace paradigm and its two-state solution as false promises, which fail to acknowledge and address the root causes of settler colonization in Palestine” (ibid., 461). This approach opens space for rethinking liberation and decolonization beyond the two-state solution with other-than-national anticolonial frames that take local modes of indigenous struggles for decolonization as a point of departure.

A key point in this literature is the imperative to locate a settler colonial analytic within an indigenous framework. This is critical to centering Palestinian political subjectivity—a point that will be made later in a discussion on land-based struggles and a political economy of resistance. In other words, settler colonialism must be read from within a Palestinian narrative in order to foreground Palestinian indigeneity. This offers “a way to read Palestinians as the makers of Palestinian history as opposed to Palestinians as a part of a Zionist narrative” (Barakat 2017, 350). It also sees *indigenous* as a political category, within a political project, in which Palestinians narratives of resistance to imperial and settler colonial powers include elements such as indigenous sovereignty and Palestinian resistance and endurance (ibid., 361).

While there has been a growing engagement with settler colonial studies among some scholars, it is important to recognize that Palestinian writers have been describing (and experiencing) Israel’s settler colonial logics and structures of displacement and dispossession for over a

century (Barakat 2017; Amoruso et al. 2019). As a settler colonial lens is utilized to understand political economy in occupied Palestine, it is important to locate this lens within a Palestinian indigenous framework that subjects this analytic to a politics of decolonization and liberation and that acknowledges and even centers Palestinian scholarship and experience.

As just one example of this, in *The Question of Palestine*, Edward Said discusses at length the settler colonial logic and imaginary that precedes an actual encounter with a place or people through the production of an imagined place (e.g., “the Holy Land”). Said describes the question of Palestine as a contest between an affirmation and a denial, and the struggle between Palestinians and Zionism as “a struggle between a presence and an interpretation, the former constantly appearing to be overpowered and eradicated by the latter” (1992 [1979], 8).

What was this presence? No matter how backward, uncivilized, and silent they were, the Palestinian Arabs *were* on the land...For the most part, it is true, these Arabs were usually described as uninteresting and undeveloped, but at least they were there. Yet almost always, because the land was Palestine and therefore controlled, in the Western mind, not by its present realities and inhabitants but by its glorious, portentous past and the seemingly limitless potential of its (possibly) just as glorious future, Palestine was seen as a place to be possessed *anew* and reconstructed. (ibid., 9)

Said goes on to describe a significant element of the settler colonial imaginary in describing Orientalist representations that “cancel and transcend an actual reality—a group of resident Arabs—by means of a future wish—that the land be empty for development by a more deserving power” (ibid., 9). Said traces this logic to the articulation of Zionist slogans like “a land without a people for a people without a land.” Indeed, politically and economically, erasure is necessary to invalidate indigenous land claims. This is an important function of statements like “there is no such thing as a Palestinian” as well as “land without a people...” The erasure of a whole people necessarily includes their claims to, and existence on, land.<sup>2</sup>

Alongside the settler colonial frame, scholars and activists are increasingly using the language of indigeneity. Adoption of that language is “meant to situate Palestinian dispossession in a specific framework of settler colonial history rather than as an exceptional set of events brought forth by ahistorical circumstances. The language identifies a perceived

sociohistorical familiarity with other dispossessed communities” (Salaita 2016, 2).

The language of indigeneity reinforces a global scope. US-based scholars, such as Neferti X.M. Tadiar and J. Kēhaulani Kauanui, situate Palestinian dispossession within a framework of worldwide neoliberal practices rather than merely a consequence of communal strife or historical misfortune. “The question of Palestine,” states Tadiar, “is thus an urgent question of a just and equitable future that is both specific to this context and to this people, and a general and paradigmatic global concern” (quoted in Salaita 2016, 5). Here we see more of what it means to use a settler colonial lens within a framework of Palestinian indigeneity, clarifying “the need to approach Palestine as a crucial site of global struggle, in the process inherently acknowledging the importance—indeed, centrality—of American decolonization to that struggle” (ibid., 6).

In foregrounding a global view, a settler colonial lens within a framework of Palestinian indigeneity “lends itself to emphasis on sovereignty and self-determination as analytic (and political) categories” (Salaita 2016, 155). In contrast to an apartheid frame that envisions a political goal of “full belonging within the nation-state,” Mark Rifkin argues that settler colonialism acknowledges distinct modes of sovereignty and self-definition and “names the imposition of the state over top of existing peoples, whose prior presence makes them Indigenous” (Rifkin quoted in Salaita 2016, 155). This produces a set of demands “in keeping with the imperatives of Indigenous peoples throughout the globe: autonomy, sovereignty, self-determination, stewardship” (2016, 155)—imperatives that resonate with land-based struggle and a political economy of resistance in Palestine.

### *Political Economy, Racial Capitalism, and Accumulation by Exploitation and Dispossession*

Politically and economically, settler colonialism in occupied Palestine is inflected through the logic and structures of neoliberalism and racial capitalism particularly expressed over the last quarter century in the Oslo framework and the international aid regime (Khalidi and Samour 2011; Haddad 2016; Clarno 2017; Tartir and Seidel 2019).

Whereas settler colonialism draws attention to questions of land, race, and the state, racial capitalism investigates the “shifting articulations

between race and class” (Clarno 2017, 5). Racial capitalism recognizes that

racialization and capital accumulation are mutually constitutive processes that combine in dynamic, context-specific formations. The study of racial capitalism thus draws attention to the colonial conquests, imperial rule, and coercive labor regimes that have always been integral to the accumulation of capital and the formation of racialized social structures. (ibid., 9)<sup>3</sup>

The notion that capital has always been racial capital is central to understanding the world political economic system (Robinson 2000 [1983]). Racialization as a “process of regulating, organizing, and subjecting populations through capital and labor—is integral to and endemic in the capitalist world-system. It justifies superexploitation, extreme surplus value extraction, and resource expropriation for the purpose of accumulation and profit” (Burden-Stelly 2018). Building off Walter Rodney (2018 [1972]), Burden-Stelly points out that “it is only through the creation and maintenance of racialized labor hierarchies in which whiteness and Blackness become metonyms for progress and stagnation, expropriator and expropriated, and exploiter and exploited, that perpetual accumulation is possible” (2018).

In occupied Palestine, a discussion on Israel’s settler colonialism must also be contextualized within particular class and racial differences inside Israel. Bhandar and Ziadah (2016) point out that racial hierarchies within Israel’s settler society (e.g., the historical marginalization of Mizrahi Jews) and the racialization of immigrant communities complicate a settler colonial framework. Significant to a critical political economy perspective are class differences in Palestinian society that have been exacerbated by Oslo including the Palestinian Authority’s (PA) embrace of a neoliberal agenda. Reading settler colonialism alongside racial capitalism, neoliberalism, and patriarchy is critical to analyzing differences both within settler and colonized societies (Bhandar and Ziadah 2016).<sup>4</sup>

This is why attention to race, capitalism, and coloniality, highlighting processes of accumulation by exploitation and dispossession (Harvey 2003, Kadri 2014), provide a more robust framework to understand the political economy of occupied Palestine. As has been discussed, this includes a critical assessment of the impact of the Oslo Accords over the last quarter century. For this, we should consider the ongoing effects of Oslo seen in its varying instruments of settler colonial control such as, for

example, the Protocol on Economic Relations or “Paris Protocol” (Arafah 2018a; Khalidi 2019).<sup>5</sup>

Signed in 1994, the Paris Protocol still defines economic relations between Israel and the Palestinian Authority. Like the larger Oslo framework of which it is a part, the Paris Protocol was meant to be an interim agreement. Over twenty-five years on, the Palestinian economy is still subject to Israeli control, including exports, imports, and international aid money. And despite its expiration over twenty years ago, it continues to constitute “the basis of economic relations and is the framework for the Palestinian Authority’s (PA) economic, monetary, and fiscal conduct” (Arafah 2018a). Here again, we see that in settler colonial contexts indigenous peoples are still subject to colonial rule.

In violation of the protocol, Israel dictates that goods can only move freely from Israel to the OPT, not vice versa. Israel also restricts the movement of goods within the OPT. Moreover, closure policies and non-tariff barriers restrict foreign trade. The OPT is therefore a captive market for exports from Israel. (Arafah 2018a)

The protocol “deepened Palestinian dependency on Israeli trade as well as monetary and fiscal policies, and gave Israel control over the movement of Palestinian labor and revenue” (Arafah 2017). It ensures Israel maintains control over Palestinian fiscal revenue, collecting customs duties on imports from abroad heading to the Palestinian market, which must go through Israel first. It also collects indirect taxes (value-added taxes [VAT] and others) on Israeli products sold to the Palestinian market and income taxes and social transfers from Palestinians employed in Israel or in Israeli settlements.

In 2017, clearance revenues represented 66% of the PA’s net revenues, meaning “Israel dominates about two thirds of the PA’s revenues. The Paris Protocol has in effect deprived the PA of its sovereignty over its fiscal revenues and thus over its very survival” (Arafah 2018a). As one more example of this, Israel regularly withholds tax revenues to exert political pressure or as a form of collective punishment.<sup>6</sup>

An important takeaway from this conversation is that an economic vision must be linked to a political vision, a key feature of a political economy of resistance in Palestine. However, before exploring such resistance in-depth, the next section will discuss decoloniality and why a decolonial approach to Palestinian political economy matters in order

to situate this chapter's discussion on land-based struggles and political economies of resistance.

## DECOLONIALITY AND ITS RELEVANCE TO THE POLITICAL ECONOMY OF PALESTINE

### *Decoloniality and Settler Colonialism*

Anibal Quijano writes that there is no modernity without coloniality, that modernity/coloniality are two sides of the same coin. The implication of this, writes Walter Dignolo, is that, as a necessary component of modernity, coloniality "cannot be ended if global imperial designs in the name of modernity continue. Coloniality, in other words, is the darker side of Western modernity" (2017).

As the "two pillars of Western Civilization," modernity/coloniality is supported by both a structure of knowledge and specific institutions. "Knowledge requires actors and institutions," Dignolo points out, "and actors and institutions conserve, expand, and change the structure of knowledge but within the same matrix: the colonial matrix of power" (2017). In the context of modernity/coloniality, then, decoloniality means

first to delink (to detach) from that overall structure of knowledge in order to engage in an epistemic reconstitution. Reconstitution of what? Of ways of thinking, languages, ways of life and being in the world that the rhetoric of modernity disavowed and the logic of coloniality implement. The failure of decolonization during the Cold War was due, mainly, to the fact that decolonization did not question the terms of the conversation, that is, did not question the structures of knowledge and subject formation (desires, beliefs, expectations) that were implanted in the colonies by the former colonizers. (2017)

That "epistemic reconstitution," Dignolo argues, is happening in many places and in many forms, but is not easily recognized or found in the state and inter-state relations. Instead, he sees it in an "emerging global political society: people taking their/our destinies in their/our own hands because states as well as international institutions (IMF, World Bank, etc.) are not there to serve the people but to mediate between states, corporations and banks" (2017).

J. Kēhaulani Kauanui (2016) talks specifically about decoloniality in the context of settler colonialism as an approach that gives attention to the erasure of history and to the history of erasure. This attention, for example, has as its point of departure the presence of indigenous writers and scholars.<sup>7</sup> A commitment to decoloniality, then, is a commitment to historical interpretations that challenge the logic of elimination.

Coloniality is the logic seen in the establishment of racialized and gendered socioeconomic and political hierarchies according to an invented Eurocentric standard (Mignolo 2011). And so, Kauanui points out, we must reckon with the dominance of coloniality, “which entails an understanding of decolonization beyond its limited scope within the law or the easily available historical and political case studies of former colonies” (2019). It is the challenge of thinking about colonization and decolonization beyond the bounds of the law but as the logic of so-called Western Civilization, constituted by modernity/coloniality. Coloniality was produced and circulated as an epistemological system, which is why it does not disappear with the end of political institutional domination or the return of the land after independence. The concept of decoloniality, then, “refers to analytic approaches and socioeconomic and political practices opposed to pillars of Western civilization: coloniality and modernity. This makes decoloniality both a political and epistemic project” (Mignolo 2011, xxiv).

Put another way, echoing Palestinian scholars discussed above, Kauanui says it is a refusal to believe that Western modes are the only or the best, and that indigenous modes of sovereignty and self-determination must guide decolonization effort. It is not about some sort of return to a pre-colonial, pre-Western state, but about, for example, enduring indigeneity. Settler colonialism as a structure (not an event) is enduring, but indigeneity itself is also enduring as the logic and structure of settler colonialism continues. Settler colonialism operates by “the logic of elimination of the native” because the acquisition of land is its central feature. And so, “decolonization that includes a commitment to decoloniality should impact historical interpretation, and by extension studies of race and indigeneity that challenge the logic of elimination” (Kauanui 2019).

Despite the logic of elimination, indigenous peoples as individual and collective polities “exist, resist, and persist” (Kauanui 2016). Taking settler colonialism as a structure seriously allows scholars to challenge both the logic and the politics that says “dispossession is a ‘done deal’ relegated to the past, rather than ongoing”—and contested. Where the



hegemony of settler governmentality forecloses the possibility of imagining otherwise, a decolonial approach challenges the unmarkedness of settler colonialism, working to visibilize “quotidian settler common sense” as well as indigenous subjectivity (Kauanui 2016).

### *A Decolonial Approach to Political Economy in Palestine*

In a settler colonial context, then, a decolonial approach to political economy requires a recognition that indigenous peoples are still subject to a colonial rule that is animated by the logic of elimination for the goal of land acquisition through dispossession. This is wrapped up in an economic system that pushes accumulation through exploitation and dispossession. Therefore we might consider some implications for political economy in Palestine through a decolonial approach that gives attention to histories of erasure, logics of elimination, and the enduring indigeneity of Palestinian peoples as well as centers land and the livelihoods and struggles around land in any framework or analysis. An approach that takes land seriously as a constitutive element of political economy in a settler colonial context will push up against and destabilize central elements of modernity/coloniality.

For example, a decolonial approach destabilizes the logic of global capital that sees land in terms of commodification and exchange value—a logic that bolsters accumulation by dispossession. As discussed above, this necessarily challenges racial capitalism as a central element of modernity/coloniality.<sup>8</sup>

It challenges settler colonial grammars that declare the land is empty and uninhabited. It also challenges the neoliberal and settler colonial forces of separation and closure, opening up solidarities and coalitions, for example with other land-based struggles that transgress boundaries and constitute the global in alternative ways.

On this last element, Turner and Shweiki describe Israel’s (and the United States’ and Europe’s) colonial grammar that separates and fragments Palestinian people not only materially but discursively: “This radical fragmentation has arguably been the defining experience of the Palestinian people since the *Nakba* of 1948 and has involved divisions that have permeated all aspects of Palestinian life making economic and political interchange extremely difficult, splitting families apart and splintering a people” (2014, 1).

Given this settler colonial effect of separation and fragmentation, a decolonial approach is characterized by a de-fragmentation that analyzes the political economy of Palestine as a whole, not in parts. Turner and Shweiki link the task of decolonizing the narrative with using the concept of de-development (Roy 2016 [1995], 2007) as a starting point for understanding the political economy of all of Palestine. They point out that the harsh reality of the geographical, political, and economic fragmentation of the Palestinian people is lived and real, but they argue that analyzing the “shared experience of dispossession and marginalization together...can contribute to clarifying the wider picture of the political economy of the Palestinian people” (2014, 2).

This offers a different way of thinking about politics, society, land, and labor (and the relationality between), for example, being on the land in ways that are not “productive.”<sup>9</sup> A decolonial approach challenges the settler colonial gaze upon the indigenous as “uncivilized” or “pre-political” and the land as “uncultivated” and waiting to be colonized (Casas 2014, 41). This is where the logics of capital and settler colonialism reinforce one another. These logics spread to other institutions evident in a kind of Orientalism in the PA too, seeing the “backward” or “traditional” Palestinian as part of the problem, as dead weight.<sup>10</sup> Coloniality and the nation-state as locus of political economy and development articulates state-building in Palestine as the “solution.” A decolonial approach challenges this element of modernity/coloniality that reproduces a methodological nationalism of sorts (that the PA participates in) that obscures grassroots or subaltern political economies and elevates a developmentalism that commoditizes all matter (Casas 2014, 31), seeing the nation-state as the telos of all social, political, and economic “progress.”<sup>11</sup>

This approach also challenges the erasure of political economic activity that is not formal or is not legible to the state or the market by articulating a decolonial political vision of pluriversality that visibilizes land-based livelihoods and struggles and their multiple networks of relationships.<sup>12</sup> By challenging the erasure of informality, a decolonial approach acknowledges (the simultaneity and heterogeneity of) everyday, alternative worlds.<sup>13</sup> In Palestine, I argue below, this presents as a political economy of resistance. The remainder of this chapter will explore the ways steadfastness and everyday practices and livelihoods of farming, agroecology, food sovereignty, and land reclamation are articulated as resistance and refusal, against displacement, erasure, and elimination.

## LAND-BASED STRUGGLES AND POLITICAL ECONOMIES OF RESISTANCE

The struggle for land is a struggle for a dignified life. (Irene dos Santos, municipality of Andradina, state of São Paulo; quoted in Vergara-Camus 2014, 1)

In subaltern histories, the struggle against settler colonialism and the logic of racial capital have gone hand in hand. And the struggle *against* has always been accompanied by the struggle *for*. Vergara-Camus' exploration of land-based struggles with the Movimento dos Trabalhadores Rurais Sem Terra (Landless Rural Workers' Movement, MST) in Brazil and the Ejército Zapatista de Liberación Nacional (Zapatista Army of National Liberation, EZLN) in Chiapas identified this struggle *for* a dignified life through "grassroots development alternatives to neoliberalism, which envision the possibility of building more democratic and just communities" (2014, 2). Vergara-Camus describes key elements of these land-based struggles and alternative development approaches, including a focus on: empowerment; realizing fundamental needs; self-reliance (such as relations of solidarity, reciprocity); human scale (by focusing on household); community and popular social movements; gender discrimination and equality; environmental sustainability (organically linking humans, nature, and technology); and autonomy (vis-à-vis the state and market). This last element, of autonomy and self-determination, envisions a kind of delinking that resonates with a decolonial political economy.

The struggle for land and a dignified life is also about "challenging capitalist private property and reclaiming control over land, production and reproduction" (Vergara-Camus 2014, 19). Here a decolonial political economy approach highlights the effects of commodifying land mentioned above (e.g., only seeing its exchange value and not other forms of value). The implication is that land, apart from its utility, is not seen and so indigenous life in relationship to that unseen land also goes unseen. This is why it can be said that it is "empty" and why the Zionist claim of a "land without a people..." was thinkable to begin with.

Similar to other land-based struggles, key elements of a political economy of resistance in Palestine include small-scale farming, agricultural labor, food sovereignty, self-reliance and autonomy, mutual aid, global solidarity, and the critical importance of a political vision to guide

economic priorities (Tartir et al. 2012; Dana 2014, 2020; Tartir 2015; El Zein 2017; Arafeh 2018b; Seidel 2019a).

In Palestine, self-reliance expressed through land-based livelihoods and small-scale agriculture “can – and has – been carried out by Palestinians to feed themselves, e.g. permaculture, rooftop drip gardens, and local biodiversity in terms of crops” (Tartir et al. 2012, 4). Self-reliant local production within the agricultural sector also “symbolizes Palestinians’ relationship to their land, their identity, their culture, and their history” (Dana 2014, 8).

Throughout occupied Palestine, the agricultural sector has been devastated by Israeli, PA, and donor policies and practices. As mentioned above, Area C includes most of the West Bank’s fertile land, natural resources, and water, which came under full Israeli military and settler control under the Oslo Accords. Palestinian farming and agriculture have suffered from Israel’s settler colonial policies and Palestinian neoliberalism, where the PA has served as a conduit through which settler colonial power is reproduced (Tartir 2018, 151).

Food sovereignty has become a critical element of this struggle. Food sovereignty means people having control over their own food systems and the “right to define their own policies and strategies for the sustainable production, distribution and consumption of food” (Tabar 2016, 26). It connotes a decolonial political economic commitment to indigenous sovereignty over land and resources. This goes beyond the more narrow aims of food aid and food security because of food sovereignty’s focus on autonomy and self-determination. Its importance is underscored by the fact that a focus on food sovereignty shows up in a number of land-based struggles, whether it is the MST in Brazil, the Zapatistas in Mexico, Puebloan and Navajo communities (Belgarde 2020) or African American farmers in the United States (Penniman 2018).<sup>14</sup>

Given Israel’s ongoing settler colonization of occupied Palestine and expropriation of Palestinian farmland and water resources, the struggle for food sovereignty is key to a political economy of resistance. With restrictions on freedom of movement, regular attacks by Israeli settlers against farmers and their crops, agricultural restrictions imposed by Israel that cost the Palestinian economy US\$2.2 billion a year and that leave 31.5% of Palestinians food insecure, and more Palestinian farmers becoming cheap labor on the other side of the Green Line (Guimarães and Paq 2019), it becomes clear why food sovereignty is so important.

As Palestinian farmer Saad Dagher says, “we are a nation under Israeli occupation and we need to produce food that will make us stronger and more independent. We were no longer producing enough food, and we have become dependent on the produce from illegal Israeli settlements, which are full of pesticides” (quoted in Guimarães and Paq 2019).

One effort at building food sovereignty is the creation of seeds libraries in the occupied West Bank. One collection of heirloom seeds that farmers can borrow and share was created by Vivienne Sansour. Sansour identifies this as resistance and locates it in a global context: “it’s not only a military occupation we live under, it’s the greater political and economic system in the world that is causing us to be slaves to agri-business companies and multinationals” (quoted in Guimarães and Paq 2019). It is in this context that cataloguing and preserving seeds, Sansour points out, is a form of resistance (see Sansour and Tartir 2014).

The goal of food sovereignty not only creates alternatives to food aid, it reinforces Palestinian anti-colonial struggle, “connecting local food production to a broader anti-capitalist struggle,” revealing how “insurgent counterhegemonies that are rooted in resistance movements and cultures in the Global South travel and circulate across borders” (Tabar 2016, 26). Tabar makes the connection to other movements like La Via Campesina in its fight to “‘defend small-scale sustainable agriculture’ and promote social justice in the face of transnational neoliberal agricultural policies that have forced millions of small-scale farmers and indigenous people off their land and destroyed local food production by reshaping ‘the global food system...in the interests of private profit’ (ibid., 26; also see UAWC et al. 2019). This is another place where the logics of capital and settler colonialism reinforce one another and highlight the struggle for food sovereignty both for livelihoods as well as an organizing strategy that offers transnational, global, anti-colonial connections and solidarities (Seidel 2019a).

Agro-ecology offers more examples of these efforts at food sovereignty as land-based struggle and political economies of resistance. Agro-ecology is “the application of scientific experimentation to, and the formalization of, the processes underlying traditional farming systems” (Ajl 2019). It has been adopted as an organizing strategy by social movements like La Via Campesina for achieving food sovereignty.

Agroecosystems offer an important support structure for Palestinians, with its attention to soil health and vulnerabilities due to climate-induced disruptions and Israel’s settler colonization of the occupied West Bank.

This is particularly relevant given the decline of Palestinian small-scale agriculture “as a result of worldwide economic liberalization and the move to wage labor in the Israeli economy, and Israeli occupation policies which restrict Palestinian access to the means of production namely, land, water, and import/export markets” (Tsedell et al. 2020, 2).

By supporting and drawing on the indigenous knowledge and experience of Palestinian farmers, the research group *Makaneyyat* aims to build climate adaptation and resilience into agroecosystems in Palestine by developing polycultures composed of perennial crops that protect and rebuild the soil (*ibid.*, 2). Preliminary research shows that the agrobiodiversity needed for adaptation and developing new crops for building perennial polycultures is already present within the Palestinian landscape.

This focus on food sovereignty and agro-ecology keeps it local and autonomous in a way that offers a political economic delinking through its posture of resistance (Dana 2020). Agriculture is key both because land, livelihoods, and food sovereignty are key and because land-based, place-based frameworks center indigenous capacities and subjectivities, defining enduring indigeneity in political and economic terms.

Dana makes the case that agriculture is the backbone of a resistance economy and underscores the centrality of agriculture in building a local productive base (2020, 8). He links the struggle against Israeli settler colonialism and the PA’s neoliberalism and capitalist exploitation. Challenges to the PA include calls for stronger support of Palestinian agriculture with calls for Palestinians to resist and exert pressure on the PA when it undermines Palestinian agricultural potential, especially in the PA’s efforts to focus on export-oriented approaches and financialization (Tartir 2018; Seidel 2019b).

The objectives of a resistance economy, Dana argues, are multiple. The political objective is “to generate the robust political structure necessary to support the Palestinian anticolonial struggle.” The social objective “is to stimulate progressive social transformation by influencing people’s worldview and their relation to the social world through the espousal of emancipatory principles and values.” The economic objective includes “achieving considerable levels of self-sufficiency and long-term food security; endorsing self-reliance, reciprocity, and just distribution of income; re-orienting the desire for luxury consumption toward the conscious consumption of locally produced good; and enlarging local capacity to produce quality products” (2020, 7).

Yet further research is needed, Arafah argues, to explore how “agricultural and industrial sectors can be promoted as part of the struggle against Israeli land expropriation and can build a productive economy that reduces dependency on Israel” at the same time “encouraging and subsidizing local production” (2018a). But perhaps most importantly, “a clear-cut Palestinian economic vision and strategy that is guided by a political vision and interest must be developed,” that advances a political framework that clarifies “what the frontiers of the ‘Palestinian economy’ are” (2018a).

### *Annexation and Resistance*

In the wake of over a quarter century of Oslo, and with the emergence of US President Trump’s “deal of the century,” Israel has escalated its threat to annex large portions of occupied Palestine, continuing the trajectory of accumulation by dispossession going back over a century. These plans envision the establishment of a Palestinian state in the form of an archipelago connected through bridges and tunnels, with Israel annexing 30-40% of the occupied West Bank, including all of occupied East Jerusalem. These threats have been felt perhaps most sharply in the Jordan Valley. The annexation of the Jordan Valley is seen by some as simply a continuation of the *Nakba* or catastrophe of 1948 (Al Jazeera 2020). The response of Palestinian farmers in the Jordan Valley, for example in their land reclamation efforts, offers another example of a political economy of resistance.

The Jordan Valley is home to as many as 65,000 Palestinians, who own about 12,000 acres of agricultural land. This land constitutes almost 30% of the occupied West Bank and half of the total agricultural land providing food security to Palestinians living there. There are also some 11,000 Israeli Jewish settlers, with Israel preventing Palestinians from entering or using 85% of the entire region, according to Israeli human rights NGO B’Tselem (White 2020).

Palestinian farmers living in the occupied Jordan Valley are worried about annexation and how it will exacerbate Israeli closures, preventing them from accessing their land as well as cutting them off from the rest of the occupied West Bank. The emphasis on food sovereignty and indigenous struggle to remain on the land described above can be linked to land reclamation efforts here (Tabar 2016, 26). Protecting land and supporting farmers go hand in hand, and land reclamation has emerged as

a critical strategy of their struggle. For example, the Palestinian Union of Agricultural Work Committees (UAWC) has helped farmers in the Jordan Valley organize and resist by reclaiming as much of their land as possible. They do this by constructing roads to access land and deploying heavy machinery to help cultivate land that would otherwise be difficult to level (Gadzo 2020).

Since 2013, the UAWC has helped farmers reclaim about 12,000 dunums (3000 acres) of land in Area C of the Jordan Valley. Since 1995, they have helped Palestinian farmers plant some 700,000 trees including almond, olive, and grape.<sup>15</sup>

“We need to change the facts on the ground,” says Fuad Abu Saif, head of UAWC, “we need to have sovereignty over our resources. In the last five, six years [the Israelis] have accelerated their programme of stealing Palestinian land in different ways. We need to reclaim our land...At least we can delay the confiscations” (quoted in Gadzo 2020).

This description of land reclamation articulates resistance in terms of *sumud*, or steadfastness. Everyday acts of farming, reclaiming land, and food sovereignty demonstrate steadfastness and resilience in the face of the growing threat of annexation and the ongoing experience of settler colonization, dispossession, and displacement (Qumsiyeh 2011; Seidel 2017).

In the village of Bardala, in the northern Jordan Valley, Ibrahim Sawafta describes how Israel has been trying to reduce the number of Palestinians in the area for years. Land near his home had been closed under Israeli military order since 1967, and local farmers were unable to water it until the UAWC provided equipment four years ago. Out of 2500 cubic meters/hour (88,000 cubic feet) of water produced by the two local wells, 2000 cubic meters are diverted to the illegal settlements in the area with only 120 cubic meters (4200 cubic feet) provided to Bardala. “If we don’t have water, we will not have a life here,” Sawafta said. “They want to make life difficult for Palestinian farmers, so they leave. It is a silent transfer because they want this area; it’s a very strategic area for them” (quoted in Gadzo 2020). If annexation proceeds, Abu Saif said, “life in the Jordan Valley will be impossible” (quoted in Gadzo 2020).

As Heneiti (2020) describes, Israel’s policies in the Jordan Valley since 1967 have consistently worked to prevent Palestinian agricultural products from competing with Israeli agricultural products. Israel’s effort to dispossess and displace Palestinians is evidenced through the capture of Palestinian labor and water resources. Israel’s overtures to annexation



should not come as a surprise, Haneiti argues, but rather should be seen in continuity with Israel's domination and colonization of the Jordan Valley. At the same time, Palestinian responses to domination and colonization should also be seen in continuity with a history of steadfastness and peaceful resistance, which has enabled the greater part of them to remain despite the significant constraints on their livelihoods.

This continuity was described by Rashid Khoudary, an activist with Jordan Valley Solidarity, who sees formal annexation as the logical conclusion of an intensification Israel's settler colonialism in recent years. Palestinians living in Area C live with the threat of home demolitions since they are systematically denied building permits by Israeli authorities. Khoudary described increased evacuation orders and demolitions, attacks by Israeli settlers, and tighter restrictions on access to farmland and water—"different kinds of strategies to displace us," Khoudary said, "taking over more land" (quoted in White 2020). According to B'Tselem, only 50,000 dunums or 12,000 acres of Palestinian land, which is one-eighth of the land under Palestinian control, is under cultivation because of Israeli restrictions (Gadzo 2020).

And while Palestinians organize protests in the Jordan Valley, they realize it is not enough, identifying the critical international component to their struggle. As Khoudary stated, "We, as Palestinian civilians, this is not our struggle alone, this is an international struggle... and the international community has to protect international law, and protect us, as a people living under occupation. The international community has to stop this annexation" (quoted in White 2020).

## CONCLUSION

These expressions of struggle and resistance have underscored that aspect of a decolonial political economy that foregrounds an integrated, de-fragmented approach to all of Palestine. The political economic visions informing economic organization around a political agenda are fundamentally anti-capitalist and anti-colonial. It challenges the goal of statehood that promises only limited Palestinian autonomy by starting with Israel's exclusive sovereignty "over all the land from the river to the sea," focusing on its settler colonial regime that provides civil and political rights to Jews that are withheld from Palestinians (Baconi 2020). As Baconi describes:

Instead of seeking a state, these campaigners highlight the values that must underpin any progress toward Palestinian self-determination, whatever form that might take: freedom, justice, and equality. Freedom connotes the call to end Israel's military occupation; justice refers to the demand for restitution that Palestinian refugees seek for their dispossession and expulsion following the formation of the state of Israel in 1948; and equality refers to the demands of Palestinian citizens of Israel to end that nation-state's institutional discrimination. (2020)

Transnational, anti-colonial connections and solidarities are a constitutive element of this struggle (Seidel 2016). Writing about recent expressions of these connections and solidarities, Baconi points out that, especially in the absence of effective PA leadership, “[Black Lives Matter] is providing a showcase for an alternative, grassroots form of action and power against systemic oppression—and many Palestinians are listening. Just as elected politicians and institutions all over the US are pivoting rapidly to get in line with a new consensus about racism in America, Palestinian leaders may need to take greater account of the power of those who see their future defined by the struggle for equal rights for all who live between the river and the sea” (2020).

In this chapter, exploring settler colonialism and political economies of resistance in Palestine has emphasized that a decolonial approach not only gives attention to enduring indigeneity, erasure, and interpretation but also to the role of land in social and political economy in the struggle for autonomy, sovereignty, and self-determination. It understands land not just as a stage for events—simply a site of international politics or global business—but also a set of relations. Land is itself a relation. It makes the case for investing agency in both the autonomous communities that emerge in this analysis as well as the land itself as an inseparable part of those communities—defining enduring indigeneity in political and economic terms that defy the logics of settler colonialism and racial capital.

If decoloniality is both a political and an epistemic project, a focus on autonomy will be seen in the trajectory of a political economy of resistance that is “never indebted to the imposition,”<sup>16</sup> even in terms of the modern/colonial telos of the nation-state and the market economy. Alternative imaginaries animate. Alternative sovereignties define. In Palestine, resistance as *sumud* or steadfastness reminds us that it may not be about a predetermined political economic telos per se but about existence, being, land, and a refusal of erasure and elimination.

## NOTES

1. Identifying a longer genealogy of Palestinian indigenous scholarship on settler colonialism, Rana Barakat (2017) points out that Fayeze Sayegh's 1965 *Zionist Colonialism in Palestine* (Beirut: Research Center of the Palestine Liberation Organization) provided a clear study from a Palestinian perspective, that identified imperialism, Zionism's racialized goals of separation and territorial expansion, as well as the political context of resistance and liberation.
2. This is no less true in American history as well, an important point to make not least because of my own positionality as a white man of settler descent living in the United States. Vine Deloria, Jr., a Native American writer and activist, pointedly remarked: "There was never a time when the white man said he was trying to help the Indian get into the mainstream of American life that he did not also demand that the Indian give up land" (quoted in Tatour 2019, 13). In Israel, Tatour points out, "citizenship has functioned as an instrument of ethnic cleansing, a way of seeking to deny Palestinians the right to return to their land" (2019, 14). For more on Israeli settler colonialism and citizenship, see Rouhana and Sabbagh-Khoury (2015).
3. Exploring the concept of racial capitalism in the work of Cedric Robinson (2000 [1983]), Robin D.G. Kelley describes his argument that, instead of presenting a break with feudalism, capitalism and racism "evolved from it to produce a modern world system of 'racial capitalism' dependent on slavery, violence, imperialism, and genocide. Capitalism was 'racial' not because of some conspiracy to divide workers or justify slavery and dispossession, but because racialism had already permeated Western feudal society" (2017).
4. Writing about the legacy of Walter Rodney in her forward to the new edition of *How Europe Underdeveloped Africa*, Angela Davis asks: "how can we encourage radical critique of capitalism as integral to struggles against racism as we also advance the recognition that we cannot envision the dismantling of capitalism as long as the structures of racism remain intact?" (Rodney 2018 [1972], xii).
5. The Oslo Accords II went into effect in 1995, officially dividing the West Bank (WB) into Areas A, B, and C. Area A is made up of the West Bank (WB)'s major Palestinian population centers, and falls under Palestinian Authority's civil and security control. In Area B, Palestinians have control over civil affairs, while Israel maintains security control. Area C falls under full Israeli control. Making up roughly 62% of the occupied West Bank (WB), Area C is the only contiguous territory in the West Bank (WB), containing the majority of Palestinian agricultural and grazing land as well as land reserves for future economic development. However,

Palestinians are “forbidden from creating permanent structures in Area C without a permit from the Israeli Civil Administration” leaving around 150,000 Palestinians “forced to reside in informal and non-permanent encampments” (MA’AN 2012, 5–6).

6. Arafah points to a 2014 UNCTAD study that reveals the effects of this drain on the Palestinian economy. The study “confirmed over US\$310 million worth of leakage in 2011 as a result of importing from or through the Israeli market. The estimated cost of the leaked amount is equivalent to 17% of total tax revenue, and accounts for 4% in lost GDP and around 10,000 jobs a year.” For a discussion on fiscal leakages, and taxes not transferred to the PA, see Habbas’ chapter on economic integration and Iqtait’s chapter on fiscal control in this volume.
7. This relates to the above conversation on indigenous scholarship and whose writing and experience of settler colonialism is centered. In other words, it is also about the politics of knowledge production, whether one’s scholarship moves in the service of colonial violence (see Smith 2012), and moving from “a posture of ‘studying about’ to ‘thinking with’” (Mignolo and Walsh 2018, 28).
8. Dependency and world systems theories provide helpful insights into these structures and processes that destabilize racialized and gendered hierarchies in political economy (see Shikaki’s chapter in this volume). Walter Rodney describes this in terms of the histories of capitalism, imperialism, and relationships of exploitation (because of trade, unequal exchange, and the absence of direct political control). He argues that “underdevelopment” in Africa happened because “the wealth created by African labor and from African resources was grabbed by the capitalist countries of Europe” and “restrictions were placed upon African capacity to make the maximum use of its economic potential” (2018 [1972], 30). In a similar vein with a focus on Palestine, Sara Roy explores “de-development” as “the deliberate, systematic and progressive dismemberment of an indigenous economy by a dominant one, where economic—and by extension, societal—potential is not only distorted but denied” (2007, 33).
9. See Stamatopoulou-Robbins (2020) as well as her chapter in this volume.
10. Makdisi’s discussion on “Ottoman Orientalism” (2002) is instructive here; also see Dana (2019).
11. Decolonial interventions in the development literature explore the concepts of *buen vivir* and *sumak kawsay* or “living well” as alternative politics and economics of interdependency and sustainability. For example, Casas describes a constitutional movement in Ecuador that adopted the Kichwa indigenous concept of *sumak kawsay*—“living well” as a practice and concept that “integrates (and unites) peoples and communities with *Pachamama* (Mother Earth)” (2014, 31). In contrast to a political economy of consumerism and progress that drives the global capitalist

- system, Casas explains that *sumak kawsay* offers a “critique of traditional development strategies focused on growth and exploitation of resources rather than seeking to live and coexist within dynamic systems of interdependence and relations” (ibid., 31).
12. The concept of pluriversality relates to the Zapatista decolonial political vision of a world in which many worlds coexist. It has been used to explore the simultaneity and heterogeneity of alternative political economies—for example, framed in terms of civil society, mutual aid, and the post-secular—that are outside the gaze or legibility of the state or the market (Rojas 2016; Mignolo 2011; Maldonado-Torres 2008).
  13. This approach is also informed by Edward Said’s notion of contrapuntality, which also aims to make visible the erasures and silences accompanying colonial histories. As Wainwright describes it, Said refused the claim that we could take hold of the world without reading contrapuntally, that is, “without applying a critical and syncopated scrutiny to the practices and texts that produce the world for us as something to behold. In this way, geography never entails merely describing the world: it is instead a political, hermeneutic practice of reading and writing worlds” (2005, 1042).
  14. Penniman makes it a point to highlight the ways agricultural systems reinforce racial hierarchies, inequalities, and theft. For example, she talks about “food apartheid” (instead of “food deserts”), connoting a system and a history built on racism, stolen land, and stolen labor that “needs a redesign” (2018, 5). Food sovereignty is part of the work for racial justice in the United States: “Owning our own land, growing our own food, educating our own youth, participating in our own health care and justice systems—this is the sources of real power and dignity” (ibid., 8).
  15. For their statement on food sovereignty, see UAWC et al. (2019). For more on Palestinian organizing for farmers and land defense, see Seidel (2019b).
  16. As Shilliam describes a critical principle of understanding global politics and economics, though there be an imposition of power, “the response is never indebted to the imposition” (Shilliam et al. 2020).

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PART II

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Political Economy of Integration,  
Fragmentation, and Inequality



# The West Bank-Israel Economic Integration: Palestinian Interaction with the Israeli Border and Permit Regimes

*Walid Habbas*

## INTRODUCTION

Numerous scholars have extensively evaluated the far-reaching impact of Israeli colonial rule on the Palestinian economy. In general, two overlapping features characterized the Palestinian-Israeli economic relations: domination and integration. The domination signals the asymmetrical power relations and the subordinate status of the Palestinian economy within the colonial hierarchy. Whereas integration refers to the diverse and ramified economic relations that actually take place between Palestinian and Israeli actors—some are less acknowledged than others. It is fair to claim that scholars were preoccupied more by the implication of Israeli domination. Repeatedly, they attempted to show how the Israeli colonial structure caused de-development (Roy 1999), undermined the possibility of independence (Khalidi 2017) and reproduced dependency (Abed 1988). They concluded that the more Israel intensifies its colonial

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domination, the more the Palestinian economy is fragmented, pauperized and distorted (Seidel and Tarir 2019; Khalidi 2016; Farsakh 2005b).

This chapter argues that this conclusion reflects only part of the broader picture. The modes of integration that underlie the Israeli colonial domination have not yet been fully explored. For instance, the Palestinian-Israeli economic integration had always encompassed many economic activities that include not only formal trade and wage-labor, but also subcontracting (Samara 2000), smuggling (Misef 2018b), intermediation (Lagerquist 2003), laundering settlement goods (Dana and Shihadeh 2012), and Palestinian capitalists' direct investments in Israel and the Israeli settlements (Smeirat 2011). In addition, the Palestinian participants in these activities are not necessarily powerless and exploited. In some relationships, they are acting as profit-seekers or collaborative partners (Dana 2020). To demonstrate the complexity of the Palestinian-Israeli economic integration, the chapter challenges the mainstream hidden premise that placed the Israeli colonial structure in the fore as the main determinant of the Palestinian-Israeli economic integration. Not intending to underestimate the colonial top-down impositions as the overarching shaping factors, the chapter is interested in the Palestinian-Israeli economic encounters in daily life. It attempts to highlight how Palestinian class actors, operating in different economic sectors, can innovate strategies of "adaptation," and convert the complexity of the structure into ingredients to improve their life chances (Lustick 2011). As elaborated below, Palestinian economic actors are aware of the contradictions and vulnerabilities of the colonial system, and the possibilities to engage in economic activities that go beyond the range of colonial determinations.

Although Palestinian-Israeli economic relations have been extensively analyzed on the aggregated level, essential components of economic integration, that are more observable on the disaggregated level, have gone under-researched for two reasons. *First*, scholars limited their investigations to the apparent and measurable Palestinian-Israeli economic relationships; most importantly "formal" trade (Samour 2016) and labor migration (Farsakh 2005b). In fact, actual economic integration entails diversified rapports that combine both registered and measurable as well as clandestine and unmeasurable relations, such as smuggling, tax evasion and fraud activities (Misef 2018b). Understanding *why* smuggling flourished in the Palestinian economy, and increasingly gave rise to additional number of involved actors can unveil more hidden aspects of economic

integration. In another example, Palestinian labor and Israeli employers are being mediated by different modes of brokerage relations (Niezna 2018). Opening the “black box” of brokerage can reveal extremely different levels of labor exploitation, and explain *how* exactly Palestinian-Israeli economic integration is operating under colonial domination.

The *second* observed deficiency concerns the weak engagement in the dialectical relation between the dynamic colonial domination and the modes of economic integration. For instance, when Israel institutionalized its closure system after the Second Intifada, different Palestinian economic actors emerged while others were badly affected, as will be shown soon. This mission requires more theoretical and analytical engagement in the political economy underpinning the Palestinian-Israeli economic integration. This chapter aspires to advance the understanding of the political economy of the integration by illustrating the usefulness of two analytical approaches. Each one points to a key mechanism underpinning the daily economic encounters between the West Bank and Israel. First, by drawing insight into the *political economy of borderlands*, the chapter focuses on widespread, yet largely overlooked, Palestinian-Israeli economic rapports: smuggling. Once Israel bounded out the West Bank by different types of borders, new Palestinian economic actors spontaneously following their self-interest acted to accelerate Palestinian-Israeli economic integration by illicit means. Second, the *sociology of brokerage* is called upon to make sense of the role of permit brokers, wide-ranging Palestinian segments that include officials in the Palestinian District Coordination Offices (DCOs), Ministry of Civil Affairs, chambers of commerce, Jerusalemite construction contractors, manpower suppliers and intermediary offices. These Palestinian actors profit from facilitating highly restricted yet “legal” economic activities with Israel.

The examples presented are driven from the post-2005 period to show how Palestinian-Israeli economic integration accelerated in response to the intensification of colonial domination over the Palestinian life. In order to preserve a coherent analysis, I will narrow the discussion to the West Bank-Israeli economic integration since the Second Intifada in 2000. In contrast to the ghettoized Gaza Strip (Khalidi 2017), the West Bank is subject to a colonial structure that functions as a “demographic ruling apparatus” to exclude the Palestinian population from the Israeli polity (Azoulay and Ophir 2013), while simultaneously achieving creep annexation of the West Bank territories (Lustick 2018). To maintain a balance between population exclusion and territorial inclusion (settler

colonial model), Israel employed diverse policies to discipline the Palestinians and confine their residency to specific enclaves (Handel 2010). However, various Palestinian local actors “made use” of these complex colonial conditions to engage into profit-seeking activities.

### WEST BANK-ISRAEL TRADE AS A BORDERLAND ECONOMY

Since the early 1970s, West Bank-Israeli trade relations have been a central component of Palestinian-Israeli economic integration. As Israeli colonial regulations converted the West Bank into a captive market for the Israeli goods, Israel became the main and indisputable destination for both West Bank imports and exports (Hever 2010; Arnon 2007). Although this equation remained immune to any radical change, it should be emphasized that the West Bank-Israeli trade exchange operated within a dynamic colonial system that continually requires reinvestigation. Therefore, I suggest treating the West Bank as a “borderland economy” by paying attention to the role of two types of borders: First, the Paris Protocol on Economic Relations as an intangible administrative border that converted the imposed bilateral trade exchange into commercial crossing between two different administrative entities bounded together by a customs union agreement (Elmusa and El-Jaafari 1995). Second, the Israeli space-control system imposed in the aftermath of the Second Intifada, which operated as a multi-layer physical border and converted the Palestinian localities into sealed and isolated enclaves (Handel 2009). The implication of these borders on the West Bank-Israeli economic integration has yet not been fully explored. The reason is that contemporary literature on the political economy of the West Bank conceived them from a standpoint of state institutions (Paris Protocol) or colonial impositions (space-control system) that regulated the trade activities of local actors. It neglected the way those actors creatively responded to borders that once constructed, emerged as institutions around which state-society interactions occur (Feyissa et al. 2010).

Borderland analytical tools can change our understanding about the way borders affect the West Bank-Israel trade relations. Instead of assuming borders as only stifling lines, borderland studies suggest that borders are also “corridors” that promote new and unanticipated modes of interaction (Newman 2003; Wolputte 2013). For instance, Feyissa et al. (2010) argued that state-imposed borders in the Horn of Africa were disempowering colonial institutions across certain actors, as well as

empowering “resources” across others. Hence, borderland scholars (Chan and Womack 2016) started to explore the rise of new economic actors around the borders, and the way they learn how to exploit the different development modes and terms of governance on both sides of the border (see Table 5.1).

The present chapter draws examples from the West Bank-Israeli smuggled trade. Smuggling is defined in the broader sense as all cross-border trade that does not conform to existing state regulations (Paris Protocol) or goes beyond the range of colonial restrictions imposed by Israel (Israel space-control system). Smuggling stipulated by the construction of borders is not unique to the West Bank-Israel case and is estimated to stand at high levels especially in colonial contexts (Meagher 2010). Neglecting the economic actors involved in smuggling, and their trans-border social networks will lead to incomplete and distorted understanding of the political economy underpinning the trade relations (Malik and Gallien 2019).

It is worth noting that the available literature on the West Bank-Israeli trade base their analysis on the measurable, and thus “formal” trade transactions (Samour 2016; Arnon 2007). Although some of these studies

**Table 5.1** Disaggregation of the West Bank-Israeli trade relationships

	<i>Trade exchange</i>	
	<i>Formal</i>	<i>Informal</i>
Features highlighted by Borderland scholarship	Borders as obstacles	Resourcing on borders
Israeli border regime	Trade through commercial gates	Palestinian logistical companies, Palestinian truck owners
		Profit-seeking smugglers importing from Israel through Area C
		Profit-seeking smugglers exporting to Israeli through settlements
Paris Protocol on Economic Relations	Custom union, Taxation mechanism	Palestinian shipping and clearance companies
		Profit-seeking smugglers evading taxes

Disaggregation of the West Bank-Israeli trade relationships by highlighting the multiple modes of interaction between Palestinian economic actors and the border structures



realized the existence of smuggling, none of them sought to transcend the division between “formal” and “informal”, and to normalize—at least analytically—the smuggling in order to explore the actual extent of the integration. Two reasons stand behind this omission. First, studies built their analysis only on official statistics pertaining to the measured trade transactions to reflect the increasing dependency on Israeli markets. This was, and will continue to be, a methodological question that requires specific tools to collect data on what is considered a “shadow economy.” Second, smuggling is treated worldwide as “aberration or departure from the norm” (Malik and Gallien 2019), and a violation of the law that demands a remedy. Therefore, when scholars and reports paid attention to the existence of tax evasion activities in the West Bank, they presented it superficially only to measure its effects on state-building or fiscal leakage (Samour 2016; UNCTAD 2019). It appeared as an additional proof of the dysfunction of the borders under colonial rule. Against this widespread understanding, borderland literature does not distinguish between border-crossing trade according to a “formal” and “informal” division determined by border-makers. Instead, it provides a vantage point to look “from below” to account for the ambivalences, paradoxes and contradictions that characterize life of locals who are experiencing the borders (Wolputte 2013). This work was started by Parizot (2009, 2012) who creatively employed borderland literature to highlight how Palestinian and Israeli local actors took advantage of the faults of the segregation system by creating profit-seeking networks. In their edited volume Latte Abdallah and Parizot (2015) highlighted the existence of diverse economic activities operating in the shadow of the segregation system. Yet, their work focused on revealing smuggling and circumventions rather than explaining the underpinning political economy, as this chapter attempts to do.

However, while some contended that trade exchange is badly affected once borders are harder to cross (UNCTAD 2014; Rabinowitz 2012), smuggling operates differently. Building on borderland literature, I argue that the more border-crossing trade is charged with taxes and customs liabilities (Paris Protocol), the more smuggling activities flourish as a lucrative profession. Moreover, as long as West Bank exports are subject to the Israeli high restrictions on logistical routes (Israeli space-control system), more Palestinian-Israeli networks are established to innovate alternative circumventing routes. In what follows, I attempt to look at two types of borders as a backdrop to the formation of unanticipated

modes of cooperation between Palestinian and Israeli economic actors: the Paris Protocol and the Israeli space-control system. Each type of border functions differently in terms of regulating the West Bank-Israeli bilateral trade transactions, but also deepening the economic integration by giving rise to additional trans-border profit-seeking actors, as will be explained below.

### *The Administrative Border: The Case of Smuggled Fuel*

The Oslo Accords (1993) and the Protocol on Economic Relations (PER) or Paris Protocol (1994) recognized the Palestinian economy as a distinct entity under the administration of a state-like Palestinian Authority (PA) (Elmusa and El-Jaafari 1995). In terms of the Palestinian-Israeli economic relationships, the Paris Protocol organized, *inter alia*, trade relations and tax clearance according to a custom union model (Iqtait 2019). The “agreement” was highly biased in favor of Israel, and what appeared as a bilateral agreement was in fact a restructuring of the Israeli colonial regulations that deepened the economic dependence of the West Bank and Gaza Strip on Israel (Roy 1998). Practically, the PER converted commerce between the West Bank and Israel into foreign trade dependent on border-crossing mechanisms. Both the Government of Israel and the PA institutionalized the two-state two-economy trade patterns by regulating the clearance mechanism and the exchange of VAT payments. Although Israel refused the demarcation of any physical border between the Palestinian administrated territories and Israeli spaces (Arnon 2007), still the PER is considered a dividing line between two different economic spheres.

One of the important implications of the PER is that several types of taxes and fees on bilateral trade transactions are cleared on the bases of the final destination (Samour 2016). For instance, West Bank imports from Israel are subject to VAT (16%) which is collected by Israel on behalf of the PA. It is cleared to the Palestinian Ministry of Finance only if Palestinian importers declare their transaction and deliver formal invoices. Once the volume of imported goods is declared to the PA, Palestinian merchants are then subject to income tax (another 10–15%) as they distribute the goods inside the West Bank (Misryef 2018b). Avoiding these dual taxes will enable the Palestinian economic merchants to offer their goods at more competitive prices, reduce their comparative costs, and thus increase their profits (UNCTAD 2019). Precisely because Israel

resolutely refused the demarcation of physical borders between the West Bank and Israel, smuggling based on tax evasion, turn to be a lucrative profession among wide range of Palestinian locals. What appeared on the macro-level as a Palestinian economy in the West Bank (Areas A, B and C), was in fact “noncontiguous enclave economies” mainly in Area A and B (Khalidi 2017). These economic enclaves were scattered and spread as geographically distinct spheres with Israeli full control over and in-between territories (Area C). Because the PA is unable to control the infinite entries and exists that connect Palestinian administrative islands, Palestinian locals built on the complexity of topography to innovate uncountable smuggling routes. Of primary importance is Area C (60% of the West Bank territories), which turned into a huge warehouse for the smuggled goods that can be trafficked gradually and without documentation into Palestinian self-rule territories in Area A and B (UNCTAD 2019; Misyef 2018b). Understanding the PER within the Israeli space-control system not only institutionalized the Palestinian and Israeli economy as separate entities but also produced unanticipated Palestinian-Israeli corporative activities that re-bounded both economies through informal practices.

In order to provide a concrete illustration, I draw my example from the fuel market (precisely, gasoline and diesel). The Palestinian petroleum consumption stands on 1 billion liters annually, constituting the largest imported commodity (AMAN 2018). Since the Petroleum products are imported mainly from Israel, its relative high volume and its importance as a vital commodity convert it into a prominent index to reflect on the Palestinian dependency on Israel (Abu Amer 2019). The contract between the PA and the Israeli private fuel suppliers was accused of its contribution in preserving Palestinian-Israeli economic integration and dependency; about 35% of tax revenues collected on bilateral trade with Israel comes from fuel (AMAN 2018). However, reducing the mechanisms of the integration to the PA-Israel private sector contracts as the one and only source is problematic. It is sufficient to note that the proportion of Palestinian formal imports of fuel dropped from 40% out of the total merchandise imports in 2008 to 19% in 2016 (Knoema 2016), while simultaneously the black market started to breed (Misyef 2018b). Neglecting the various mechanisms and myriad local actors involved in fuel smuggling will lead to a simplistic and partial understanding of the Palestinian-Israel economic integration.

Fuel smuggling is a widespread phenomenon in the West Bank, especially in the region of Hebron. So far, reports and scholars have focused solely on its negative impact on Palestinian “development” and state-building, and the fiscal leakage it causes from the Palestinian treasury. For instance, Misryef (2018b) estimated that smuggled diesel constitutes 17–25% of total consumed fuel in the West Bank, and the volume of taxes evaded accounts for US\$120 million annually. However, available quantitative estimates are also revealing for present purposes. Since about 69% of the final price of one-liter diesel is either Blue tax<sup>1</sup> or VAT imposed by the Paris Protocol agreements (AMAN 2018), smugglers can supply diesel with significantly cheaper prices by avoiding the payment of taxes to the PA (World Bank 2007). Behind the quantitative statistics lays a wide base of Palestinian and Israeli actors, operating clandestinely to improve their life chances and livelihoods. According to the Palestinian Custom Police, about 80% of the smuggled fuel come from Israeli settlements in the West Bank, reflecting the existence of various settler-Israeli-West Banker networks (Misryef 2018b). These networks entail not only Israeli seller and Palestinian smuggler, but also truck drivers, storing facilities, guards and distributors who roam around Palestinian localities in Areas B and C with a single pump fixed on a 4X4 truck (BBC 2019).

In fact, fuel smuggling is only one piece of a bigger puzzle. Between 2015 and 2017, about 40% of the West Bank total imports were smuggled and never registered nor consolidated within the official statistics (UNCTAD 2019). The UNCTAD (2019) revealed that smuggling exists in almost all economic sectors, most importantly animal feeds, construction goods, agriculture, clothes and machinery. Other reports estimated that smuggling or tax evasion attempts that have already been captured represents only the tip of an iceberg, and that more than 30% of Palestinian merchants rely on smuggled goods (PSC 2014). Furthermore, bidirectional smuggling based on tax evasion entails various lucrative activities: i.e., issuing and selling falsified or counterfeit documents, unregistered Palestinian warehouses in Israeli settlements, bribes to official personnel, networks and alternative logistical routes. Hence, the purpose of calling upon borderland studies is to arrive at a better understanding of the way the colonial system actually operates. Considering the political economy of smuggling and tax evasion is only one way to prove that West Bank-Israeli economic integration is far beyond what has already been discussed in the literature. Moreover, although the Paris Protocol

proved to be a “strangling envelope” on the aggregated level of analysis (Grinberg 2015), borderlands literature enables us to observe other contradictory implications. Smugglers are not mere “outlaw” merchants, but real actors who are proliferating the economic integration to extra dimensions.

### *The Israeli Space-Control System*

Alongside the Paris Protocol administrative border, Israel one-sidedly imposed a physical border to separate the Palestinian spaces in the West Bank from Israel. One of its central components was the erection of eight-meter high wall, which has functioned as an international trade border between the West Bank and Israel, and hampered trans-border Palestinian logistical routes (World Bank 2017b). By zooming into the West Bank-Israeli physical border, we can reveal extremely different incentives for smuggling, and therefore other modes of under-researched economic integration. Acknowledging them suggest that Palestinian trade was not always affected by the segregation policies as illustrated in different reports (UNCTAD 2014; World Bank 2017a). In fact, many Palestinian exports reconstructed their exports as “informal” transactions based on alternative circumventing routes. My second example on smuggling focuses on the West Bank exports to Israel and the mechanisms underpinning the trans-border logistical routes. I intend to look closely at the terrestrial pathway to deliver cargo from Palestinian factories in the Palestinian localities to the Israeli supplier across the segregation wall. Instead of resembling a state-border, the Israeli physical border entails a complex set of architectures of control: not only the segregation wall, but also settler-only road networks (Salamanca 2016), checkpoints, blocks, fences, closed zones and surveillance hyper-technologies (Peteet 2017). What we refer to as an Israeli space-control system is in fact an ongoing process of classifying the West Bank territories as heterogeneous spaces with different Israeli control regulations and various levels of accessibilities for Palestinian residents.

The effects of the Israeli space-control system on the Palestinian exports have been striking. While previously numerous trade routes connected the Palestinian factories with the Israeli market due to the contiguity of both economies, after the Second Intifada Israel reduced the commercial routes available to Palestinian commercial traffic, by creating bottleneck gates as the only commercial crossing points into Israel.

Moreover, Israel imposed a “Back-to-Back” crossing system: Freights originating from Palestinian localities were loaded onto Palestinian trucks and then off-loaded onto Israeli trucks after being exposed to strict Israeli security inspection inside the commercial crossing (Garb 2015). This resulted in high logistical costs as cargo was delayed for several hours inside the commercial crossings (World Bank 2017b). The available reports focused on the stifling effects of the “Back-to-Back” system and contended that the more Israel seals its borders and hampers the fluidity of the logistical routs, the more Palestinian exports to Israel decrease (UNCTAD 2014). However, reducing the wall to a border-like edifice instead of positioning it within the wider Israeli space-control system conceals other unexpected consequences of the border. Again, by borrowing insight from borderlands literature, I claim that the more the segregation wall renders the border-crossing logistics expensive, the more it operates as an incentive to promote Palestinian-Israeli local initiatives to circumvent it.

The case of the Nablus furniture industry is an instructive example due to its high reliance on the Israeli market (Misef 2018a). About 340 manufactures operated in Nablus in 2015, and about 55% of their production was destined to Israel (Misef 2018a). Instead of complying with the stifling effects of the Israeli space-control system, certain increasing numbers of exporters converted other aspects of the same system into porous “corridors” (A. Interview 2019). It was the Israeli settlements in the West Bank that became a transit station; once accessed, the pathway to Israel will be extremely unleashed. On the one hand, no border crossing can be found between a Palestinian locality and the adjacent Israeli settlement. On the other hand, Israeli settlements in the West Bank are connected to Israel through special unrestricted crossings to facilitate the mobility of the settlers. After 2005, Palestinian furniture exporters started to rent small sheds inside Israeli settlements as a terminal-station to Israel. By focusing only on the volume of exports as the bottom line, researches implemented in slightly different context (Garb 2015) obscured the fact the Palestinian economic activities and the Israeli colonial system are becoming more structurally intertwined. For instance, Palestinian actors who are not part of the furniture sector worked as “freelancers” offering logistical services for Palestinians manufacturers. By demanding relatively high rents, they were able to deliver Palestinian cargo into Israel on time, and undo the hindering effects of the Israeli control on temporality and space (A. Interview 2019). These “informal”

activities and positions rest on diverse economic relationships with Israeli counterparts. Further research is required to unveil the ramifications of these relations, and the way the West Bank and Israel are getting more integrated by “unobservable” links.

### THE SOCIOLOGY OF BROKERAGE: PERMIT BROKERS

In what follows, I focus on Palestinian unskilled labor migrating to Israeli working places (including the Israeli settlements in the West Bank). Scholars had already investigated Palestinian employment in Israel, and its centrality in economic integration despite the changing patterns in its scale over time (Farsakh 2003, 2005b). The emphasis was on the imbalance of power and profit between the mobile Palestinian workers and Israeli employers and officials. My purpose is to problematize this economic relationship and lay the bases to go beyond the available literature in two interrelated dimensions. First, to illustrate the heterogeneity of modes of exploiting Palestinian workers. Second, to reveal the existence of additional Palestinian actors who are structurally linked to the labor-wage market, and whose acknowledgment is necessary to reach to more comprehensive understanding of the Palestinian-Israeli economic integration.

When Farsakh (2005a) rightfully described the Palestinian localities as isolated and sealed “Bantustans” serving as labor reserves for the Israeli economy, she paved the way for further research on the process of interconnecting the otherwise unconnected economic actors. The mechanisms of linking between Palestinian workers and Israeli employers rest on a “system of access” that have hardly been investigated from a political economy perspective. By the “system of access,” I mean the modes in which the Palestinian labor and the Israeli employer are being connected both in terms of recruitment and crossing the segregated “Bantustans” to reach the working place. After the Second Intifada, the West Bank became subject to a rigid population management system that, between all, rests on two pillars: segregation and permit regime. Segregation is the overarching principle that hampers the Palestinian mobility and blocks their access to Israel working places (Peteet 2017), whereas the permit regime is the other side of the coin, that enables the management of the population by filtering out individuals exempted temporarily from the segregation, and allowed to flow into Israeli places for specific reasons and durations (Berda 2018). Therefore, not only the access of each Palestinian

wage-labor to the Israeli market is conditioned by the acquisition of a “working” permit, but also the system of recruiting Palestinian labor for specific working place is considered complicated due to the segregation conditions. Hence, the permit brokers in the West Bank became a central figure in the political economy of labor migration (Niezna 2018).

By borrowing tools from the sociology of brokerage, the chapter seeks to highlight the functional role of permit brokers, as only one prominent example of multiple brokerage activities (see Table 5.2). Seen as a bridge that fills a social chasm between two isolated endpoints (Stovel and Shaw 2012), different scholars became more aware of the structural position of broker in trans-border labor migration (Picherit 2018). Especially when trans-border labor migration is organized between two administratively and spatially separated social spheres (Kern and Müller-Böker 2015), yet economically interlinked. As long as the broker has foot in two worlds, his in-between position is more complicated when the two worlds are bounded together through asymmetrical relationships such as colonialism.

Theoretically, asymmetrical relationships can give rise to various structural variations of brokerage according to whether a broker is part of the social structure of the dominating or the subjugated world. For instance, in the pre-Oslo period, West Bank construction labor migration was mainly recruited through Labor Offices managed by the Israeli civil administration (Israeli brokers) in consultation with the Israeli Ministry of Labor (Farsakh 2005b, 103). By contrast, in the post-Oslo period new types of recruitment systems appeared, notably the growing reliance on Palestinian brokers and manpower suppliers (Niezna 2018).<sup>2</sup> More than a simple alteration in the modes of recruitment (from Israeli broker to Palestinian broker), it is a structural mutation with far-reaching implications on the political economy of the West Bank labor migration that have not yet been fully explored.

Although the literature on the Palestinian labor touched on the idea of brokers in facilitating the labor migration to Israeli working places (Farsakh 2005b; Busbridge 2017), they never treated them as central to the understanding of the Palestinian-Israeli economic integration. Thus, labor migration appeared, more or less, as a relation based on the dichotomous distinction between Palestinian wage-labor and Israeli employer regulated and scaled-up/down by the Israeli colonial policies (Arnon 2007). An exception was some anthropological works such as Vickerey (2017) and Morton-Jerome (2018) who explored various ways the misery of workers under the brokerage system. By contrast, political economy



Table 5.2 Disaggregating the Palestinian access to Israeli economy

<i>The Permit Regime</i>				<i>Business and trade</i>		
Features highlighted by brokerage scholarship	Type	<i>Labour</i>				
		Selling permits	Recruit and deliver the labor without permit	Non	Opportunistic middling to launder the settlement products	Selling permits
	Example	Registered construction companies	Women brokers in settlements	Either issue a working permit, or self-smuggled into Israel	Palestinian export of Dates to Europe	Palestinian Civilian Affairs. Palestinian Commerce chambers
						Rawabi hi-tech hub.

Disaggregating the Palestinian access to Israeli economy by highlighting the brokerage linkage used to sidestep the permit regime

is more interested in the power relations and exploitative hierarchies underpinning the labor migration. Hence, the sociology of brokerage is suggested to treat the direct actors (Palestinian labor and Israeli employer) as nodes that are not connected by direct lines (Lindquist 2017). Other indispensable indirect nodes, who we call brokers, are structural to what seems like a linear relationship. Their role is based on a patchwork of different practices such as recruiting labor, transporting, facilitating the issuance of working permits, networking and/or smuggling. While official statistics seemingly offer precise information on the scope of West Bank labor migration to Israel—120,000<sup>3</sup> laborers in the first quarter in 2020 (PCBS 2020), they are actually neglecting an uncertain number of additional actors. Conceiving the Palestinian laborers as organized within configurations according to their brokerage linkages can identify internal hierarchies, between Palestinians as well as between them and Israelis, with varying types and levels of exploitative relationships as they engage with the Israeli labor market.

### *The Permit Brokers*

In the first quarter in 2020, the unemployment in the West Bank reached 14%, and the average daily wage was ILS 123 compared with ILS 264 in Israel (PCBS 2020). Hence, the Palestinian un- or semi-skilled workers prefer to migrate on daily basis to Israeli working places, even if this mobility is subject brokerage rent due to the confinements of the permit regime. It is estimated that there are about 40–50 permit types regulating the access of Palestinians to Israeli places (Al-Qadi 2018). Three permits are relevant to the Palestinian workers: (a) a permit to search for work, issued for a one-week duration; (b) orange-colored working permit issued for different durations for working inside Israel; and (c) green-colored working permit issued for different durations for working in West Bank settlements (Al-Qadi 2018). However, the Palestinian worker is unable to issue the second and third types of permits on his own. It is the responsibility of the Israeli employer to present the needed documents and approve his willingness to employ the Palestinian worker in order for the later to be able to issue the working permit (Atkas and Wifaq 2019). This system served as a fertile soil for a growing number of brokers that became an integral part of the labor-employer relation and agents in the “system of access.”

To give only one example, part of the Palestinian Jerusalemites registered contractors working in construction are brokers working “illegally” in the permit industry.<sup>4</sup> According to the Israeli Ministry of Labor, each Israeli construction company is permitted to issue certain number of permits to “import” Palestinian low-wage workers, according to the volume of the company’s circulated capital—starting by three permits, but it can also be eligible for more than hundred permits (Atkas and Wifaq 2019). According to a report issued by the Bank of Israel (2019, 7), the contractor can pay an average of ILS 1,482 per month to order each working permit. This sum is potentially devoted to cover the worker insurance and taxes according to the Israeli labor law. Because the Jerusalemite contractor does not always need to employ workers in his facilities, he exploits this system and sells permits in the black market.

The system operates as follows: the Jerusalemite contractor employs an additional manpower supplier who has access to world of Palestinian workers in the West Bank, in order to locate potential workers seeking passing-permits. Each Palestinian worker is offered to “buy” a working permit for an average of ILS 1,987 per month. This leaves the broker with a profit on each worker that ranges between ILS 500–650 per month. This profit is then divided between the owner of the company and his manpower supplier (Atkas and Wifaq 2019). This system enables the Palestinian worker to handle a legal working permit, which is not conditioned by the approval of the final Israeli employee. The worker can roam the Israeli market and move from one working place to another as long as he pays the rent for the Jerusalemite broker on a monthly basis. It is suggested thus to conceive this “system of access” as composite of Palestinian labor-Israeli employee with two in-between nodes: the Palestinian Jerusalemites company owner and the manpower supplier, each extracting part of the labor-wage. The Bank of Israel (2019) estimated that brokerage profits extracted from about 20,000 Palestinian workers who bought permits amounted ILS 122 million in 2018. However, although the hierarchal-exploitation mechanisms are operating “illegally” and under the ground, the direct economic relationships between the Palestinian labor and the Israeli employee are still considered “legal.” As long as the Palestinian worker holds a “working permit,” potentially he falls under large parts of the Israeli labor laws: insurance, labor rights, social security and wage rates (PIA 2015). It is then according to the final agreement between the two direct actors (worker and employer) that this potentiality is materialized.

The Palestinian workers falling under this specific type of brokerage system should be differentiated from other workers. For the purpose of comparison, I turn to Palestinian women who work as housekeepers in Israeli settlements in the West Bank. They are being “infiltrated” without working permits by Palestinian (mainly women) brokers who have good relationships with both the settler community and the Palestinian housekeepers (Bloody Basil 2017). It is the broker herself and not the settler who is considered the employer. The broker is responsible for picking the housekeepers every morning, driving them into the settlements, and monitoring their work. Because housekeeper does not hold a working permit, they receive very low wages compared with “legal” workers, still above the average rate in their Palestinian localities. Furthermore, the broker receives an amount of money from the settlers and distributes it to the housekeepers after extracting her rent (Bloody Basil 2017). Sometimes, a specific broker is the only “system of access” for the housekeeper to preserve her job, even if she faces unhuman working conditions: long working hours or sexual abuses (Obaed 2003).

The sociology of brokerage proves to be helpful in highlighting the multilevel relations of exploitation underlying the Palestinian-Israeli economic relations. On the meso-level of analysis Palestinian economic actors are not inclusively sorted out as exploited parties vis-à-vis the Israel colonial structure. On the contrary, different Palestinian-Israeli segments are occupying in-between positions as profit-seekers or opportunistic players. It should be emphasized that brokerage is not limited to the wage-labor market (see Table 2). Several studies had already touched slightly on the role of intermediaries and middlemen in renewing monopoly contracts between the PA and the Israeli private sector (Lagerquist 2003) or laundering the settlement products to facilitate its marketing worldwide (Dana and Shihadeh 2012). Moreover, the role of the Palestinian General Authority for Civil Affairs as the exclusive Palestinian party to coordinate with the Israeli military in issuing of the Businessman Card (BMC), a prestigious passing-permit, can offer a different type of institutionalized brokerage system that rests on patronage and fraud relations (SH Interview 2019); a well-known, yet largely under-researched, phenomena. Finally, certain Palestinian high-tech ventures in Ramallah and Rawabi cities can also be conceived as broker-companies as long as they bridge between Israeli software projects and Palestinian talents (Goichman 2018; Nakhleh 2012).

## CONCLUSION

The aim of this chapter was to critically reflect on and expand the literature on the Palestinian political economy under occupation by highlighting the variety of roles that Palestinian actors currently hold in the West Bank-Israeli economic integration. Two inter-disciplinary knowledge bodies were proposed: Borderland literature was called upon to understand how Israeli colonial structures are actually affecting economic integration. Instead of perceiving dividing lines, and separating edifices, daily encounter proves that borders cemented the West Bank-Israeli economic cooperation by “illegal” or “informal” means. The segregation regime which has been conceived as an Israeli tool to manipulate the “power of topography” gave rise to unanticipated “topography of powers”: new economic relations, hierarchies of power and more economic integration. Furthermore, the sociology of brokerage disturbs the simple dichotomous relationships between dominating colonizer and subjugated colonizer that characterizes the macro-level of analysis. It allows us to identify the central role of different types of linkage positions between what have been conceived as two self-sustained poles of a relationship.

The highly unequal economic relations between the West Bank and Israel are clearly skewed toward benefiting the Israeli interests. However, this critical conclusion is dominated by an aggregated view that unintentionally obscures the active role of different Palestinian profit-seeking actors and opportunistic players. These segments do not only exist as capitalist classes who flourished inside the Palestinian economy and benefited internally through their patronage links with the PA (Bouillon 2004; Dana 2015; Hanieh 2011). Nor are they merely individuals who were derived by their “agency of survival” to innovate new profit-seeking crafts such as porters, peddlers and drivers who relocated their activities near crowded checkpoints (Hammami 2010; Tawil-Souri 2009). On the contrary, there are various social classes who grow as parasites on the body of the colonial system. As they “made use” of the gaps and contradictions of the Israeli occupation structures to improve their life chances, they were in fact accelerating the Palestinian-Israeli economic integration.

The reproduction of the Palestinian economy as dependent on, and integrated into, the Israeli economy is not only pushed by the colonial regulations, but is sometimes also reinforced by Palestinian mediators whose role is institutionalized within the colonial structure. This implies

that the day-to-day functioning of many Palestinian economic activities relies on the occupation infrastructure, including settlements. Any engagement in the political economy of the Palestinian-Israeli economic integration should not exclude the myriad interlinks, and relations of power, that are being classified as “illegal” or “informal.” In fact, these relationships constantly deepen economic integration.

## NOTES

1. Blue tax (or Blu Tax) is a specific type of excise tax imposed only on fuel purchases (Gasoline and Diesel). It is determined by the Israeli on petroleum products sold either in Israel or inside the Palestinian territories and constitutes of about 50% of the final price (AMAN 2018).
2. This should not imply that both modes are mutually exclusive. In each period several types of brokers existed beside the main recruitment system.
3. It is worth noting that out of the total number of West Bank labor migration to Israel, the Palestinian Central Bureau of Statistics estimated that 72% held working permits, 19% were smuggled and 9% held Jerusalem ID cards or foreign passports (PCBS 2020).
4. Palestinians Jerusalemites are considered permanent residents in Israel, although the majority of them do not hold citizenship. However, their economic activities (e.g., registering a company) fall under the Israeli law. They also have full access to both the Israeli and Palestinian spaces, and their mobility is not subject to the permit regime.

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# The Political Economy of the Gaza Strip Under Hamas

*Ahmed Tannira*

## INTRODUCTION

Studying the political economy of Gaza often involves a complex set of questions in an attempt to explain the current reality. Is it the result of systematic Israeli policies toward the Gaza Strip? Is the Palestinian Authority (PA) responsible for the poor political and economic management of the Gaza Strip? Is it international donors' policies and agendas? Is it the geopolitics of the Strip? Is it the intra-Palestinian division? Or is it Hamas' control of the Strip? However one looks at it, the Israeli unilateral disengagement from the Strip in 2005, Hamas coming to power in 2006, and the Israeli crippling siege and blockade since then have all paved the way for a new era in all aspects and introduced new dynamics that have contributed to the current political and economic reality in Gaza.

Hamas' rule was challenged by a firm refusal from the Fatah-dominated PA, regional actors, and key international players such as the US. This refusal resulted in a set of policies that made the Hamas governance of the Gaza Strip a complex process. On top of these policies has been the

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international boycott of the Hamas government and the Israeli-imposed blockade. In most cases, the main objective of the boycott and blockade was not to hinder Hamas rule in particular; rather, it mostly targeted the Palestinians in the Gaza Strip as a pressure tool for political and security concessions. Hamas' strategy to confront this pressure was based on strengthening its economic and security structures through the acquisition of strategic economic sectors within the Strip, to economically separate from the Palestinian Authority in Ramallah by imposing a separate tax system, and to tighten its security grip on the Gaza Strip to prevent any attempt to destabilize the movement's rule, whether from inside or outside the Gaza Strip.

This chapter aims to understand how Hamas' structures of governance and control of Gaza have shaped economic and social realities. First, it discusses the political aftermath of Hamas' electoral victory and how it reconstructed the internal Palestinian political dynamic and the associated economic side-effects. Second, it looks at how the short-lived tunnel economy imposed a long-term and continuing impact on restructuring Gaza's economic elite, with particular focus on Gaza's private sector. Third, it highlights the structural imbalances that have engulfed Gaza's physical, human and social capital as a result of the ongoing Israeli-imposed blockade, Palestinian internal divisions, and their economic side-effects.

### HAMAS 2006 PARLIAMENTARY VICTORY: A PALESTINIAN EARTHQUAKE

Hamas' victory in the Palestinian Legislative Council (PLC) elections in 2006, and its formation of a government, triggered much debate both internally and externally. Some observers thought it was an opportunity for the movement to demonstrate its ability to implement a moderate national agenda that is workable and acceptable for Israel and the international community. Being in the government, it was expected by European donors and some Arab states that Hamas would follow a more pragmatic approach to manage its relationship with Israel, taking into consideration the political and socioeconomic well-being of the Palestinian people (Baconi 2018; Charrett 2019). The initial anticipation was that the international community would give the Palestinians, particularly, the Palestinian President Mahmoud Abbas, the time he needed to get things in order, following the initial expected chaos that followed Hamas'

victory. Conversely, Abbas had experienced mounting pressure from the US government to demilitarize Hamas and other armed groups, regardless of fears that this was likely to lead to an armed confrontation between the Fatah-led-PA and Hamas (Weisman 2006). Abbas communicated to the US government that Hamas participation in the PLC would gradually transform the movement into a formal political player concerned with the pressing issues of governance rather than military resistance to Israel (Weisman 2006; Sen 2015; Baconi 2018; Dunning 2016).

Not surprisingly though, Hamas refused Abbas' pressure and other regional players to accept the international conditions of disarming its military wing (The Izz al-Din al-Qassam Brigades), denouncing armed resistance, and recognizing Israel through political settlement. Hamas formed its own government without the participation of other Palestinian parties (Abusada 2010, 4). Consequently, Israel withheld the transfer of Palestinian tax revenue, which was agreed as part of the Protocol on Economic Relations or the *Paris Protocol* signed in 1994 between the PA and Israel. In 2006, tax revenues constituted approximately 40% of the PA's budget, so Israel's withholding caused a huge deficit in the PA budget and hindered its capacity for essential service delivery, including paying salaries for its employees in the West Bank (WB) and Gaza Strip (Zilber 2014).

In the meantime, Israel intensified sanctions on the Gaza Strip by imposing further punitive measures. These measures included the tightening of Israeli control over Gaza's six land crossings that functioned as the main supply routes to the Strip (Strand 2014, 10). For instance, Karni Crossing, the main commercial crossing between Gaza and Israel, was completely shut and the Israeli border authorities rerouted the flow of supplies to the Strip through a much smaller and underdeveloped crossing, the Kerem Shalom Crossing. The decision to close the Karni Crossing was intended to cut off the flow of humanitarian and commercial supplies (Wikileaks 2011a, b). Accordingly, the main route between Gaza, and the Israeli and external markets was suspended. The Israeli government justified the move, saying that keeping the crossings with Gaza open "could weaken efforts to undermine Hamas because monitoring the crossings require constant contact with officials of the new Hamas government" (quoted by the then Israeli Foreign Minister Tzivi Livni in Strand 2014). The US government supported these measures without scrutinizing or objecting to the use of collective punishment against the people in the Gaza Strip. In fact, it emphasized the fact that such measures

would “draw attention to the failures of Hamas” (Wikileaks 2011a, b). The intended goal of such collective punishment, according to the leaked wire, was to speed up the downfall of Hamas anticipating people in Gaza would rage against the additional hardships they had to face as a result of Hamas clinging to power (Dana 2019).

These measures had an immediate impact on Gaza’s industrial sector leaving both manufacturers and laborers to deal with an additional crisis. It was estimated that more than 90% of factories in the Strip had closed and the remaining 10% continued to work with minimum workforce capacity (Gisha 2010). At the same time, exports from Gaza saw a huge decrease because only 259 trucks were allowed to leave Gaza in the period between 2007 and 2010 (Gisha 2010). The agricultural sector though was most affected by these sanctions. This sector has always been dependent on individual farmers or small family businesses that relied on exporting their farming products, such as cash crops (i.e., berries, flowers) (Strand 2014, 16). During this time, farmers had no choice but to sell their products locally at very cheap prices due to the high level of supply that Gaza’s market demand could not cope with, or in some occasions had to destroy their products to keep prices at a reasonable price.

Figures from 2008 indicated that Gaza’s economy shrank from US\$1.7 billion in 2005 to US\$1.1 billion in 2008 and had a share contribution of 22% of Palestinian GDP compared to 35% in 2005 (The Portland Trust 2010). This deterioration continued through 2009 resulting in more than 65% of the labor force becoming unemployed. While unemployment between 2006 and 2010 did not change, the workforce itself increased by over 50% (The Portland Trust 2010). The impact of keeping PA employees on the payroll doubled to what the public sector could afford. The private sector had witnessed the highest level of damage, where employment (industry and construction businesses) fell by almost 75%. In the middle of 2010, approximately, one-third of companies in Gaza were working at their lowest capacity (The Portland Trust 2010) (Fig. 6.1).

With the gradual destruction of all economic sectors accompanied by severe mobility restrictions on goods and individuals, poverty in the Gaza Strip reached approximately 80% (Byman 2010, 58), 60% of which struggled to survive financially or hardly had access to day-to-day living necessities (UNDP 2010, 30). By the year 2010, the population classified as food-insecure in the Gaza Strip had reached 63% after the Operation Cast Lead according to the World Food Programme (WFP and FAO



**Fig. 6.1** Decline in Gaza's Labor Force, 1994–2014 (*Source* [World Bank 2015])

2010, 8). This result has forced humanitarian agencies, such as UNRWA and WFP, to double their assistance to meet the overwhelming level of poverty. By 2010, 1.1 million people were receiving food assistance, almost 60% of Gaza's population (UNDP 2010, 109).

## HAMAS AND THE TUNNEL ECONOMY

When Israel unilaterally implemented its disengagement plan from the Gaza Strip, a new buffer zone on the Gaza border with Egypt was created.<sup>1</sup> Nearly 1,500 Palestinian homes were demolished in order to create what is now known as the Philadelphia Corridor.<sup>2</sup> Yet on the day Israel completed its disengagement, large parts of the iron fence marking the Gaza-Egypt border were removed by young Palestinians who used these gaps in the wall to travel to Sinai in Egypt. Chaos on the Gaza-Egypt border continued for about eight weeks before Egypt decided to seal the borders again. This unprecedented border situation marked a new milestone in the relationship between Gaza and Egypt and had an impact on important political events later.

The Gaza blockade entered a new phase following the Hamas kidnapping of an Israeli soldier in 2006.<sup>3</sup> All entry points to the Gaza Strip were completely shut, including commercial crossings, except for the earlier mentioned Kerem Shalom crossing point, which was mainly used to transfer basic humanitarian supplies. With the tightening of the blockade



by Israel and Egypt, and the political embargo by the Ramallah-based PA, Hamas was left with little alternative except to gradually embark on an industrial-scale program through the border breach. This program mainly depended on the construction of 200–350 tunnels near the Rafah-Sinai border.<sup>4</sup> Although tunnels were funded and used by traders on both sides of the border for decades, Hamas took the lead in regulating the operations of these tunnels by bringing them under its umbrella (Baconi 2018, 142). According to the former Minister of Economic Affairs of the Hamas government in Gaza, a partnership had to be developed between the government, landlords, and farmers near the border area, as well as businessmen and traders involved in channeling goods through tunnels.<sup>5</sup> Hamas kept records of people and parties involved in the tunnel economy including names of workers, traders, location and other specifications (i.e., types of goods smuggled through tunnels), and set a schedule and timeframe for the work of tunnels. All types of goods were channeled through tunnels, including fuel and vehicles, and the tunnels quickly developed into the primary trading route into the Gaza Strip (Pelham 2011). Tunnels also became key to alleviating the political and economic pressure that the Strip suffered since the Hamas takeover of power in 2006. Although the cost of constructing a single tunnel was quite high due to the risks involved, these tunnels generated rapid revenues which offset these risks. The cost of each tunnel according to a Hamas official was between US\$100 and 150 thousand.<sup>6</sup>

Accordingly, the tunnel economy grew in size and form, accounting for 80% of Gaza's trade (2009–2012), with revenues estimated at US\$1 billion annually at the time (Pelham 2011). There were two key aspects of the emerging tunnel economy whose impacts can be defined both as short-term and long-term.

The first and short-term impact was that tunnels had significantly decreased dependency on the Israeli economy at a time when Israel was keen to use the economic embargo against Hamas to destabilize its rule through adding more pressure on Gaza's population (Pelham 2011). Several economic sectors had witnessed a significant revival due to the smooth flow of raw materials and supplies at relatively lower prices. Meanwhile, tax revenues generated through tunnel trade and the reviving economic activities in the Strip had given the Hamas government the opportunity to empower the foundations of its rule and to confront the financial pressure imposed by the PA, Egypt, and Israel.

The second and long-term impact is how the tunnel economy “led to rapid change in social and class structures as the tunnel trade marginalized the traditional merchant class and created a new class of *nouveaux riches* that benefited from monopolies granted by Hamas” (Dana 2019, 47). As tunnel trade continued to grow and replace formal trading, the Hamas government took new measures to formalize its involvement in the work of these tunnels. The key element was ensuring revenues were directed through government revenue and tax institutions. In order to do this, the government in Gaza established the Tunnel Affairs Commission, comprised of a tax authority that was accountable to Hamas only.<sup>7</sup>

Gradually, Gaza’s commercial life and trading activities had fallen under the umbrella of Hamas through a large network of smugglers and affiliated traders, with the involvement of Hamas’ military wing. Hamas felt the need to control and monitor those involved in the tunnel trade as well as ensure full knowledge of what came in and out of the tunnels controlled by non-affiliated groups and individuals. On the other side, the traditional class of traders and businessmen did not benefit from the Hamas-controlled tunnel trade due to their non-affiliation with Hamas and security considerations. This class, which had dominated the economy for decades, was seriously weakened by Israel’s blockade and the subsequent economic changes in Gaza.

### THE HAMAS PRIVATE SECTOR

Following the political division between Gaza and the West Bank in 2007, the private sector emerged as the primary sector in Gaza for supplies and services. However, this sector was facing mounting challenges resulting from the tightening Israeli blockade as well as Israeli and PA sanctions against Hamas—following their takeover of the Gaza Strip the same year. According to UNISPAL, nearly 90% of the sector was affected by the blockade (UNISPAL 2009). For instance, the construction sector was completely shut down which resulted in the rise of Gaza’s unemployment to unprecedented levels and the increase of basic goods prices by 200% in the years between 2007 and 2010 (UNISPAL 2009).

There was a growing fear that key businesses and factories would relocate their operations out of the Gaza Strip, especially because businesses such as clothes and food factories had already located their operations in Egypt, Jordan, and the West Bank (The Portland Trust 2012). At the same time, the relocation of many Fatah- and PLO-affiliated officials and

their middle-class associates (who felt insecure following Hamas taking control of the Strip), encouraged primary businesses in Gaza to relocate.

The formation of the Tunnel Committee eventually led to two major outcomes: the growth of new tunnel businessmen (who had a level of affiliation to the movement or trusted and had shown willingness to work under its umbrella)<sup>8</sup> and the creation of a new tunnel tax system that became the backbone of Hamas economic survival in the Gaza Strip. Under the trusteeship of Hamas, smaller businessmen were allowed to invest capital in the construction of mid-advanced tunnels to allow for the flow of goods and supplies. Tunnel workers (who were responsible for digging the tunnels) were also included in the ownership of these tunnels in a way that they had a particular quota of revenues generated through individual tunnels. At the same time, Hamas obtained between 25 and 40% of tunnel revenues, depending on the size of the tunnel and the type of goods channeled.<sup>9</sup> Traders took advantage of the significantly cheaper prices of goods smuggled from Egypt which were sometimes three times cheaper than goods imported through Israel. At the same time, goods were sold in the local markets at the same price as Israeli-taxed goods; and due to the high level of scarcity in most basic supplies, prices were already twice or three times more than normal. Hence, new traders were able to make significant profits and were able to double their capital in a record time.

The high security risks and security considerations involved in the work of tunnels led Hamas to only allow a smaller group of Hamas-vetted traders and individuals to get involved in the tunnel trade. Meanwhile, as mentioned earlier, Gaza's traditional businessmen continued to suffer from Israel's blockade. The new traders/businessmen began to think of new ways to invest their newly accumulated capital. They purchased stalled commercial projects such as industrial factories whose work was suspended due to their inability to obtain raw materials. In addition to this, they ensured the full acquisition of the construction sector, which also witnessed almost complete disruption for the same reasons. The new businessmen began the construction of new residential projects that Gaza urgently needed as a result of the devastation caused by the war on Gaza in 2008–2009 and the military operations that followed. This is not to mention the acquisition of trade in new cars and spare parts. Most importantly though, Hamas' primary focus remained on the purchase of fixed assets, which was necessary to guarantee their continued and long-term domination over economic activities in the Gaza Strip. Through its

associate businessmen and second row party members, Hamas obtained commercial and agricultural lands and expensive real estate such as hotels, resorts on the Gaza beach, shopping malls, and agricultural projects. In a very short period of time, the movement was able to build an economic structure which formed the new private sector in Gaza.<sup>10</sup>

Hamas applied the same tax system on economic activities used by the PA, including taxes on all goods imported through the tunnels and value-added tax. The only difference was these goods did not enter the Occupied Palestinian Territories (OPT) officially so there was no official system to record the incoming goods. Consequently, Hamas was accused of deliberately allowing a tactical flaw in the tax system to be in place. The rationale behind this, as suggested by a UNDP economic consultant in Gaza, Hamas on the one hand wanted to collect formal taxes from traders and tunnel operators, and on the other hand it wanted to leave procedural gaps that would allow rooms for its own affiliated traders to maximize their profits, knowing that all income generated from their trade would return back to the movement.<sup>11</sup> Accordingly, Hamas on different occasions was accused of using the tunnel trade to increase its money laundering activities, which the movement used to strengthen its rule and military capabilities in the Gaza Strip. Meanwhile, it was estimated that the Hamas government made monthly revenues from tunnel trade that exceeded US\$62.5 million (US\$750 million a year) (Verini 2014). Hamas used this cash money to continue its governmental operations in Gaza, including paying its employees' salaries and covering the running costs of its government institutions, and most importantly continuing to build the civil security forces necessary to maintain its control over the Strip.<sup>12</sup>

This situation continued until shortly after the fall of the Muslim Brotherhood regime in Egypt in July 2013 (Dunning 2016, 206). Simultaneously, Israel began its targeted bombing to destroy tunnels on the border with Egypt to stop Hamas from smuggling weapons into the Strip and to stop its continued effort to build a military arsenal. Meanwhile, the new Sisi regime started its first phase of creating a buffer zone to stop smugglers from conducting any activities in that area. The Sisi regime too perceived Hamas as a security threat due to its ideological ties with the Muslim Brotherhood. Hence weakening Hamas economically was perceived as a strategy that could end its rule over the Strip. Before that, the newly emerged private sector (comprised of the Hamas cadre), had faced a heavy blow during Israel's 2012 Operation Pillar of

Defense. As it seemed, Israel had already realized the size of Hamas' alternative economic resources in the Strip and sought to weaken it through targeting these economic establishments. This included some of the businesses whose owners Israel claimed were affiliated to Hamas or helped the movement transfer money into the Gaza Strip.

### HAMAS AND THE TRADITIONAL PRIVATE SECTOR: A COMPLEX RELATIONSHIP

From 2012 onwards, the private sector had been strongly affected by the changes in the political framework in which economic activities are run. Well before that, particularly since the beginning of the division, the relationship between the Hamas government and the private sector had become a taxation relationship away from any policies that support or regulate the work of this sector (i.e., creating a risk-mitigating business environment conducive to alleviating pressures caused by Israeli-imposed closure measures and the ever-deteriorating economic conditions in the Gaza Strip). Against this background, the private sector began to face a number of key challenges that emerged as a result of the political tension between the PA and Hamas on the one hand, and the systematic Israeli economic warfare that followed Operations Pillar of Defense in 2012 and Operation Protective Edge in 2014.

First, as of 2012, there has been a significant increase in the amount of additional financial levies the Hamas government continues to classify as taxes and fees, although, these taxes were not originally approved by the PA before or even after the Palestinian division. Accordingly, businesses have had to deal with a "double taxation and custom" system, one collected by Israel on behalf of the PA, and the other by Hamas, when goods arrive to Gaza through commercial crossings.<sup>13</sup> In the meantime, there was a continuous decline in the level of economic activity until 2017, when it became fully stagnated registering negative growth.

Second, there has also been a level of inconsistency in the policies and regulations enacted by the authorities in Gaza which have had a direct impact on the work of this sector. For instance, the government used arguments such as protecting and supporting national products, protecting consumers and fighting monopoly. In line with that, it revoked the licenses of commercial agencies, prohibited the import of specific Israeli products and increased fees and taxes on others. However, on many occasions and due to the need to increase its monthly tax revenues,

the trade authorities in the Hamas government allowed agents from the formal private sector to import banned Israeli products to enter the Strip (Tapuzina juices and Tnuva dairy products). Consequently, this added more uncertainty among the private sector, both its own and the formal.

Third, a few factors indicate that the Hamas government implemented policies that have led to “crowding out” the private sectors.<sup>14</sup> The already struggling private sector saw the Hamas government implementing large investment projects that significantly weakened the former’s ability to stand out or compete. An example of this, as of 2010, the Ministry of Agriculture in Gaza launched large-scale agricultural projects, and alongside this, it invested in the already maintained agricultural lands that were part of the Israeli settlements in Gaza before 2005. The Ministry invested in growing seasonal vegetables and fruits, such as melons, mangos, courgette, and tomatoes.<sup>15</sup> In the same area, the Ministry also constructed large fish farms that until now cover more than 60% of market demands in the Strip.<sup>16</sup> In doing so, the government weakened the already struggling agricultural and farming private sector, as the latter accuses the government of monopolizing resources that the private sector relies heavily on for their industry.<sup>17</sup> In addition, Hamas was also able to gain a foothold in the financial and banking sector in Gaza through procedural facilitations provided by its own government in Gaza and support from affiliated businessmen.<sup>18</sup> This issue is viewed as particularly important to the movement, given the financial restrictions imposed by Israel on groups or movements the former considers “terrorist organizations.” This is in addition to the financial restrictions the Palestinian Authority imposed on Hamas after it took control of the Gaza Strip in 2007. Accordingly, the movement established monetary and financial services firms such as the National Islamic Bank, the Production Bank, al-Multazem Insurance Company and many other currency exchange companies and offices. All of which have not obtained licenses from the Palestinian Monetary Authority in Ramallah.

Lastly, the volume of credits facilities in Gaza had increased from US\$689 million in 2015 to US\$908 million in 2016, an increase rate of about 31.8% (PCBS 2019). Meanwhile, the increase in 2017 was estimated at 8.6%. In the same year, a new crisis began to surface when public sector employees began to experience deductions in their salaries and benefits (PCBS 2019). This had a significant impact on the private sector as it failed to ensure debt fulfillment by public sector clients.

Considering the above, as of mid-2017 the private sector was on the brink of a severe liquidity crisis and a sharp drop in the volume of commercial/trading activities. This drop continued steadily from 2017 to 2019 as a result of a significant decline in purchasing power. This situation was exacerbated by a number of factors, including:

- Government (public) spending in the Gaza Strip declined from US\$985 million in 2016 to US\$860 million in 2017 (12.6%), then to US\$849 million in 2018, and finally to US\$788 million in 2019. That is, the PA government spending in the Gaza Strip declined by 20% since 2017 (PCBS 2019).
- Per capita GDP declined from US\$1,731 in 2016 to US\$1,557 in 2017, then to US\$1,458 in 2018 and finally to US\$1,417 in 2019, i.e., it decreased by 18% compared to 2016 (PCBS 2019).
- Total investment declined from US\$623 million in 2016 to US\$440 million in 2019. Local investors had lost the ability to engage in new activities as success was very unlikely (PCBS 2019).
- The additional increase in levies collection by the Hamas government in Gaza after the failure to implement the Hamas-Fatah reconciliation agreement reached at the end of 2017.<sup>19</sup>
- The continuation of the electricity crisis which incurred an additional budget for the private sector that increased the costs of production and operations.
- The suspension of US support for the UNRWA budget beginning in 2018 which impacted over 60% of cash assistance beneficiaries (UNRWA 2018). Meanwhile, the World Food Programme reduced its support for thousands of poor families in December 2017 (WFP 2017).

### STRUCTURAL IMBALANCES IN PHYSICAL, HUMAN, AND SOCIAL CAPITAL

The repercussions of the Palestinian division and Israeli economic warfare have had a clear impact on the form and nature of Gaza's political economy. In particular, the political division since 2007 has led to a decline in the effectiveness, efficiency, and role of Gaza's physical, human, and social capital, all of which have always constituted the sources of

economic growth and the basic levers of economic and social development in the Strip. This decline exacerbated the already existing structural imbalances of the Gaza economy.

To understand what we mean by these forms of capital in the context of Gaza, physical capital refers to Gaza's stock of machinery, equipment, roads, and other basic infrastructure that are necessary to facilitate the establishment and continuation of economic projects and activities and to ensure the increased productive capacity of society. Physical capital also includes natural resources and the ecosystem. Meanwhile human capital refers to the productive capabilities of individuals, including expertise, knowledge, and technical skills (Hamilton 2005, 123–126). The success of any development process is linked to the presence of and positive contributions from both elements; and the lack of efficiency of either can lead to the slowing down or diminishing of the development process, causing a state of economic stagnation.

The Strip has suffered from a significant decrease in the productive efficiency of both physical and human capital, and a decline in their growth rates. If we examine the state of physical capital, we see that Gaza's natural resources have been impacted by a 35% loss of agricultural land as a result of Israel's land grab over the last 10–12 years (Gisha 2018).<sup>20</sup> This land has become a no-access security zone along the border with Israel. In relation to this, there is a sharp decline in the amount of water available for both domestic and economic use. This is in addition to the declining quality of water available, which, according to UNCTAD, is mostly unsuitable for human use (UN 2012). The efficiency and sustainability of Gaza's ecosystems have also been affected by increasing rates of pollution, particularly the pollution of drinking water and soil. Almost on a regular basis, Israel floods Palestinian agricultural lands located on the borders with Gaza with sewage water which results in land being unsuitable for farming. Meanwhile, Israel systematically digs deeper wells near the Gaza waters, which forces Gaza's artesian aquifers to drain into these wells.<sup>21</sup> Simultaneously, the lack of sufficient fuel entering Gaza has disrupted the work of Gaza's water treatment plants, resulting in poorly treated wastewater from substandard plants being discharged directly into the sea every day, causing extensive contamination of the beaches (OCHA 2018).

The other aspect of Gaza's physical capital is productive capital which comprises assets such as machinery, equipment, roads, and other essential physical infrastructure. The extensive destruction caused by three



consecutive Israeli military operations incapacitated thousands of industrial, commercial, and agricultural facilities. Meanwhile, the growth in physical capital saw a steady decline due to the absence of a favorable environment for investment, especially in the productive sectors that usually constitute the main source for jobs creation. As mentioned earlier, the introduction of exorbitant and diversified duplicate taxes by both governments in the West Bank and Gaza Strip created a repulsive investment and business environment, even for smaller investors who were discouraged by the continuous decline in economic activities.

At the level of human capital, the Palestinian national division significantly weakened the potentially active role it could play for a number of reasons. First, a large percentage of the Gaza workforce is disrupted, amounting to 210,000 inactive employees in 2016 (i.e., 42% of the Gaza workforce).<sup>22</sup> This caused a direct loss of national income and slowed economic development. In addition, there has been a continued erosion of human capital, especially with regard to skills and competencies of new Hamas employees, whether in ministries or security agencies. Moreover, there are problems in the level of harmony and compatibility between university graduates' specializations and qualifications, and the needs of the labor market in its current situation. Hence, the current educational outputs have direct and substantial impacts on the overall social and cultural trends that usually guide the educational and productive choices made by society in Gaza.

The last aspect is social capital which refers to the connections between individuals and social networks and the resultant reciprocity and trustworthiness (Abu Zaher 2013, 43). Historically, social capital was a crucial factor in determining the form and nature of the economic and political spheres in Gaza. As discussed earlier, for instance, the entire private sector in the Gaza Strip was hugely dependent on family investment where capital and employment were family driven. Within this framework, social capital was a source of power that had entitled economic elites in Gaza to climb up the political ladder. As Abu Zaher's (2013, 97) study indicates, the role of family and social ties has retracted from having a positive contribution at the economic level, the reason being their role decreased during the years of division in favor of the role of party ties and the ties between political elites. Accordingly, social capital-driven values such as trust, cooperation, and tolerance have had a direct impact on the democratic and economic performance in Gaza since 2007. This decline in social capital has impacted the effectiveness and efficiency of physical and

human capital which contributed to a continued decline in the role of the private sector and its position in the economic structure, particularly, its ability to absorb labor as an employment safety net (PCBS 2014, 125–126).

## CONCLUSION

The shape and form of Gaza's political economy under Hamas' rule witnessed significant changes in terms of key players and actors, performance, and the nature of economic activities. We have seen the emergence of a new economic elite that soon dominated the work of Gaza's private sector. The tunnel economy empowered a group of non-traditional traders and businessmen whose political ties (i.e., affiliation with Hamas) enabled them to take advantage of the chaotic tunnel trade between Gaza and Egypt. Thus, they succeeded in building large capital in a record time; and through this, they redrew the private sector map by appropriating important commercial sectors and real estate.

Another key factor that contributed significantly to reshaping the economy in Gaza is the duality in the political system. While the economy has been suffering from Israel's siege and economic sanctions, the existence of dual economic policies imposed by one government in Gaza and another in the West Bank led to exhaustion of the economic sectors and the further depletion of their resources. Additionally, the lack of a unified economic system led Gaza's economic sectors to lose its ability to plan activities and weakened its ability to develop alternative contingency plans to deal with the ongoing economic crises. In particular, working under two different tax systems and the government's crowding out practices have significantly weakened the private sector.

Finally, the structural imbalances in the forms and operations of physical, human, and social capital are an inevitable consequence of the economic and political changes the Strip witnessed during the last decade. Yet it is the most important element, because the economy in Gaza traditionally relied heavily on small, intertwined, and extended social relationships and networks within a small society. Therefore, the process of reforming social and human capital will require a long time to rebuild trust between both society and its economic institutions, especially when both operate within a political framework characterized by constant polarization.

## NOTES

1. In 2005, according to the then Israeli PM Ariel Sharon, Israel decided to unilaterally dismantle 17 settlements built on almost 40% of the Strip's land; and end its security presence within the territory while maintaining its control over Gaza's borders, air, and sea.
2. Philadelphia Corridor refers to a 14 km strip of land that forms the border between Gaza Strip and Egypt. This Corridor was a key element of the Egypt-Israel peace agreement reached in 1979 and was created as a security buffer zone on the border controlled and patrolled by the IDF. Israel wanted to ensure that no movement of illegal materials, particularly weapons or people happens in the area.
3. In June 2006, Hamas captured an Israeli soldier via a tunnel located on the border between Gaza and Israel. Following his kidnapping, Israel tightened its blockade on the Strip and conducted a series of attacks that targeted its infrastructure, including the one and only power plant.
4. Interview with the former Minister of Economic Affairs in the Hamas government in Gaza, Gaza, 13 July 2018.
5. Ibid.
6. According to one Hamas official the cost of booking a tunnel was roughly between US\$500 and 2,000, depending on the nature of goods and the size of the tunnel. For instance, tunnels where vehicles and heavy machines were smuggled were the most expensive to book.
7. Interview with the former Minister of Economic Affairs in the Hamas government in Gaza, Gaza, 13 July 2018.
8. Interview with a professor in public administration and advisor for the Hamas Ministry of Local Affairs, Gaza, 10 December 2018.
9. The size of the tunnel determined the nature of goods smuggled through. There were large tunnels suitable to smuggle cars and heavy equipment, medium tunnels to smuggle food and raw materials, and smaller tunnels for fuel through a network of pipes.
10. Interview with the EU economic consultant in Gaza, Gaza, 21 December 2018.
11. Interview with the UNDP economic consultant in the OPT, January 2019.
12. By the end of 2016, Hamas' monthly bill for paying its civil servants in Gaza was estimated at US\$15 million (see Nasser Eddin and Nuksic 2016).
13. Severity of the levying measures did as well. A report by the AMAN Organization indicated that Hamas resorted to adopting strict financial policies in 2015 in the area of tax collection and the imposition of new fees, which created duplication in the collection of taxes and fees. The abuse of the system in place (which includes value-added tax and customs

fees) occurred by adding an element called tax an addition (appendix) which comes under the categories stated. Examples of the new taxes are the *takaful* (social solidarity) tax and the import permit fees both targeted at business owners and the private sector in general. The import permit tax currently covers 70–80% of government revenues in Gaza, and the rest are covered by revenues from other public fees. Among the most notable are the double fees on cigarettes of all kinds that amount to 125% of their price (including customs fees, value-added tax and income tax), and the doubled fees for vehicle and drivers licensing.

14. The term “crowding out” in the simplest sense means replacing a private economic activity with a public economic activity. This phenomenon usually occurs when the government increases interference in one or more economic sectors, which affects supply or demand within the market. There are a number of procedures that can lead to this; for instance, when the public spending increases by increasing the tax burden which results in the size of private investment spending to shrink or when monopolizing access to resources, especially when the government enters the production areas which the private sector mostly operates.
15. Interview with the former Minister of Economic Affairs in the Hamas government in Gaza, Gaza, 13 July 2018.
16. Ibid.
17. Interview with the EU economic consultant in Gaza, Gaza, 21 December 2018.
18. Ibid.
19. Ibid.
20. More than 60% of Gaza’s agricultural land is located on the eastern border line with Israel. Over the years, Israel has expanded its security buffer zone at the expense of Gaza’s farmers. This has been done either by restricting farmers from accessing their lands or by expanding the security fence.
21. Interview with a senior official at the Palestinian Water Authority in Gaza, Gaza, February 2019.
22. Immediately after the Hamas takeover of the Gaza Strip in 2007, employees on the PA payroll (civil and security service staff) were ordered to abstain from attending to their government jobs while guaranteeing their salaries.

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# Palestinians in Israel: Neoliberal Contestations and Class Formation

*Hebatalla Taha*

## INTRODUCTION

In December 2006, the Secretary General of the Israeli Communist Party (CPI) wrote an article discussing the party's approach to the Palestinians citizens of Israel. The CPI has historically been a main vehicle for anti-Zionist politics, described as a “sanctioned venue of dissent” (Sa'di 2014, 179).<sup>1</sup> The Secretary General at the time was 'Issam Makhoul, who has had a long history of involvement with communist politics and served in the Israeli parliament between 1999 and 2006. In the article, Makhoul criticized the behavior of the Palestinian upper classes, historically:

During the war, the bourgeoisie and the traditional feudal leadership were the first to emigrate, leaving behind an injured people in a disastrous situation, and a communist party attached to these masses, persevering in their battle to provide these masses with the means of resilience in the national and class struggle. (Makhoul 2006)

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The war Makhoul is referring to is the *Nakba* (or “catastrophe”) of 1948, which resulted in the forced mass displacement of Palestinians. Those who managed to remain on their land (for a variety of reasons) in areas that became part of the Israeli state became citizens of Israel four years later (Robinson 2013, 72). Comprising nearly a fifth of Israeli citizens (21%), this population has been known by a variety of names, including Palestinians/Arabs of 1948, Palestinian citizens of Israel, Arab-Israelis, all of which are meant to attest to their conflicted political status.

Makhoul’s comments invited a detailed and passionate rebuttal, published less than a month later, written by the now well-known Ayman Odeh, a lawyer from Haifa who rose to fame in the 2015 elections as a leader of the Joint List, a coalition of four Palestinian parties. Odeh is chairman of al-Jabha (Hadash in Hebrew), a political movement that includes the CPI and was credited with reversing the decline of Palestinian alienation from Israeli parliamentary politics (Nasasra 2019).

Odeh denounced Makhoul’s terminology regarding the “*hijra* [migration]” and “*rahil* [departure]” of the Palestinian bourgeoisie during the *Nakba*, contending that members of the Palestinian bourgeoisie were forcibly displaced and that many lost their assets:

The Palestinian bourgeoisie and the traditional and feudal leadership did migrate [...] and leave behind an injured rest, but the Zionist movement and its gangs (with imperial cover and Arab collusion) abandoned them forcibly from their homeland and confiscated their properties. (Odeh 2007)

There was a premeditated plan to empty Palestinian cities of the urban bourgeoisie, he wrote, dismissing the division of society into the proletariat and the bourgeoisie, a framework he argued was not applicable to the case of Palestinians due to the unique conditions created by Zionism. The bourgeoisie was a victim of the *Nakba*, alongside the peasantry, he asserted, as part of the Palestinian collective. Furthermore, he stressed that this traditional bourgeoisie subsequently supported the establishment of a new Palestinian intelligentsia, and together, they represented a “patriotic bourgeoisie [*burjwaziya wataniya*],” who became “allies of the workers and peasants in the battle against colonialism and Zionism, and for the independence of Palestine.”

Odeh dismissed categorizations of the upper class as opportunistic, arguing that it supported the rise of a new intelligentsia, whose members formed a bulwark against collaborators and groups that worked with the Israeli state. Per a Leninist understanding of this class as a vanguard, Odeh argued that these intellectuals were “attached to their people and their issues” and thus had a stake in leading political changes. In the same text, Odeh challenged the CPI’s failure to explicitly demand the recognition of the *Nakba* in its key texts. This oversight, Odeh argued, means that discrimination against Palestinians has been understood within the context of Israeli statehood, an ahistorical view that depicts Palestinians as having emerged out of nowhere with the birth of Israel. He wrote:

The program of the 18<sup>th</sup> Congress [of the CPI, which took place in 1976] does not include the demand for the institution’s recognition of the *Nakba* and the historical injustice suffered by the Arab masses, and corrected justice [...] [It] does not include recognition of and dealing with representative bodies of the Arab masses, does not include the abolition of mandatory recruitment for the Druze Arabs and the refusal to fabricate a Druze nationality, does not include recognition of the unrecognized villages [...] It does not include the demand to establish an Arab university. It does not include the proposition to build villages and cities for Arab citizens, as well as many other [propositions].

The Makhoul-Odeh intellectual exchange indicates the extent to which contestations over class and historiography continue to be a crucial aspect of contemporary Palestinian political thought. Odeh’s intellectual outlook seeks to reconcile Marxist political economy, amid accelerating neoliberal change, with a political understanding of the indigenous status of Palestinians, which entails a return to the historical roots of the present state. He was, for instance, one of the intellectuals and activists who participated in the production of the “Future Vision” documents in 2006–2007, which evoke the indigenous status of Palestinians as a basis for their discussion on economic, political, and social life (National Committee 2006; Jabareen 2007; Adalah 2007; Mada Al-Carmel 2007).

Using this debate as a point of departure and engaging Odeh’s intellectual thought in further depth, this chapter deals with the contemporary political economy of Palestinians of 1948, focusing on the ways in which neoliberalism has restructured Palestinian capital and labor as well as the

ways in which Palestinians have, as active agents, often embraced neoliberal processes to challenge their precarity. I explore the emergence of an indigenous capitalist class that has coalesced around projects of economic development, focusing on the period starting from the 2000s onward. In particular, I look at an economic forum, the Arab Business Club, as well as discourses emphasizing individual success stories, to consider the ways in which members of this class have re-articulated and revised the notion of a patriotic bourgeoisie. By examining and taking seriously the roles of indigenous capitalists and their political orientations (Vitalis 1995), the chapter demonstrates why this is at odds with the second strand of Odeh's thought, the adoption of an indigenous and historicized approach to the political economy of Palestinians in Israel. As a contrast, a final section deals with the politics of labor from below and the impetus for creating "internal momentum" by redirecting Palestinian labor toward productive purposes. In these non-government organizations and spaces, Palestinians have called for a re-orientation, historicization, and politicization of labor and their experiences of poverty and inequality.

The rest of this chapter is structured as follows. The following section provides context regarding the history of dispossession and proletarianization and the simultaneous emergence of neoliberal development. These two seemingly contradictory approaches have been employed simultaneously and play a crucial role in processes of settler colonialism. Building on this, the subsequent sections discuss indigenous capitalism, discourses of resolve, and labor disengagement, in turn, followed by a brief conclusion.

## HISTORY OF DISPOSSESSION AND DEVELOPMENT

The roots of impoverishment of Palestinians in 1948 lie in a history of dispossession, of which land expropriation has been a cornerstone (Jiryis 1973). Hundreds of Palestinian villages were wiped off the map entirely during the *Nakba* and its aftermath. The erasure continued after the ceasefire: Deliberate expulsions from June 1948 into 1949 created an additional 300,000 internally displaced Palestinians. Villages were depopulated at the discretion of military decisions to establish security zones.

Palestinians in "non-mixed" cities and towns were placed under martial law, which included restrictions on labor. Described by Israeli officials as "regulation," these restrictions sought to protect Jewish labor (particularly in agriculture) and ensure control of the land (Ben-Porath 1966,

51). A rule of “local preference” dictated that Palestinians could only be employed in a Jewish area if the job could not be fulfilled by a “local.” Israeli policies sought to ensure that the livelihood of Palestinians was dependent on the state, and measures were taken to prevent Palestinians from building infrastructure for autonomous enterprises, which Israeli officials feared could result in irredentism (Shalev 1992, 45). Israeli officials have historically perceived the presence of Palestinians in the Galilee, for example, as a strategic threat and have described policies of dispossession as a form of liberating, emancipating, or redeeming the land (Jiryis 1976, 5).

These policies resulted in proletarianization and economic disintegration (Zureik 1976). During the 1960s and 1970s, Palestinians were transformed into low-wage laborers serving Israeli economic interests. Scholars have described the importance of proletarianization to settler colonialism in the context of Israel/Palestine precisely due to its peculiar feature of replacing, rather than merely exploiting, Palestinian labor (Samed 1976). The history of proletarianization and dispossession is linked to the consolidation of capitalism and colonialism, in which colonizing both land and labor were crucial. The term “Arab labor” (‘avodah’ aravit in Hebrew), which colloquially implies poor quality, inadequate, or dirty work, is a cultural construction that continues to have a lasting influence on the politics of labor. It is perceived as the opposite of Hebrew labor, which also denotes a policy for Jews to only employ Jews and therefore displace and “conquer” labor. Furthermore, Israeli political parties and institutions, such as the Histadrut (the Zionist labor union), used clientelistic networks to offer economic incentives to those who supported the state, while seeking to weaken communist political activity among Palestinians. This entailed jobs, land, or weapons to informants (Sa’di 2014, 158). Such policies illustrate the ways in which Israel sought to nurture a specific class among Palestinians which will be sympathetic or supportive to the objectives to Zionism.

Israeli political economy has from the start been deeply embedded within the global economy and aligned with international capital. However, the Likud government’s rise to power in 1977 and adoption of economic reforms in 1985 resulted in a series of turbulent and transgressive neoliberal market transformations, enacted in close cooperation with US economists and experts. Neoliberalism is a fluctuating and dynamic process, rather than a finished product of a coherent ideology (Peck et al. 2010). It represents an expansion of market principles to all interactions

and the restructuring of not only economic arrangements and practices but also human behavior (Harvey 2005, 3). It does not entail the state's retreat, which instead plays an active role in reshaping political relations according to economic principles. Reflecting a new stage in capitalism, neoliberalism imposes technical, bureaucratic, and infrastructural changes facilitating global flows of exchange, production, and consumption. It is marked by privatization, de-regulation, reduction of taxes, unlimited mobility of capital, encouragement of foreign investment, and attempts to undo welfare regimes. It emphasizes individual freedoms, translated into reduced expenditure in realms such as education, health care, and pensions.

Neoliberalism in Israel has been informed not only by nationalism but also by Zionism's primary objective of settler colonialism (Abu El-Haj 2010). The two processes have aligned and arguably facilitated one another. Neoliberalism has been a core part of the Israeli-Palestinian peace process that commenced in the 1990s. The peace process sought to consolidate Israeli military superiority with access to regional markets, resources, and cheap labor. In this sense, the Oslo peace process can be seen as an extension of Israeli capitalism (Hanieh 2002, 2003).

Making no mention of Palestinians inside Israel, the Oslo process relegated them to the status they always had—neither here nor there—and sought to localize their struggle. The liberal citizenship that had been extended to Palestinians was redefined along a more neoliberal paradigm that necessitated further economic integration (Rouhana and Sultany 2003). Throughout the past two decades, a plethora of government initiatives and organizations have emerged in service of the goal of Palestinian development and integration, most notably under Resolution 922, a five-year plan passed by the Israeli government in December 2015. Development has evolved beyond being a state-sponsored initiative; its terminology and technology are part of the conceptualization and formation of Palestinians of 1948 as subjects of Israeli capitalism. The Palestinian population became increasingly perceived as an obstacle to economic growth. The liberal citizenship (Tatour 2019) extended to Palestinians was redefined along a more neoliberal paradigm, thereby necessitating further economic integration, while Palestinians have increasingly been framed as a lucrative resource for the Israeli economy (Arlosoroff and Grimland 2011). Israel's accession to the Organisation of Economic Co-operation and Development (OECD) in 2007 created newfound momentum for its

development campaign, after the OECD highlighted pervasive inequality affecting Palestinians (2010).

Much like in other cases, neoliberalism in Israel champions greater “flexibility” of labor, rooted in the view that unemployment is always voluntary, and it tends to be fundamentally hostile to mechanisms of social solidarity such as unions. Civil society has become the main accepted space for alternative political ideas and voices, resulting in the proliferation of small-scale NGOs that have redefined political engagement, enabling the state to outsource and privatize responsibilities, though as this chapter will illustrate, these non-government and privatized spaces are also reformulating Palestinian politics and class dynamics.

The combination of development and dispossession described in this section is not necessarily paradoxical (Harvey 2004). Overseeing the “development” of indigenous groups has long been a central feature of colonial states (Comaroff 1998, 325) and a part of the overarching exploitation through which capitalism is produced. However, its incorporation under a neoliberal framework can be seen as part of a larger policy that aims to modernize and rationalize existing structures, as Martin Legassick describes regarding labor conditions in South Africa (1975, 247–251; see also Clarno 2017). Development is in many ways based on a continuity with the past, enabling a consolidation of established patterns (Shehadeh 2012).

## INDIGENOUS CAPITALISM AND CLASS

This process of neoliberal development has played a role in the construction of new class dynamics and contestations. A Palestinian capitalist class has increasingly coalesced around ideas of development and in non-governmental spaces and structures, and its members have become intermediaries in processes and mechanisms of economic development. As a political minority, members of this class are generally viewed as being on the margins of Israeli society, but they have also succeeded in taking advantage of new opportunities, such as expanded access to and familiarity with Israeli public spaces and institutions, to propagate their own political visions. This class operates predominantly outside of formal state institutions; its members, mostly confined to the private sector and civil society spaces, rely extensively on their economic wealth and privileges to achieve political objectives. The ability to fluidly navigate these circles—public,

private, and civil society, even amidst continuous political uncertainty and re-ordering—is a vital feature that defines their status and power.

Having attained unique and perhaps paradoxical positions as both beneficiaries and subjects of colonialism, indigenous capitalist classes are often perceived as complicit within colonial dynamics and representations (Birla 2009). But rather than merely represent Palestinian capitalists as a comprador class, this chapter embraces a perspective that seeks to transcend the binary between the “national” and the “economic” in their political interpretations and visions (Vitalis 1990; Seikaly 2015). These are individuals (predominantly men) who achieved notable financial success in Israel, in sectors such as transport, technology, energy, tourism, and real estate. They are well-known figures who occasionally feature in the Israeli press. While some may have made their money in the past, the focus in this chapter is on the ways in which they are channeling resources into development to project power in the post-2000 period.

A discussion on their role, therefore, offers insights into class formation and class contestation. I am interested in the ways in which they both depart from and redefine communist politics, which has been the main space for Palestinian political activity. Furthermore, by pinpointing changes within class and political economy, I aim to address the nuances of Palestinian political positions without merely succumbing to the perception of the Palestinian leadership as fragmented and fraught with internal discord (Jamal 2006).

Although they work to retain their privileges under current patterns of capital accumulation, members of this class also purport to destabilize established political arrangements. For instance, Mufid Badir, a well-known lawyer, wrote an op-ed in 2007 calling for Palestinians of 1948 to re-orient their economic activities toward international financial markets and overseas investments. Insisting that Palestinians can no longer ignore the rampant discrimination that defines their everyday experiences in Israel, he describes this as the only way for them to “catch up with the civilized world” (2007). His solution claims to remedy structural inequality while seeking to transform the image of “Arab labor.”

But Badir’s inclination towards international financial markets is in many ways the exception. Most Palestinian capitalist activity is deeply interwoven within Israel, which is also a reflection in part of funding mechanisms. One example is the Arab Business Club in Israel, a forum that brings together the aforementioned Arab businesspeople in the past two decades, with offices in Tel Aviv and Nazareth. It is funded by

the Center for Jewish-Arab Economic Development (CJAED), a non-governmental organization that emphasizes entrepreneurship and private sector development. The club has an annual membership fee of around US\$1,000. Members of the club meet regularly to discuss relevant business developments and organize collective action, such as conferences aimed at investment promotion and expansion of professional activities. For example, the club was involved in the establishment of a technology incubator in Nazareth, alongside firms and other investors, and has participated in events and professional seminars promoting science and tech in Nazareth, working closely with institutions of the military that historically dominate the domain of high-tech (Taha 2020). Furthermore, the club has offered scholarships to Palestinian students, particularly those studying disciplines that are linked to the strategic high-tech sector (Zuri 2001). It has also worked with firms in the West Bank and in Jordan. While the extent of its relationship with the Palestinian Authority is unclear, the Arab Business Club is listed under Israeli and Israeli-Palestinian Joint Institutions under the PA's Ministry of National Economy (State of Palestine, n.d.).

The Arab Business Club is a testament to the links between Palestinian economic space and Jewish-Israeli political circles, as well as the ideological alignment of the Palestinian elite with development structures and discourses. Many of its members are wealthy figures who, through development-oriented NGOs, project their visions for the future of Palestinians in Israel. They tap extensively into funds dedicated to development, both from the government and international organizations. The very presence of the club demonstrates the importance of development, as a mode of production and system of relations, for projecting power in Israel.

Following a technocratic self-image, the club depicts its role as responsible and neutral, and therefore, it professes not to have an explicit political affiliation. Rather, it uses its capital and influence to try and lobby the government regarding business-related activity and economic development mechanisms for Palestinians in Israel. Its stances and endeavors reflect an orientation toward privatized spaces, motivated by faith in the private sector as the key to improve the status of Palestinians in Israel. For instance, many members of the club are involved in Kav Mashve, an NGO that focuses on integrating Arab professionals particularly in the business sector. While this approach is a response to state neglect, the Arab Business Club also symbolizes a changing reality, one that fetishizes globalization and champions privatized and exclusive spaces to project



interests. These structures evidently retain the perception of wealthy elites as vital leaders of political change, but they revise the tools through which they do so, increasingly drawing on their socioeconomic power and attempting to use neoliberalism as a potentially subversive process.

The former director of the club, Ramzi Halabi, has for example advocated reconciling Arab-Jewish economic relations based on embracing the transformations in the Israeli economy “characterized by globalization, capitalism, global investment, and technology” (2007). In this vein, he called for the heads of local authorities to act as “economic entrepreneurs” who are “proactive and well-versed in economic affairs” to ensure the “feasible and effective performance” of local authorities based on “capabilities and competencies” (Basoul 2014). This can be understood as a message of support for the state’s continuous neglect of Arab localities, embracing notions of self-responsibility and self-management.

Furthermore, he urged Palestinian entrepreneurs and investors to professionalize and expand their operations, while pushing the government to implement affirmative action policies for large private corporations (Bokra 2015). Members of this class tend to boast of their involvement in multiple different NGOs, which may enable one to derive a sense of being connected with one’s community and participating in grassroots politics. Halabi, for instance, was also on the board of directors for Tsofen, an NGO advocating the integration of Palestinian labor into high-tech, and he is simultaneously affiliated with organizations such as Sikkuy (“Chance” in Hebrew) and the Abraham Fund. He has worked at the Israeli Postal Bank and previously at the Arab-Israeli Bank. Discussing his new role as the only Arab on the board of the Israeli Postal Bank, Halabi emphasized his vision to work to improve the bank’s profits while ensuring that it expands its operations among “vulnerable segments of society” (Awad 2015).

Halabi is hardly unique. Many of the club’s members participate in projects such as affirmative action policies, seeking to increase Palestinian employment. Yet, as mentioned, they mostly do so through non-profit organizations that work toward Palestinian employment, particularly among the business sector and university graduates. Many perceive their involvement in the club as a reflection of political or national responsibilities and as a way to empower Palestinians in Israel, particularly those in the younger generation, though they also disregard the working class. In a way, the club’s principles both reify and reformulate these principles of a patriotic bourgeoisie. They uphold the ideas of the bourgeoisie

occupying a national role, yet they paradoxically also highlight the ways in which Israeli political economy is able to successfully engineer another collaborative elite that reproduces capitalist class structures.

### STORIES OF “ARAB RESOLVE”

Many members of this class describe their political activity in a way that resembles a revolutionary or anti-colonial struggle, even if their professional positions ostensibly contradict this discourse. This has a long history, as demonstrated by Sherene Seikaly’s research on “men of capital” during the mandate period, including how they define themselves and how they present their social roles (2015, 4). The fluidity of these lines is demonstrated in a collection of two books published in 2012 by Mohammed Bitar, entitled *Najāḥāt ‘Azā’im ‘Arabiya* (“The Success of Arab Resolve”), which deals with 53 “success stories” from the Palestinian community in Israel. In his introduction to the book, Bitar asserts that he has deliberately avoided including political and religious figures, yet political sentiments are a central matter that features in the different accounts of 26 scientists and academics and 27 businesspeople.<sup>2</sup> The objectives of the book as a national project are manifest in several blatant ways, not least the image on the cover: A map of the territory of Israel/Palestine populated by the faces of his key informants, which misleadingly suggests that the book will not only deal with Palestinian of 1948 but the entirety of historic Palestine. The volume encases the supposed contradictions between economic success and nationalism, using figures from realms such as industry, science, and trade who have “made it” in Israel to inspire readers and instill feelings of national pride. In this approach, Israeli identity appears to subsume Palestinian identity, in what may amount to another mechanism of erasure. It also arguably reflects Fanon’s discussion of the nationalist bourgeoisie seeking to strike a compromise with the colonial system (1963, 61).

The book effectively illustrates that figures who comprise this capitalist class may not acknowledge tensions between their economic enterprises and their national and nationalist statements, as they crisscross both fluidly. Many of the individuals interviewed in Bitar’s volume linked their positions and roles to the Palestinian national project, notwithstanding capitalist pursuits that are arguably aligned to and actively benefit the Israeli state and economy. For example, magnate Ali Qadamani, whose “biggest accomplishments” as listed in the book include building power

stations in Tel Aviv, Hadera, and Ashkelon and establishing concrete factories in the Galilee, is quoted saying, “The nation is the land, there is no nation without the land,” a statement that can also be interpreted as affirming the indigenous status of Palestinians through their attachment to their land (“Ali Qadamani” 2012). Nevertheless, his company was the first Arab firm whose shares were traded in the Tel Aviv Stock Exchange in 1978. Qadamani’s narrative is similar to several accounts of renowned figures, who depict their capitalist successes as supplementing a history of resistance, a testament to the interlock between their political and economic roles (see MBC 2012). While this resembles PA-affiliated capitalists in the West Bank whom Khalidi described as a “neo-colonial, national liberal class” (2018, 385), in the case of Palestinians in Israel, the performative nationalism is striking in its ability to also propagate Zionism.

The influence of neoliberalism on framing discourses of the upper class—and using elite experiences and alignments in negotiating the future of Palestinians in Israel—is evident: By emphasizing individual cases of success, these narratives suggest that the struggles of working-class Palestinians are their own shortcomings. Rather than becoming an anachronistic category, the principle of a patriotic or national bourgeoisie has been restyled to maintain its relevance in this new neoliberal context. Instead of leading a revolutionary change, members of a “patriotic bourgeoisie” increasingly project power through economic performance and inspiration, relying on new technologies and resources. They continue to uphold the ideal of the elites occupying a national political role, even if not a revolutionary one, while reproducing the capitalist undertones associated with the framework of socioeconomic changes and neoliberal structures and spaces. This is partly why the concept of a patriotic bourgeoisie has often been deemed unfit to the revolutionary change envisioned by Marxists (Dagher 2013; Khalidi 2018).

However, throughout this process, indigenous capitalism in Palestinian political economy inadvertently becomes another node within Israeli colonial structures, relying on neoliberalism to fortify colonial structures. The injection of market principles and economic utility into political relations has a strong capacity and propensity toward exclusion. Furthermore, it peripheralizes the struggle for a historical acknowledgment of the situation of Palestinians in Israel and the demand for steps toward corrective justice and reconciliation, which thus becomes a depoliticized private concern. It establishes a neoliberal governmentality, which

disrupts methods of politics that are not marked-based. This illustrates why the two principles of Odeh's critique—political change through a patriotic bourgeoisie and an acknowledgment of the indigenous status of Palestinians—are arguably irreconcilable.

Although it aims to unravel a colonial hierarchy, such a formulation reinforces a framework in which state-citizen encounters are framed through a commodified exchange, which disentangles the political existence of Palestinians in Israel as an indigenous minority. In a study on citizenship, Margaret Somers argues, "The discursive triumph of market fundamentalism has the effect of freezing in place the identity based inequalities and historical exclusions, and then worsening them through deepening market based inequalities" (2008, 105). It subsumes the question of Palestinians of 1948 into a depoliticized logic of neoliberalism; even if the neoliberal process contains a commitment to challenging the dominant framework of Zionism, it nevertheless marketizes relations in a way that disentangles a Palestinian political existence from its framework.

Through exploring the imaginations and activities of this indigenous capitalist class, we can see how it is based on the promise of socioeconomic mobility of offering an escape from political dependency. Through private and privatized spaces, the capitalist class promulgates a type of politics that emphasizes individual planning and self-reliance, rather than rights and entitlement—attuned to the principles of neoliberalism. These contain various formal and informal credentials, which not only reinforce the exclusivity of elite status but also transform it into a statement about moral superiority.

## LABOR DYNAMICS AND DISENGAGEMENT

Palestinians are more likely to be unemployed and to be concentrated in low-wage labor. Around 75% of Palestinian men and 32% of Palestinian women are employed (compared with 87% for both Jewish, non-Orthodox men and women). Their hourly wages are also significantly lower, and the gap has increased: The Arab-Jewish wage ratio was 66% in 2001 and 54% in 2015, and for women it was 76% and fell to 66% (Larom and Lifshitz 2018). The historical concentration of Palestinians in low-wage labor is reflected in their cultural association with construction work, and until today, around a quarter of Palestinian men are employed in construction (Yashiv and Kasir 2014).

While the previous sections demonstrate how a capitalist class has ensconced itself within neoliberal spaces, this section will discuss an analogous process among labor that is happening from below. Such initiatives have emerged to also address the long-standing neglect suffered by the Palestinian community, yet while doing so, they also contain a more explicitly political dimension, which can be contrasted to the depoliticizing capital-led process. While it similarly calls on Palestinians to organize economically against their marginalization, it also contains a re-politicization of Palestinian history and the processes of proletarianization and dispossession—reiterating Odeh’s remarks on the CPI’s failure to understand Palestinian history as a core part of their political experiences.

The position of Palestinian workers in Israel remains precarious. Discussing their role in the Israeli labor market, “The Future Vision of the Palestinian Arabs in Israel” contains a call to restructure economic relations based on a two-fold strategy: merging into the national labor market and creating internal momentum. Although the integration of Palestinian labor is perceived as unavoidable, it is depicted as insufficient to become “relatively free from dependency and attain social unity and equality” (National Committee 2006). Creating internal momentum is complicated by the lack of Palestinian institutions. For instance, in the wake of the events of the second Intifada, Azmi Bishara lamented the lack of a single Palestinian bank, insurance company or printing press, and called on Palestinian investors to “begin to think of local economic ventures with their own structures, market, and labor, even if of necessity it will be linked to the Israeli economy” (Bishara 2001, 65).

Furthermore, seeking to defend the rights of Palestinian workers, the Arab Workers Union brands itself as an alternative to the Histadrut, given the Histadrut’s well-known ideological commitment to Zionism and, by extension, its unreliability in defending Palestinian workers (Badarne 2008). It was established in 2011 by Palestinians from Nazareth and surrounding areas in the Galilee after a previous iteration, Sawt al-‘Amil (Voice of the Worker), was suspended in 2010. The Arab Workers Union follows a history of attempts by Palestinian citizens to unionize separately from the Histadrut (Haklai 2009, 870–871).

Similarly, Ittijah (“Direction” in Arabic), the Union of Arab Community-Based Organizations, is a Haifa-based network established in 1995 that comprises around sixty organizations that have expressed a desire to disassociate from Israel (Payes 2005, 165–167). This includes the Islamic Movement (particularly the northern branch led by Sheikh

Raed Salah), which has expressed an inclination toward self-sufficiency and an independence from reliance on state funding, as a path to Palestinian empowerment. This is predicated on mobilizing latent capabilities among the local population and creating networks to provide necessary infrastructure (Rosmer 2012, 325–328). A public demonstration of the Islamic Movement’s successful mobilization was in Kafr Bara in the Little Triangle, where it reportedly built several communal institutions in record time without government funding, defying both the state and local leaders (Louër 2007, 70). This is based on a common narrative by Palestinian workers that they have “built” Israel through their manual labor.<sup>3</sup>

*Jam‘iyat i‘mār lil-tanmiya wal-taṭwīr al-iqtisādī* (Eamaar Association for Economic Development and Growth), also known as Eamaar for short, is an NGO affiliated with the northern branch of the Islamic Movement that was active between 2008 and November 2015 until Israel outlawed the Islamic movement, along with 17 charities and NGOs affiliated with it (Cook 2016). It worked to spread awareness of economic issues, described as a fundamental part of the national project, while supporting small-scale ventures by Palestinian youths and entrepreneurs. Eamaar’s quarterly publications featured a section on projects supported by its fund, which have included environmental projects, such as water conservation or educational institutes (Eamaar 2015). An example of how it spreads awareness of economic issues is its annual report on poverty (Eamaar 2013). This is in addition to numerous campaigns, such as an annual campaign held in Ramadan that encourages consumers to purchase products from Palestinian producers and shops, dubbed “*Sharwit Ramadan min baladī* [Ramadan Purchase from My Country],” followed by a similar campaign for Palestinians to celebrate *eid al-fitr* (the Muslim holiday that follows Ramadan) in Palestinian areas, as well as workshops, such as “*Ḥaqaq ahdāfak al-māliya: al-khaṭawāt al-‘amaliya li-taḥqīq al-ḥuriya al-māliya* [Achieve Your Financial Goals: The Practical Steps towards Achieving Economic Freedom],” which was held in Umm al-Fahm, Nazareth, Baqa al-Gharbiya, and Rahat.

The discourse embraced by these labor- and consumer-oriented projects is based on a redirection of efforts and resources elsewhere, and they also take advantage of an increasingly neoliberal space in order to project their visions. Indeed, some of these projects contain overtones of responsibility and self-reliance common to neoliberal thought. This also

suggests, perhaps, an unwillingness to trust or wait for the patriotic bourgeoisie to lead political change. The director of Eamaar and the head of public relations for the Islamic Movement, Yusuf ‘Awawdeh, expounds on this philosophy, which he describes as “economic freedom”:

We have two choices: the first choice is to sit and wait, blame the government’s policies and hope [they] will change...the second choice is, yes, to place the responsibility with the Israeli government and expose it on all levels, but we must also work hard to find independent solutions that change the situation... (2014)

‘Awawdeh asserts that supporting communal initiatives is one “independent solution” to strengthen employment among Palestinians in Israel, emphasizing that all it requires is a slight redirection of resources such as labor and savings. He advocates reducing spending on luxury goods and instead investing in the Palestinian economy, while referring to social justice and solidarity measures such as the collection and distribution of zakat (almsgiving in Islam). Through this paradigm, the very act of provision is perceived as a mechanism for resistance. These economic initiatives are heavily imbued with a political character, as resistance or self-empowerment in defiance of political restrictions, which can be contrasted to the state’s development projects—perceived predominantly as an attempt to depoliticize the struggles of Palestinian labor.

‘Awawdeh expresses a similar historical starting point and sense of sabotage:

We know, as [successive] Israeli governments know too, that we are not a society that was born poor and chose its poverty...no, never, we are a society that was faced with a catastrophe [*Nakba*] and stripped of its essential resources, lost its land and sea, and was subjected to military rule for decades, and many doors have been closed in the face of its children, and it was deprived of the elements of progress and development. (2014)

He links the current status of the Palestinian economy to the state’s establishment and the policies it has since enacted, which have suffocated development.

In 2010, a group of Palestinian NGOs reiterated these principles in a response to a report by the OECD that highlighted poverty and inequality in Israel. The OECD’s report, they argued, “did not deal with the economic reality for the Palestinians in Israel through a political context,

as a national minority that has been marginalized and excluded.” Instead, it pointed to “socio-economic divisions that are sharp, though normal in any normal society.” The report, they contended, “ignored the fact that economic conditions and poverty are part of the political status of Palestinians in Israel” (Letter to the OECD 2010).

This explicitly contradicts the point of departure taken by Israeli economic development projects aimed at improving statistics pertaining to Palestinian labor. As they refuse to acknowledge the starting point of the *Nakba* and the role of the Israeli government itself in proletarianization and dispossession, they ultimately depoliticize the experience of Palestinian poverty. This demonstrates the extent to which poverty and inequality are arguably political conditions that cannot be understood, improved, or measured solely using development indices.

## CONCLUSION

Reflecting on the options available to Palestinians in Israel, Salem Joubran, a Nazareth-born poet, journalist, and political figure in communist circles, writes, “We live on our land, our fathers’ and grandfathers’ land for centuries, and still, there is a semi-official question mark about our ability to stay in our home land” (2007). The sentiment reflects the irony of being excluded from one’s own home and land and conjures a state of incompleteness, the sense of possessing a tenuous or unresolved status. Encounters with the Israeli state and the economy are accordingly framed in terms of a population that is still colonized, with land and labor continuing to be central in the colonization process. Ongoing debates and discussions, such as the Makhoul-Odeh exchange, demonstrate the struggle to make sense of the status of Palestinians in Israel.

This chapter sheds light on the ways in which colonized groups—from different political and ideological backgrounds—have internalized and rivaled aspects of state-sponsored development projects. I have sought to demonstrate that the political and economic transformations that have taken place under the umbrella of development represent an overlooked terrain of Israeli policy toward Palestinian citizens and that Palestinians are not merely absent from Israeli capitalism. The infusion of development with the principles of the free market has in particular been one of the main characteristics of the particular strand of liberal institutionalism in the praxis of development, and its alignment with capital accumulation has become a standard characteristic. Development programs purport



to revolutionize the Palestinian economy in Israel and disrupt dynamics of disenfranchisement, yet they often subsume and re-articulate many of these processes in novel ways.

This discussion, accordingly, focuses on how they interact with and encounter processes of economic development, while paying attention to class formation and contestations. By looking at the role of class dynamics within Palestinian society, this chapter aims to problematize the perception of a unidirectional relationship, one imposed by the state on Palestinians as a monolithic entity. It eschews the view of social forces as somehow external to this process, but rather demonstrates the role of Palestinians as participatory agents in the production and reproduction of capitalism, as all of us arguably are.

## NOTES

1. There were other anti-Zionist political movements, such as Abnaa al-Balad in the 1970s and al-‘Ard in the 1960s, but they were outlawed by Israeli authorities.
2. The author is a telecommunications engineer by training (the first Arab to receive this degree, as he reminds his audience on multiple occasions) whose clients included Israeli corporations such as El Al. He also worked at the British embassy in Tel Aviv and subsequently ran for mayor of Nazareth under the slogan ‘*ru’ya ‘aṣriya li-madina ḥadāriya*’ (a modern vision for a historical city).
3. The statement is meant to be taken rhetorically and not literally. It is also worth mentioning the presence of even more precarious Palestinian workers from the Occupied Territories, as well as the presence of migrant laborers in Israel.

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# Toward a Political Economy of Apartheid and Inequality in Israel/Palestine

*Shir Hever*

## INTRODUCTION: THE STUDY OF THE POLITICAL ECONOMY OF THE ISRAELI OCCUPATION

Dozens, possibly hundreds of economists have written about the economic aspects of the Israeli occupation in Palestine, but the vast majority of the books and articles on the subject were written in the last two decades of an occupation which lasts for over five decades (most texts focus on the 1967 occupation).

When I started studying the political economy of the occupation in 2004, the books on the subject could not fill even one shelf in the library of Tel-Aviv University. I wrote my MA dissertation on how economic thinking about the 1967 occupation developed over the years (Hever 2006b). I had the enormous privilege of observing the explosion in scholarly writing about the occupation as it happened. Marxist analysis of the occupation as a form of imperialistic exploitation became rapidly outdated and replaced with new approaches to study the role of international aid,

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the Palestinian Territory as a testing ground for Israeli military and security technology and more. A wave of Israeli economists started reporting the heavy costs of the occupation for the Israeli side and argued that it must end for economic reasons, but in the wake of the Second Intifada and with the partial recovery of the Israeli economy from the crisis of 2003, many mainstream Israeli economists adopted the Israeli government's "conflict management" policy, arguing that the occupation can be maintained indefinitely and that peace is not necessary for economic prosperity (Hever 2006a).

The first decade of the twenty-first century saw a rapid growth both in data production and in data analysis of the economic aspects of the occupation, with many new reports by UNCTAD<sup>1</sup> and by independent Palestinian and international scholars. The Palestinian Central Bureau of Statistics (PCBS),<sup>2</sup> despite its restricted access to statistics on the Gaza Strip, nevertheless offered data which could be contrasted with UN data and with Israeli data. Some of the groundbreaking authors of economic analysis are authors of chapters in this very book. These new studies offered a first critical understanding of the economic policies of the Palestinian governments in the West Bank and in the Gaza Strip, various assessments of the sustainability of economic activity and the standard of living among Palestinians and a debate about the pros and cons of the two-state and one-state solutions. A plethora of studies on the way in which Israeli and international corporations profit from the occupation and plunder Palestinian wealth has also contributed to a contextual study of the occupation from an economic point of view,<sup>3</sup> and eventually convinced the UN to publish a list of companies involved in the occupation (UNHRC 2020).

Reports and analysis notwithstanding, a gap continues to exist between the research and the implementation of its conclusions. It may be that scholarly analysis of the occupation, insightful as it may be, is not necessarily relevant to the needs of policymakers. Left-leaning economists who write about the occupation have not deterred the Palestinian government in Ramallah from adopting a consistent neoliberal agenda (Khalidi and Samour 2014). The OECD chose to include Israel as a member of the OECD based on statistics which erase the existence of Palestinians, as if statistics about Palestinians never existed (Leshem and Hever 2019). The US "Peace to Prosperity" plan (more commonly known as the "Deal of

the Century”) continues to adopt the already debunked idea that Palestinians will forfeit national rights and personal liberties in exchange for a better standard of living (White House 2020).

It is time for a paradigmatic shift in the study of the political economy of the Israeli occupation. I propose to shift the focus from the concept of occupation to the concept of apartheid.

In the political discourse, there are already countless books and articles which call for a rethinking of the political framework in Israel/Palestine and replacing the occupation framework with an apartheid framework (see, e.g., Abunimah 2007). It is not my intention here to engage in a discussion about the one-state or two-state solutions, the structural flaws which made it impossible for Palestinian negotiators to turn a Palestinian state into a reality within the framework of the peace process (Erekat 2019), or whether the two-state solution is no longer feasible (Lustick 2019). Rather, the analysis of an existing situation as one of a unified but highly stratified economy in which discrimination is entrenched in both law and in practice is a completely different analysis from one which divides people and territory across borders which do not yet exist into two fictional economic units. Already in the 1990s, as the Oslo process created the illusion that partition into two separate economic units is planned, the Paris Protocol (the economic appendix to the Oslo Agreements) has been a clue that economic partition is not desired by the Israeli negotiators, and is not a salient point for the Palestinian negotiators. The Paris Protocol stipulates a unified tax and customs envelope, a continuous labor market across the entire territory, but with a different set of rights for workers and businesspeople based on their national identity (MFA 1994).

The growing BDS movement (Boycott, Divestments, and Sanctions) focuses its activism on three crimes: colonization, occupation, and apartheid, but there is clearly much overlap between the three. A shift from focusing on the occupation and on a two-state solution into a focus on apartheid and on a democratic “one-person one-vote” solution is not to deny the existence of a military occupation but rather to look for a more relevant framework in which to anchor academic research as well as political activism.

The economic study of the occupation and of Israeli colonial policies in the entire Israel/Palestine region must catch up with the political and sociological research.



## GDP AS A MEASURE OF ECONOMIC VIABILITY

Studies on the Palestinian economy have focused mostly on GDP (gross domestic product) as the main economic indicator of growth, prosperity, and economic activity. GDP developed from GNP (gross national product) and is therefore a child of the national accounting developed in the twentieth century in a world covered by nation-states, and it assumes a centrally managed economy which can collect accurate data on revenue and expenses from all businesses and institutions, in order to create reliable GDP numbers which measure the economy's resilience. The move from GNP to GDP was motivated by globalization, the understanding that an economy is better described within a territory as within a population. For the Palestinian economy which relies on remittances from workers abroad and on the income of Palestinian workers in the illegal colonies or inside Israel as a major source of revenue, the distinction is very important.

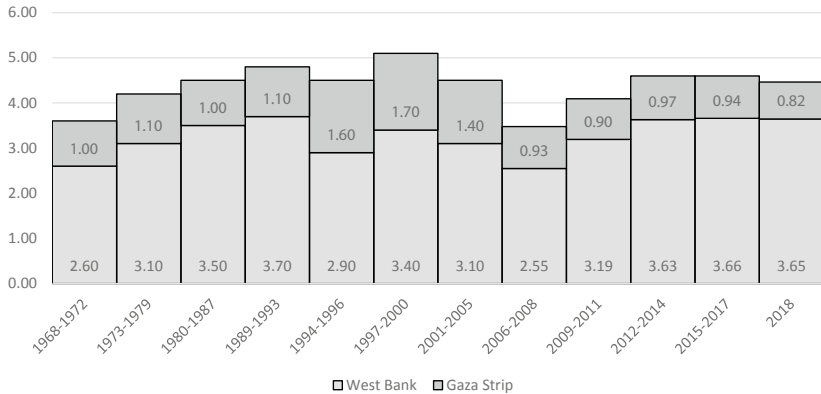
Several attempts have been made to measure the Palestinian GNI (gross national income), but the essential problem of attempting to measure a separate Palestinian economic entity where none such separate entity exists remains. GDP has also been severely criticized by many economists for several other reasons, for its failure to capture actual prosperity, for problems in calculating real-GDP when prices do not change uniformly, for its lack of attention to environmental costs of growth and more (see, e.g., Cassiers and Thiry 2014). The Human Development Index (HDI) and Sustainable Development Indicator (SDI) have also been proposed as alternatives to GDP (Jeremic et al. 2011, 63–67). HDI expands on GNI and adds an element of education and life expectancy. There are many types of SDI, striving for an even broader measurement of social equity and environmental sustainability. Indeed, such indicators will be of greater value to the research at hand than GDP, but unfortunately long-term data required for finding trends is simply not yet available. SDI especially would already be an indicator capable of detecting apartheid, and if accurate measurements were available, the calculation below would not be necessary.

GDP is sometimes understood as a measure of a state's overall economic power and a proxy for its ability to wield influence in the international arena. A promise of establishing an interdependent Palestine with a high GDP is an incentive for donor states to increase aid in

order to have a stake in that future economy, and an incentive for governments and international institutions to offer themselves as mediators in the peace process. According to this kind of geopolitical thinking, Palestinians should aim to catch up to the Israeli GDP, in order to even-out the uneven power balance. GDP is perceived as both the most important tool for reaching the goals of Palestinians under occupation, and at the same time as the goal itself, as if GDP is synonymous with freedom. The World Bank is especially captivated by this kind of GDP-centric geopolitical thinking. In its famous report “Twenty-Seven Months – Intifada, Closures and Palestinian Economic Crisis,” the World Bank summarized the extremely complex and multifaceted damage inflicted on the Palestinian economy by the Israeli military as a “35% decline in GDP” between 1999 and 2002, as if that fact is more telling than the uprooting of hundreds of thousands of fruit trees (World Bank 2003, xii).

The Palestinian Authority itself, under the leadership of Prime Minister Salam Fayyad (himself educated in the World Bank and the International Monetary Fund), demonstrated that it has internalized this kind of thinking so completely, that it no longer differentiates between economic growth (measured in GDP) and political freedom. The report “Ending the Occupation, Establishing the State” (PNA 2009) does not mention any policy or strategy directly intended to bring the occupation to an end, merely to create economic prosperity, as if that prosperity itself would constitute the end of the occupation. This report is one out of several which gave rise to the concept of “Fayyadism,” the willingness to sacrifice political rights for economic freedom (Tartir 2016; Dana 2015). It is worth mentioning the work of Andy Clarno on the role of neoliberalism in maintaining inequality in apartheid frameworks both in South Africa and in Palestine (Clarno 2017, Chapters 2 and 3, see also Seidel 2019).

Are Palestinians under Israeli occupation in the West Bank and Gaza Strip successfully catching-up to Israeli GDP? The Graph 8.1 shows the GDP in the West Bank and Gaza Strip as a proportion of the Israeli GDP. Instead of focusing on the actual size of the GDP or the rate of growth, it focuses on GDP as a proxy for economic power and therefore measures the ratio as a measurement of the imbalance of power between the occupying and occupied economies. I have chosen to use total GDP rather than per-capita GDP, because a geopolitical perspective of GDP is not about standard of living but about economic power, which is based also on the size of the population. The Y-axis shows the percentage of the Palestinian total GDP out of the total Israeli GDP, separated for



**Graph 8.1** GDP as proportion of Israel's GDP (*Source* Arnon [2007, 573–595], Palestinian Central Bureau of Statistics, Israel Central Bureau of Statistics. Data processed by the author)

the West Bank and the Gaza Strip. The Israeli GDP includes, of course, also the Palestinian citizens of Israel and therefore cannot be defined as “non-Palestinian.”

The graph paints a grim picture, that in the long run (and please note that the bars are designed to give a greater focus to recent years than to the distant past) neither the West Bank nor the Gaza Strip are catching-up to the size of the Israeli economy. Except for a brief period between 1997 and 2000, the Palestinian GDP has never reached 5% of the Israeli GDP. After a short period of rapid growth in the early years of the occupation, the ratio between the Israeli and Palestinian GDP remained mostly constant, interspersed with periods of crisis and with an unmistakable erosion of economic activity in the Gaza Strip as a result of the Israeli siege.

GDP may be useful, to a certain extent, to describe the volume of economic activity in independent states. I wish to argue that for the purpose of measuring prosperity and economic viability for Palestinians under Israeli occupation, it is especially misleading and economists should be looking for other measurements. Because GDP is measured by the Israeli and Palestinian central bureaus of statistics, respectively, by

collecting data from companies and institutions registered in their respective territories, GDP fluctuations may actually tell the opposite story than what they seem to be telling.

Consider, for example, a scenario in which the Israeli government cuts the permits or closes the checkpoints for Palestinian workers working inside Israel by half (unfortunately not a hypothetical scenario). Israeli companies immediately lose access to tens of thousands of low-paid workers and will report lower revenues that year (and possibly higher expenses, if these companies employ more expensive guest workers instead). The Palestinian workers, whose wages were counted in the Israeli GDP, will become either unemployed, or will find short-term or part-time employment in the Occupied Palestinian Territories (OPT), their wages counting toward the Palestinian GDP. In this scenario, Israeli GDP declines, Palestinian GDP increases, and the ratio of Palestinian to Israeli GDP increases—even though economic prosperity among Palestinians has taken a blow.

In an opposite scenario, imagine that a group of Palestinian businesspeople are making good profits and wish to reinvest their disposable capital. They consider the Israeli economy to be more secure and decide to purchase stocks in Israeli companies. Eventually, they gain influence and controlling shares in some companies, and use their capital gains to deepen their hold in certain Israeli economic sectors. In this scenario, the flow of capital from the OPT to Israel will create a decline in Palestinian GDP and an increase in Israeli GDP, showing a smaller ratio of Palestinian to Israeli GDP, even though this scenario describes a growing influence of Palestinian businesspeople over the Israeli market, and a redistribution of economic power.

## WAGES AND INEQUALITY

Shifting the economic focus away from the two-state framework and to a single economy creates a new set of economic problems to solve. The economic entity stretching across the entire historic Palestine and also the occupied Syrian Golan is a territory with a total population of about 13.9 million residents.<sup>4</sup> Its demographic composition is highly complex, with 48% of the population Israeli Jews, and about 50% Palestinian, but both of these groups are subdivided into different subgroups with different sets

of rights, including different access to economic resources. Even though a single central government monopolizes taxation and a customs envelope for the entire area, and a single central bank regulates a single currency for the entire area, no statistical yearbooks exist attempting to give a comprehensive picture of this large economic unit.

What is the unemployment rate, the poverty rate, the average number of years of education in this country which has no name? Not only are these statistics not published, but it is impossible to construct those statistics by trying to combine data from the Israeli and Palestinian Central Bureaus of Statistics—because the methodologies are incompatible with each other. In order to overcome the methodology gap researchers would need access to raw data collected separately by the two institutions as well as the time and resources to compile new indicators from scratch based on that data.

For the sake of a political economy analysis, shifting the focus from two states to one state means shifting the focus from GDP-differences to inequality. Inequality represents the economic side of the apartheid system. It is possible to consider inequality as a proxy for discrimination. If we can measure whether inequality is increasing or decreasing over time, we can describe trends in economic injustice and correlate those trends with different forms of resistance to the Israeli apartheid system, in order to identify which forms of resistance are the most successful.

It would be a mistake to focus on inequality between Israelis and Palestinians—this brings us back to the two-state framework. It would also be wrong to focus on a simplified Jewish-Palestinian picture of inequality, which ignores the complex ways in which apartheid creates discrimination along more than one axis. Apartheid and colonial rule legitimate discrimination, and the inequality is then used to justify injustice. Racist policies are based on a circular logic: Certain people should be paid less, because they are less educated and less productive. They are less educated and less productive because they live in a poverty-stricken society, and their society is poor because they are paid less. This circular logic is needed for the constant reaffirmation of the racist stereotypes (Bhabha 1994, 66–67).

Racist logics do not limit itself to a single dichotomy (in this case: Jewish vs. Palestinian) but rather expand to include gender discrimination, discrimination based on place of residence (e.g., Gaza vs. West Bank), ethnic and cultural discrimination (Ashkenazi vs. Mizrahi), religious vs. secular and more (Daoud et al. 2019, 1–14).

A commonly used economic tool for measuring inequality as a whole is the Gini-coefficient. The Gini-coefficient measures inequality in income across a range between 0 and 1. It is structured in a way which returns a result of 0 for a society in which income is distributed in complete equality, and returns a result of 1 if one individual receives the entire income while everyone else receives zero. Although there is not enough data to construct a Gini-coefficient for Israel/Palestine (there is not even a reliable coefficient for the OPT), we can create a theoretical model to answer the question—what is the expected impact on inequality from shifting the frame of reference from two states to one state?

According to the Israeli Democracy Institute, the State of Israel had a Gini-coefficient of 0.432, placing it number 103 in the world, slightly better than Zimbabwe and slightly worse than Angola.<sup>5</sup> This is the Gini-coefficient prior to taxes and transfer payments. The only industrialized country with a worse (larger) Gini-coefficient than Israel is the USA. The Gini-coefficient, however, does not distinguish between inequality which is focused in the upper socioeconomic strata of society to that which is focused on the lower socioeconomic levels. In the USA, millions live in poverty and earn a meager income, but the Gini-coefficient is driven upwards because the USA overall is a rich country, in which the top earners make very high incomes. While the income differences among the people living in poverty are relatively small, the rich are a very unequal bunch with wild variations between millionaires and billionaires.

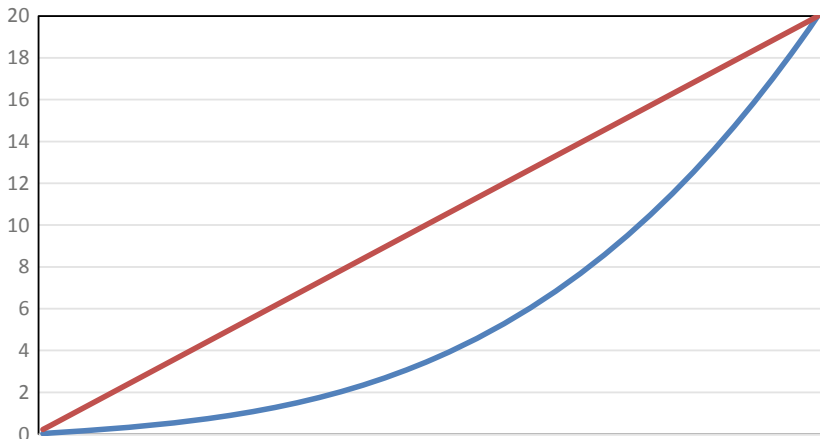
In Israel/Palestine we expect to see something else: the high Gini-coefficient is not a result of a very rich upper-class which dominates most of the income (this does exist in Israel/Palestine, but not more than in countries with a lower Gini-coefficient such as Egypt, Ireland, South Korea, and more). The reason is the very wide gap between different kinds of people who live under the poverty line: Ultra-Orthodox Jews in Bnei-Brak have a very different standard of living compared to Bedouins in the Naqab desert, even though both are groups of Israeli citizens with high rates of poverty.

Let us construct a model in which we divide the Israeli public into 90 groups of 100,000 people (an approximation of the 9 million Israeli citizens), and distribute an income of 20 “units” among them, to artificially create a Gini-coefficient of 0.432. The construction was achieved by creating a simple income distribution based on the group ranking squared so that group one received one share, and group 90 received 8,100 shares. Each share equals  $20/90$  or 0.22. This distribution leads to

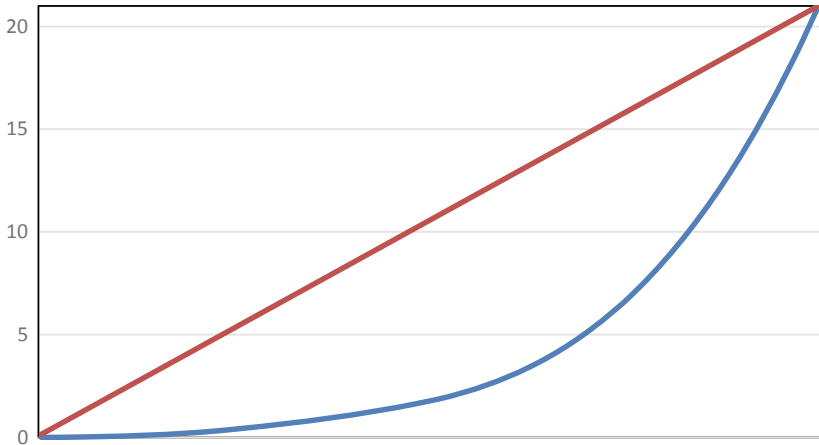
a Gini-coefficient of 0.492. This is a higher Gini-coefficient than desired, so the income of each group was mixed with an equal fraction of the equal income share for that group. It turns out that by taking 12.14% of each group's income and replacing it with 12.14% of the average income per group, the Gini-coefficient becomes exactly 0.432.

Then we can create an additional model for 50 groups of 100,000 people to represent the 5 million Palestinians in the West Bank and Gaza Strip with an identical pattern of income distribution, but sharing an income of only one "unit"—to represent the fact that GDP in the OPT is about 5% of the GDP in the State of Israel. In order to reach a Gini-coefficient of 0.432, a different factor was needed (because there are 50 groups instead of 90). From each group, 10.96% of the income was taken and replaced with 10.96% of the average income per group.

Now we can create a joint model for all 140 groups assuming that income levels are constant, to determine whether inequality has increased or decreased. The Y-axis shows the accumulated income for each ranked group and all the groups below it. The first group's income is almost zero, but the richest group counts not just its own income but also the income of all the poorer groups, so the Y-value for it is 20, the total income of the model (Graphs 8.2 and 8.3).



**Graph 8.2** Gini-coefficient for the Israeli Economy: Abstract Model



**Graph 8.3** Gini-coefficient for the Joint Economy: Abstract Model

Note that the Y-axis in the joint economy model goes up to 21 (20 from the Israeli economy +1 for the West Bank and Gaza). The Gini-coefficient is calculated either mathematically or graphically, by dividing the area trapped between the two lines with the area under the straight line. The difference between the two graphs is subtle, but it is nevertheless visible. Look at the left-most edge of the curved line. In the Israeli model, it begins to rise almost immediately, while in the joint model it remains so close to zero that it seems to be almost constant for the poorest groups. In the joint economy, the accumulated income takes longer to pick up, because a bigger proportion of the income is controlled by the richer groups (who are exclusively coming from the Israeli model). The combined Gini-coefficient calculated for this model is 0.582. This would place the one-economy as number 145 in the list of countries sorted by equality, between Zambia and Namibia.

The purpose of this calculation was not to determine what the Gini-coefficient in the one-economy is, but rather to predict how a comprehensive perspective on the Israeli/Palestine economy would change the perception of inequality. Instead of looking at two distinct economies by using arbitrary means to separate citizens from non-citizens, and calculating inequality measures for each of the two economies separately, a comprehensive look at the entire population of Israel/Palestine would



likely show a deeply divided and unequal society, among the most unequal in the world.

### WAGES AS A PROXY FOR TRENDS IN INEQUALITY

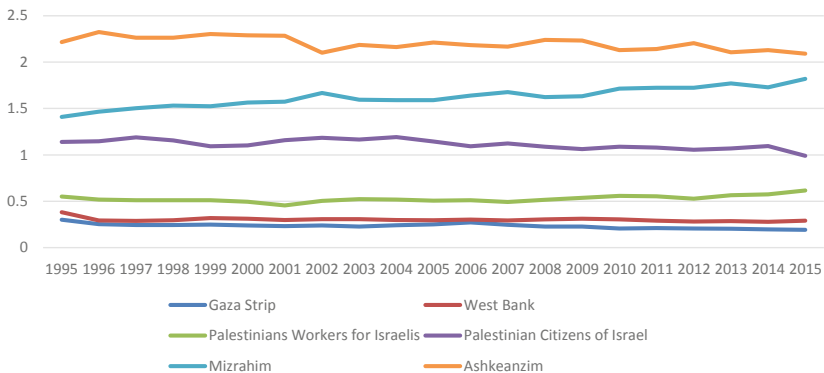
Continuing the argument that shifting the economic analysis from a framework of two states to a framework of apartheid also means turning from GDP to inequality-measurements as the proper tool for analyzing that economy, the question which arises is how to measure inequality in an effective way.

Since not enough data exists to calculate reliable estimates for the Gini-coefficient and create a time-series in order to identify trends in inequality, wage inequality can serve as a proxy. Noe Wiener and Paulo dos Santos propose that inequality can be measured indirectly by the extent by which identity can predict income (Wiener and dos Santos 2018, 1–52). I propose such an approach for the years 1995–2015 based on average daily wage and identity. The Palestinian Central Bureau of Statistics offers data on average daily wages for three groups during this time period: Palestinians from the Gaza Strip, Palestinians from the West Bank, and Palestinians employed by Israeli companies in Israel or in the illegal colonies. The Adva Center in Tel-Aviv offers a breakdown of the Israeli average monthly wage based on identity in three groups: Jews of European descent (“Ashkenazim”), Jews descending from Arab or Muslim countries (“Mizrahim”), and Palestinian citizens of Israel. The Adva Center stopped offering this breakdown after 2015 because the quality of the data distinguishing Ashkenazi from Mizrahi Jews deteriorates over time, as the data collected by the Israeli Central Bureau of Statistics uses a definition based on the birth country of the father, ignoring the cultural differences which persist between the groups even in the third and fourth generations (Cohen et al. 2019, 25).

Based on the OECD calculation that Israelis work an average 1,895.4 hours per year<sup>6</sup> we can arrive at the average daily wage for Israeli workers in order to create a comparable data to the daily wages measured by the PCBS. The number of hours may seem low, but it includes vacations, part-time workers, etc. and therefore serves as a useful multiplier for the average monthly wage (which is based on full-time employment) in order to compare with the Palestinian daily wage. Based on an average workday of 8.5 hours, we arrive at 18.52 workdays per month.

Using data from the Adva Center for the years 1995–2015 (Swirski et al. 2006, 2010, 2015a, b, 2017), data from the Israeli Central Bureau of Statistics on average monthly wages<sup>7</sup> and from the Palestinian Central Bureau of Statistics<sup>8</sup> on daily wages for this period of time, a comparison of average daily wages per worker among six groups can be constructed. We are not interested in economic growth, but in inequality, so the daily wages were normalized based on the 20-year average for each group to show fluctuations in wages. The following Graph 8.4 therefore shows the distribution of the wage pie among the six groups.

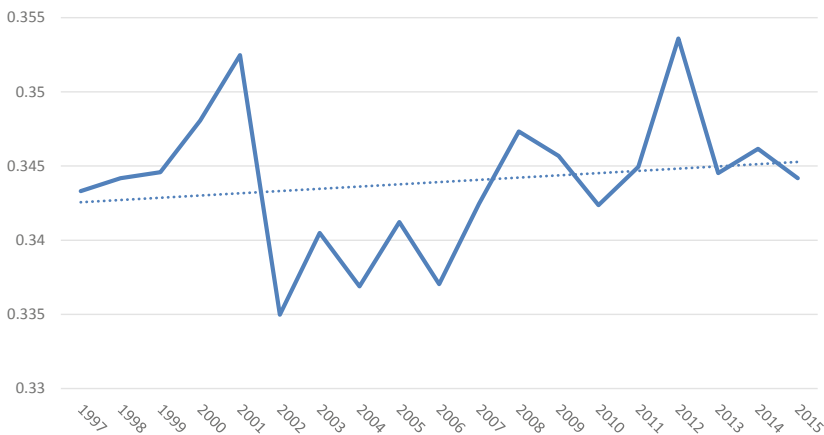
It is interesting to note that the six groups are completely discreet, there has not been a single year in the 20-year period observed in which the order of the six groups has changed. The inequality has increased and decreased in different periods, but its ordinal structure remained constant. The trends which are observed in this graph show that the population of the Gaza Strip's share of the wage pie remains constant and very low. Palestinians employed by Israeli employers in Israel or in the illegal colonies have seen a slow increase in their share of the wage pie, and Mizrahi Jewish Israeli citizens have seen a steady improvement in the size of their share, gradually catching-up to Ashkenazi Jews. The two groups which see a decline in their share of the total wage pie are Ashkenazi Jews (as the topmost group, a decline in its share of the pie is mathematically necessary in order to improve equality), and also Palestinian citizens of Israel.



**Graph 8.4** Wage inequality

All three sources of data on wages and inequality which were used also provide data on the gender wage gap, but they do not provide a breakdown of the gender wage gap according to the smaller groups: Ashkenazi vs. Mizrahi, Gaza vs. West Bank, and so on. Therefore, adding the gender wage gap to the calculation would create parallel lines and not add much new information.

Because of the ordinal nature of the inequality, we can repeat the Gini-coefficient calculation for each year separately, if we assume for the sake of argument that the six groups are of equal size. They are not, but the assumption makes it possible to find a trend in the inequality developments in the unified economy. Because only six groups are present, the Gini-coefficient is much lower, ranging between 0.31 and 0.35, which does not indicate better equality but rather a lower quality of the data. Therefore, the only thing which is interesting in Graph 8.5 is the question whether inequality as a whole is increasing or decreasing over time. To answer this question more clearly, I have added a trendline to the graph. I have also removed the first year (1995) which created a strong bias in the calculation (showing an increase in inequality over time), because 1996 saw a steep decline in the income of Palestinians from the West Bank and Gaza, and a sharp increase in the wages of Ashkenazi Jews. The trendline is subtle and not statistically significant, but is the closest thing we have to measure the trend in inequality among groups for this time period.



**Graph 8.5** Inequality trend without 1995

## CONCLUSION

This chapter sought to analyze some data on the political economy of the occupation in order to make the case that the analytical framework used by political economists is in urgent need of rethinking. The extensive use of GDP and national income data has been informed by a Westphalian thinking of nation-states and national accounting, which reaffirms the focus on (future) borders as the central issue in discussing the occupation and its eventual end.

In this chapter, I wish to suggest shifting away from the framework of states and borders, and into a framework of people: individuals and groups. Instead of putting national accounts at the center of calculations intended to describe and to analyze the economy of the occupation, we should be putting inequality at the center and focus on the economic aspects of apartheid. Inequality is the result of discrimination, and it spreads beyond the binary divide of Jewish vs. Arab. In this chapter, I have identified three groups among Israeli citizens and three groups among non-citizen Palestinians as an example of the way in which discrimination causes further social fragmentation and spreads inequality among both hegemonic and subaltern groups.

As I have shown in my abstract model, the true extent of inequality in the economic territory under Israeli control is vastly underreported and underestimated. Between the Jabaliya refugee camp in the besieged Gaza Strip and the high-rises of northern Tel-Aviv, there are merely 75 km, but the income inequality between the two areas is more staggering than in New Delhi or Rio de Janeiro. Because Palestinians and Israelis have their inequality measured separately, the socioeconomic gaps and the true face of discrimination are concealed in the statistics. Furthermore, as I have shown in some preliminary calculations of daily wages, there is a continuous trend of increased inequality over time. An individual's identity: where they were born, what is their ethnicity, nationality, and religion, become increasingly more important in determining how much that person can expect to earn. Their skills, education, effort, and dedication are likewise becoming less and less important.

## NOTES

1. For more information please refer to the UNCTAD's webpage "Palestinian economy: Studies and technical papers," available at: <https://unctad.org/>

- [en/pages/gds/Assistance%20to%20the%20Palestinian%20People/Studies-and-technical-papers.aspx](http://en/pages/gds/Assistance%20to%20the%20Palestinian%20People/Studies-and-technical-papers.aspx).
2. For more information please refer to the Palestinian Central Bureau of Statistics website, available at: <http://www.pcbs.gov.ps/default.aspx>.
  3. See, for example, the Who Profits from the Occupation research center website, available at: <https://www.whoprofits.org/>.
  4. This number is achieved by adding the most recent population statistics from the Israeli Central Bureau of Statistics and the Palestinian Central Bureau of Statistics, and then deducting the East Jerusalem Palestinian residents who are counted twice (ICBS 2019; PCBS 2020).
  5. The list is available on the Israel Democracy Institute (IDI) website, available at: <https://www.idi.org.il/policy/world-comparison/indexes/gini-coefficient/>.
  6. Further information is available on the OECD website at: <https://data.oecd.org/emp/hours-worked.htm>.
  7. Time Series DataBank, The Central Bureau of Statistics (CBS)—Israel, available at: <https://www.cbs.gov.il/en/Statistics/Pages/Generators/Time-Series-DataBank.aspx>.
  8. Average Daily Wage in ILS for Wage Employees Aged 15 Years and Above in Palestine by Region and Governorate (Israel and Settlements are Excluded), 2000–2015, The Palestinian Central Bureau of Statistics, Available at: [http://www.pcbs.gov.ps/Portals/\\_Rainbow/Documents/wages-2015-01e.htm](http://www.pcbs.gov.ps/Portals/_Rainbow/Documents/wages-2015-01e.htm).

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PART III

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Political Economy in the Absence  
of Sovereignty





# Gaza, Palestine, and the Political Economies of Indigenous (Non)-Futures

*Catherine Chiniara Charrett*

Gaza is also, undoubtedly, the story of political resistance, of an unbreakable will to fight, not only for its own survival, but for everyone's humanity. (Tawil-Souri and Matar 2016, 2)

## INTRODUCTION

The end of the Gaza Strip has been declared in various ways in recent decades. In 2012 the United Nations issued a report in which it predicted the collapse of vital sectors in the Gaza Strip, making it “unliveable” by 2020 (UN 2012). Sara Roy's seminal work traces the de-development of a potential Palestinian state, including the Gaza Strip, which Roy explains is incapacitated from autonomous growth, making it “almost totally dependent on Israel and other external forces for its survival” (Roy 1999, 64). Other literatures have focused on the intense asymmetries of power to explain Gaza's impending destruction, whereby Israeli

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colonial forces maintain vertical and omnipresent military power over the besieged enclave. Weizman details how targeted assassination from the air are used to thwart political negotiations: “Every time a political initiative, local or international, seemed to be emerging, threatening to return the parties to the negotiation table, an assassination followed and derailed it” (Weizman 2012, 247). Israel’s brute military power is not only used to end life, which it does, but also dismantles the potential for Palestinians to negotiate their own future. Organizations and analysts cite levels of unemployment, the increase in population and the lack of resources as signals of Gaza’s imminent unsustainability and uninhabitability. The impending destruction of the Gaza Strip should no longer come as a surprise, rather it should be expected. This chapter explores how the non-future of the Gaza Strip is a site of indigenous elimination and resistance against elimination, which it argues is performative of local and transnational political economies.

Within analyses of the political economy of settler colonialism the elimination of indigenous populations is a central figuration. “The primary object of settler-colonization is the land itself rather than the surplus value to be derived from mixing native labor with it” (Wolfe cited in Veracini 2010, 8). Compared to imperialism where colonized labor is *indispensable*, within settler modes of domination the *dispensability* of the indigenous population is emphasized (Wolfe 2012, 135). Israeli colonizers have employed Palestinian labor from both the Gaza Strip and the West Bank at different points in time, to different scales; however, rigorous historical and empirical study has detailed Israel’s settler colonial intentions: a land without a people. The global reach of settler preaccumulation, externally activated capital that settlers arrive with, and which awards them uneven leverage in comparison with indigenous populations (Wolfe 2016, 20), endows the settler with effectively unlimited capacity to reproduce itself. Moreover, “there were always more settlers where the first ones had come from,” (Wolfe 2016, 20). Native populations on the other hand had limited stock and faced extraordinary and exhausting limitations on their reproduction and their access to land (Wolfe 2012). The elimination of indigenous attachments to land and indigenous livelihoods is endemic to the settler colonial process and as such should be treated as an analytical starting point.

Arguing for a sustainable future for the Gaza Strip is also complicated from the position of its Palestinian inhabitants, who are in the majority refugees and as such their future in the Gaza Strip *should* be temporary.

While the city of Gaza has been inhabited for more than five thousand years, the Gaza Strip, as a “territorial-political-outcome,” hosts and holds eight refugee camps-turned-cities (Tawil-Souri and Matar 2016, 3). The population of the area of Gaza at the time of the *Nakba* was around 80,000, dispersed among four small towns: Gaza, Deir Al-Balah, Khan Younis, and Rafah. 200,000 Palestinian refugees were added to this, as the Haganah ethnically cleansed the native population from the villages and towns, which in the South of Palestine was propelled by massacres in Al Dawayma, Bayt Daras, Isdud, and Burayar (Abu Sitta 2016, 106). Palestinian refugees in Gaza have made it clear their future is not the Strip nor resettlement outside of their ancestral land, marked by the *fedayeen* resistance fighters who crossed an armistice line to retrieve their land from the occupiers and the actions of those in the Great March of Return who demand dignity and the right to return (Abu Sitta 2016, 108–110). This maintained resistance expressed throughout the entire colonized Palestinian territories and within Palestinian diaspora communities is an expression of the refusal to acquiesce indigenous Palestinian claims to their future. As such, a sustainable future for the Gaza Strip must also reflect and enact these claims, such as a repatriation of lands and the right to return.

In this chapter I take the non-futurity of the Gaza Strip as a starting point rather than an outcome, and I trace how Gaza, as a site of struggle between indigenous elimination and resistance to it, is productive of various political economies of native dispossession and imperial power. Literatures in anticolonial and critical race studies have traced how indigenous dispossession has been productive of concepts and projects of European modernity, particularly the question of sovereignty (Bhandar 2018; Schotten 2018; Henderson 2013; Mills 1997). Palestine, as a site of indigenous dispossession, as such is productive of ongoing discourses and technologies that attempt to defend imperialism through the circulation of settler celebration, as an iteration of white supremacy and co-opt resistant communities through neoliberal ordering. Neoliberal mechanisms are used to co-opt indigenous communities, whereby when under the threat of elimination the ability to craft and invest in a future is a taming device that divides resistant communities.

“The role that colonialism has assigned to Indigenous people is to disappear” (Wolfe 2016, 2). This disappearing is not a final event, situated in the past, but is an ongoing process of annihilation. The ongoing

and diversifying ways in which indigenous dispossession and annihilation occurs are performative. A performative understanding of political economies moves away from a fixed understanding of the economy and instead regards how *it is the product* of economic effects (Butler 2010; Mitchell 2002). The economy only exists by virtue of certain kinds of processes and practices “that produce the ‘effect’ of the knowable and unified economy” (Butler 2010, 147). In this chapter I explore how Gaza’s non-future is performative (productive of) of local, regional and transnational economies that reiterate indigenous dispossession. These modes of dispossession rely on and reproduce gendered and racialized symbolic codes and hierarchies; whereby the ongoing destruction of indigenous communities reproduces transnational racialized orders of permissible violence. Cultural political economy emphasizes the role that semiotics play in the reproduction and transformation of capitalism (Rojas 2007) for example, capitalist hegemony represents noncapitalist alternatives as exotic and unfeasible (Rojas 2007, 575) and indigenous uses of territory as backwards and non-productive (Bhandar 2018). The discursive and material codes that circulate around the ongoing destruction and “saving” of Gaza, and the practices of resistance it enacts, places Gaza in the “past,” and the Palestinian Authority and the neoliberal models of donors in the “future.”

Through various empirical investigations, this chapter explores first, how the perpetual and increasing violence against the refugees and residents of the Gaza Strip is not only productive of weapons economies, but also the racialization and disposability of resistance movements, which is performative of histories of indigenous elimination. Gaza’s resistance is pitted against the pacification of the Palestinian Authority, replicating divide and rule tactics, whereby participation in neoliberal exchange divides indigenous communities along the lines of fungible and pacified characteristics. Engaging in neoliberal practices is seductive because it allows for an extension of desire into the future (Deleuze and Guattari cited in Agathangelou 2004, 108), and investments in the neoliberal project are performed as attractive and desirable when under the threat of elimination. The participation in neoliberal restructuring reiterates violent modes of domination, which is founded on a feminization of those modes of indigeneity that must be eliminated.

Hypermasculine capitalism reconstructs social subjects, spaces, and activities into economic agents that valorize a masculinized, global competitiveness associated with men, entrepreneurs, the upwardly-mobile, cities, and industrialization. Relatedly, it assigns a hyperfeminized stagnancy to local women, peasants, the poor, and agrarian production. Hypermasculine capitalism, in short, is reactionary in nature. (Agathangelou 2004, 108)

The feminization of the Gaza Strip, as a site of indigenous struggle, is performed as needing to be saved or tamed, and the neoliberal projects directed at “saving” Palestinians are performative of a whitewashing of native dispossession.

### PALESTINIAN POLITICAL ECONOMIES OF NON-FUTURES

The non-future of the Palestinian economy and more specifically the Gaza economy have been investigated as a site of a humanitarian crisis, the site of donor manipulation and as a laboratory for a transnational weapons industry. Roy’s explanation of de-development (1999, 1987) provides a crucial starting point to begin to unravel how colonized Palestine fits into imperial economies, and the impact this has on the possibility for autonomous indigenous growth. Drawing an important comparison to theories of underdevelopment, Roy explains that critical components needed for any development are absent in Palestine: the ability to develop a modern industrial sector and accumulate capital from this and second, for political and economic elites in dependent and dominant economies to create alliances (1999). Instead, Palestinians are deprived of access to the resources they would need to create local industries, such as water and land, and through violent settler control of trade and borders, Palestinian labor and trade are integrated into the Israeli economy in a subservient way. Palestinian labor is reoriented toward semiskilled and unskilled unemployment, and away from indigenous agriculture and industry, which would allow for autonomous productive capacity (Roy 1999, 65). Instead, Israel has directed Palestinian industry to be labor intensive, but Israeli policy has limited investments in labor, which would allow for local labor flourishing and diversification; Israeli policy directly undermined the development of local government structures, appropriate educational and health institutions (Roy 1999, 66).

Sahar Taghdisi-Rad (2011) argues that Western donors have largely ignored these dimensions of asymmetry and dominance in their policies toward Palestinian institutions and industry in the post-Oslo period. As such, despite the West Bank and the Gaza Strip being one of the largest non-military aid recipient per capita worldwide (see the chapter by Wildeman and Tartir in this book), there is an inability of neoclassical economics to incorporate a comprehensive analysis of conflict economies, and “unwillingness of donors to take effective account of the conflict and its interaction with the economy” (Taghdisi-Rad 2011, 1). Instead donor programs are developed in order to co-opt, pacify, and control indigenous Palestinian groups. In the post-Oslo period and under the guise of finding a “partner for peace,” donor strategies identified particular Palestinian elites and movements that were best suited to delivering neoliberal restructuring (Turner 2019, 271–272). Such policies have not aided peace or economic growth, in fact, quite the opposite they have contributed to political polarization and violent confrontation (Turner 2011, 14). Haddad (2016, 94) describes the range of mechanisms donors used to give Fatah a future, fundamentally linked to Fatah’s ability to enact the neoliberal policies of imperial powers. These manipulations are central to understanding how certain communities are awarded a future under neoliberal orders, and how this “awarding a future” through participation in neoliberalism is a practice of pacification.

Haddad (2016) cites two 1993 USAID reports which argued that the speed with which autonomy was delivered during the Interim Period would favor different Palestinian political parties. Full autonomy implemented slowly would favor Fatah “because it [Fatah] would have the space and power necessary to consolidate its own position through vastly enhanced patronage resources which are sure to follow any agreement” (ibid., 25). While rapid deployment of autonomy, like what happened in Gaza, would favor parties that were already established, such as the Palestine People’s Party, which USAID characterized as having “the oldest and best developed institutional structure in the West Bank” (ibid., 25). The Popular Front for the Liberation of Palestine were characterized as being “potent” and having a “capable, decentralized grassroots presence” (ibid., 14), which was seen as a threat according to donors, instead of Fatah who is seen as having “a relatively weak set of institutions” which could be manipulated (ibid., 9) as a function of its “emphasis on patronage and personality-driven politics”. As such, the report identified that Fatah could be relied upon to attempt to marginalize the gains of the

more progressive, institutionally-based social formations (as opposed to those that were personality-based), while equally drawing upon patronage networks linked to Jordan (*ibid.*, 79). The donor report announces that the Islamists and Hamas had modest organization presence in the agriculture and finance sectors, but the Islamic movement does not have an institutional framework for the promotion of economic development, and thus could not efficiently use development aid during autonomy, reducing its capacity to be externally shaped by Western donor intervention (*ibid.*, 17–18).

The transition of power to the Gaza Strip happened at a faster rate in the post-Oslo period (Haddad 2016) perhaps creating an opportunity for more autonomous governance structures and resistance to donor manipulation. Through the Oslo negotiations Gaza was uttered to be the “shining exemplar of the Israeli-Palestinian peace process” this optimism faded however, as the world witnesses active and passive forms of violence against Gaza (Haddad 2019, 180). These new forms of violence waged against the Gaza Strip burgeons a significant growth in literature, which maps how the Gaza Strip functions as a laboratory for the design and development of new weapons technologies and “smart” security systems, which Israel trades around the world. This literature grew after two key political shifts, Israel’s 2005 disengagement and Hamas’s success in the 2006 Palestinian legislative elections. Bhungalia (2012) explains that Israel’s Security Cabinet declared Gaza to be a “hostile territory,” a geopolitical framing that effectively “prepares” Gaza for escalated destruction. This declaration of a “hostile territory” intensifies external sanctions (Li 2006) and collapses the distinction between civilian and combat (Bhungalia 2012, 259). This work identifies how through Israeli strategizing Hamas becomes synonymous with Gaza which “allows everything to become a legitimate target” (Bhungalia 2012, 260), however this framing risks overdetermining this causal relationship, as one of instrumental rationality, such that if Hamas had not been elected the situation may have improved for Gaza, or that if the colonized behaves sanctions would have eased.

Rhys Machold has raised issue with the laboratory framing, arguing that the normative valences attached to the laboratory are informed by broader geopolitics of representation surrounding the colonization of Palestine. Machold’s concern is that groups that both condemn and celebrate Israel’s use of Gaza as a laboratory repeat “a shared reliance on functionalist and technologically-deterministic reasoning” (*ibid.*, 92).

The logic of the laboratory risks presenting the destruction of Gaza as a logical exploitation of a population under asymmetrical control, and risks overdetermining this relationship as one of instrumental exploitation. It is now well investigated that Israel exports weapons systems to police, militaries, and paramilitaries around the world. What is less evident is why policing units in diverse locations find it legitimate, appropriate, or necessary to use such brutal tactics and weapons on their populations. These material explorations risk missing the circulation of racial and anti-indigenous symbolic capital, which underscore statist repression of minorities transnationally.

### TRANSNATIONAL POLITICAL ECONOMY OF INDIGENOUS NON-FUTURES

Gaza's non-future, as a site of both indigenous destruction and indigenous resistance, is treated as a starting point of analysis, through which we may explore how Gaza is performative of local, regional, and transnational economies, both material and symbolic. The "disappearance of indigenous people and appropriation of their place do not simply precede the creation of colonial society; they actively shape the existence of it" (Shalhoub-Kevorkian 2014, 39). The destruction of indigenous populations is constitutive of settler colonial societies. Indigenous people must always disappear, or always be disappearing in order to enable non-indigenous peoples' claim to land (ibid., 39). Queer anti-colonial interventions have exposed how the settler project is about allowing *certain orientations*, certain forms of life to thrive through the destruction of others. "The biopolitics of (proper) desire, in other words, is simultaneously a necropolitics of (improper) desire" (Schotten 2018, xv). As such, communities who assimilate and as such already disappear are awarded a future within the settler colonial project. Agathangelou et al. write, "To (re) consolidate itself, empire requires and solicits the production of certain ways of being, desiring and knowing (while destroying others) that are appropriately malleable for what comes to be constituted as the so-called new world order" (Agathangelou et al. 2008, 123). Neoliberalism is itself a prescribed future orientated project: It allows participants to make investments, be the subjects of investments, and to engage in speculation, and only those characteristics and performances that are fungible and pacified are awarded a future (Agathangelou 2013). Future-making is seductive, allowing communities, when tamed through neoliberalism to



envision and invest in a future. “The name for the improperly desirous, the name of all those who refuse or fail the futurist temporalization of desire and its imposition of settler sovereignty, is “death”” (Schotten 2018, xv).

Queer decolonial studies stress how imperial and statist modes of recognition that award rights creates competition between marginalized groups. The real threat of elimination that indigenous communities face engenders a seduction of being able to invest in a future, which both corrupts and tames nationalist resistant movements, and aggravates divisions between sub-groups of a nationalist resistance project. Neoliberal mechanisms seek to undermine the strength of indigenous community networks and instead create the conditions for individualism and competition (Turner 2011, 15). In their analysis of NGOs working in colonized Palestine around the time of the Second Intifada, Hanafi and Tabar (2005) discuss those organizations that actively worked for the nationalist question, and those that succumbed to “not get involved in politics.” The authors cite Deleuze and Guattari’s explanation for the destruction of indigenous connections:

Deleuze and Guattari theorize the expansion of capitalism as operating through a double movement: a decoding and deterritorialization of indigenous institutions as well as cultural and legal systems, followed by an artificial reterritorialization that disables these systems and institutes all sorts of “residual and artificial, imaginary or symbolic territorialities.” (Hanafi and Tabar 2005, 23)

Abourahme (2016) describes how the punctuated points of state-making in the post-Oslo period “usher in a temporality that must sever its connections to the past” (2016, 150). Abourahme describes a stratification with the past, where the new goals of resistance in Palestine: good governance are completely at odds with the previous register of armed struggle (ibid., 139). These stratifications are reproduced at the level of the individual, creating new sites of tension, competition among the native population. Some members are able to (are given the choice) by the colonial power to participate in the new future by taking part in manipulating and controlling the resistance/armed struggle. The “temporality of ‘statism’ short-circuits the political process of emancipation itself” (ibid., 151).

In what follows I aim to show how the Gaza Strip as a site of indigenous struggle is reiterative of racialized and sexualized economies of imperial rule and defenses of the settler colonial project within Palestine and globally. Through a model relationality, Goldberg interrogates how racism travels transnationally and translocally as a logic of functioning repression (2009). “Racial ideas, meanings, exclusionary and repressive practices in one place are influenced, shaped by and fuel those elsewhere” (Goldberg 2009, 1274). Gaza as a site of indigenous non-futures is explored as being generative of hyper-militarism and extermination of resistant communities elsewhere. The Zionist project, as both settler colony and imperial outpost influences in multiple directions. Khalidi describes the unique obstacles facing the Palestinians; “Unlike most other peoples who fell under colonial rule, they not only had to contend with the colonial power in the metropole, in this case London, but also with a singular colonial-settler movement, that while beholden to Britain, was independent of it” (2020, 66–67). Gaza as such enters into multiple discourses in different states and political conversations globally, whereby defenses of imperialism and of settler colonial violence are voiced. It is a site that is performative of questions of white entitlement and the white-washing of history, and a site that is generative of new fault lines between different core and periphery relations.

### ANTI-INDIGENEITY AND THE POLITICAL ECONOMIES OF SETTLER IDENTITIES

On 6 March 2020 *Haaretz*, a significant Israeli publication with a national and international reach published a report with first-hand accounts of Israeli snipers maiming and murdering unarmed Palestinian persons at the Great March of Return. This violence cannot be understood as only productive of weapons systems, but also as performative of local and transnational movements of racist indigenous disposability and dispossession. The Great March of Return began on 30 March 2018 as a non-violent protest movement intended to raise awareness and draw international attention to the collective punishment and siege on Palestinians residing in the Gaza Strip, and to make present their desire, need and right, as refugees to end their imprisonment and return to their homeland. The protestors used a range of strategies and tactics to resist the colonial occupiers including incendiary kites and balloons. One protestor accounts, “I’m just returning from the protests in the eastern Bureij

refugee camp, where an Israeli drone targeted us with a missile while we were trying to fly kites and flaming balloons.” The protestor said, “*They could have downed the kite using any other weapon rather than a missile*” (Hussaini 2018; my italics added).

*Haaretz* prints and discusses Israeli colonial forces’ violence against the protestors and soldiers keeping tally of how many “knees” they hit as they take fire against the protestors: “I know exactly how many knees I’ve hit,” (says Eden). “I kept the casing of every round I fired,” (52 definite hits, 52 definite knees).” “There were incidents when the bullet didn’t stop and also hit the knee of someone behind [the one I aimed at]. Those are mistakes that happen” (Glazer 2020). His battalion called him the killer. “You have to understand that before we showed up, knees were the hardest thing to rack up. There was a story about one sniper who had 11 knees all told, and people thought no one could outdo him. And then I brought in seven-eight knees in one day. Within a few hours, I almost broke his record” (Glazer 2020). The horror of these accounts is only surpassed by their reality of the maimed Palestinian bodies on the other side of a fence. Amnesty International accounts of “extreme bone and tissue damage, as well as large exit wounds measuring between 10 and 15 mm, and will likely face further complications, infections and some form of physical disability, such as paralysis or amputation” (Amnesty International 2018). Doctors said that they have observed devastating injuries characterized by large internal cavities, plastic left inside the body but no exit wounds. These weapons rely on American technology and have been circulated to policing units globally (Dana 2020), however, addressing the Gaza Strip through a political economy of weapons design and export is present but is not sufficient. The bullets used which caused such damage are iterations of the expanding bullet that have been used since British imperial times; they are not novel or new. They have been outlawed, discontinued, and brought back in different forms since then. The material circulation of these weapons does not explain why SWAT teams in Latin America (Dana 2020) identify [Israeli] expanding bullets as appropriate to use against their own communities/populations. Wolfe describes the demonic redundancy of racialized violence, the step so far over the line that it had to surpass itself (Wolfe 2016, 13).

This violence is performative of racialized violence among settler Zionist Israelis and of larger imaginative scapes of regarding Palestinians as having no future within colonized Palestine. The response to the Great March of Return is performative of longer histories of anti-indigenous

dispossession and anti-black violence (Howell and Richter-Montpetit 2019) and racialized policing that was meant to reiterate that Black Communities would not have a free future in America. The above-mentioned article, which details Israeli brutality towards Palestinians features in a principle and widely read newspaper in Israel, showing how mainstream this violence is and is, I suggest akin to advertising for the lynchings of Black persons during and after slavery and Jim Crow. Kato observes the entwined relationship between the legal and illegal forms of violence, where lynching maintains a dubious place within legal and institutional discourses in the United States (Kato 2016). Racial chattel slavery should be regarded as “infinitely more severe than exploitation and alienation” (Wilderson 2010, 9 cited in *ibid.*, 6). The question of race, made central through the works of Hartman and Wilderson, “the master/slave relationship is not ‘simply’ characterized by the theft of labor but by fungibility and gratuitous (not merely instrumental) violence,” (*ibid.*, 6). The performativity of this violence has local and transnational manifestations and is situated with the psychic seduction of gratuitous racial violence and with the materiality of maintained “preaccumulation” of Zionist funding. Israel’s war industry is well sponsored materially and culturally by Americans, Canadians, and Australians, as such within these settler colonial public imaginations the Palestinian struggle remains an iteration of white supremacy to which these societies identify. Whereby the continued idea of the racialized terrorist threat maintains material and discursive support for Israel’s violence against Palestinians in Gaza and in the West Bank (Reule Interview 2018).

Indigenous resistance is rebranded as terrorism, as a category of nihilist evil that devalues life, such as is done through the depictions of the kite user as a ‘hater of nature,’ and the protestors as arsonists who do damage to ‘flora and fauna.’ Much of Israeli reporting of the Great March of Return focused on the damage the kites apparently did to “nature reserves” situated within ‘48, which I argue is performative of white supremacy, and anti-indigeneity. The Israeli state and the expansionist American imperial project have both relied on imaginative geographies of terrorism. The War on Terror explains Schotten can be understood as a continuation of the US settler colonial project and a morphing of that project into a new and specifically securitized, expansionist empire. Seen in this light, the native becomes the original “terrorist,” just as the “terrorist” becomes today’s imperial, outward projection of the native (*ibid.*, 128). “Terrorism,” then, can be understood as the contemporary settler

state's moralized imperial name for the unthinkable indigenous remainder that, in the insistence on remaining, challenges the settler state's claim to sovereignty, security, and civilizational value" (ibid., 129). Schotten argues that the figure of the terrorist now holds the place of the indigenous in imperial economies, the irrational, barbarian that must, and will be legitimately annihilated.

Israeli reporting identifies the protestors as terrorists, and it employs a human shielding tactic, to argue that the protestors are linked to Hamas (Gordon and Perugini 2020). Schotten (2018) argues that the question of terrorism and "Islamic terrorism" is framed as being the enemy of civilization, whereby discursive economies of hypermoralization are used to instantiate the nihilism of the terrorist an instantiation of nihilism, and the embodiment of evil (ibid., 128), such that "how could Hamas do this... or do that" is performative of "settler/ civilizationist iterations of 'life' that must be protected from it" (ibid., 128). Israel reporting emphasizes the "hard work" and "collaboration" between Israeli residents, firefighters, and soldiers to contain the fires, stressing the innocence and life making of the settler (Times of Israel 2018a). Israeli reporting shows footage and countless images of hundreds of acres of one of the most "scenic areas" of southern Israel that have been reduced to burned (Times of Israel 2018b). This language stresses the beauty and life formation of the settler space, under threat by the racialized terrorists. "The Be'eri Crater Nature Reserve is normally blanketed with green grass interspersed with red anemones" (ibid.). Here the indigenous communities are framed as a threat to *their* land, which the settlers must protect.

Anti-indigenous technologies are also used to foster settler futurities and investments in the future, in addition to performing technologically driven purpose for settlers intimately connected to modes of annihilation and conquer. The kites instantaneously emerge in Israeli weapons showrooms, being framed and herald as a new obstacle, almost gleefully. The kites are presented as a novel "disruptive, an innovative low-tech weapon," (Habamy Interview 2018), as a new obstacle to overcome. Figure 9.1 shows the Israeli Weapons Selling Conference, "Fire and Manoeuvring" Conference, 15–16 May 2018, where a simple kite is on display next to armed drones. The kites appeared again in a start-up competition within the Israeli weapons industry, called IHLS, "Disruptive Technologies" conference 18 July 2018. Several contestants pitched sprinkler drone systems to combat the "new kite systems." Simple modes

**Fig. 9.1** 'Fire and Manoeuvring'  
Conference, 15–16 May  
2018, Tel Aviv  
Conference Centre  
(Photographed by the  
author)



of indigenous resistance are strangely glamorized and feared by the settler project in these sites, as signs of settler non-belonging to which the settler responds with more violence.

## NEOLIBERAL FUTURES AND DIVIDING RESISTANT COMMUNITIES

After Hamas's success in the 2006 Palestinian legislative elections Western donors imposed a policy of conditionality and boycott, which detrimentally restricted the availability of funds for projects in the Gaza Strip. The conditions themselves ushered in a politics of collective punishment and are a testament to international involvement in the siege and the blockade of the Gaza Strip. I have argued elsewhere that the conditions were *not* designed to provide Hamas an opportunity to compromise, and potentially engender a lifting of the siege and the blockade on the

Gaza Strip (Charrett 2019). Evidence of this can be found in the lack of benchmarks for “good behavior.” A senior representative of the European External Action Service and the EU’s envoy in the Gaza Strip explained that the policy of conditionality had no benchmarks, it had no operational measures to detect whether Hamas was compromising on conditions, which it was on key points, such as de facto recognition of Israel and a clear recognition of the 1967 borders. The conditions as a policy tool instead shift the blame to the colonized subject for not agreeing to the parameters of pacification, which are at the same time impossible to achieve. Donors’ measures of “determining” good subjects from “bad subjects” should be regarded in a wider project of native elimination. Technologies of recognition are intended to domesticate a resistant community.

Not only will the terms of recognition tend to remain the property of those in power to grant to their inferior in ways that they deem appropriate, but also under these conditions, the Indigenous populations will often come to see their limited and structurally constrained terms of recognition granted to them as *their own*. In effect the colonized come to identify with “white liberty and white justice.” (Coulthard 2014; Driskill et al. 2011)

These tools of recognition I argue also create the conditions for competition, and domestication within colonized spaces, which has manifested in and across Palestine in numerous ways, between families, tribes, regions, projects and between the Gaza Strip and the West Bank. The door-to-door initiative, piloted by the Office of the Quartet, a key neoliberal institution is an example of such a neoliberal mechanism that drives competition and pacification within colonized societies. The door-to-door initiative demands that Palestinian vendors agree to invasive “security” checks to be awarded pre-approval for easing of trade restrictions. To receive pre-approval Palestinian factories must pay for and enact measures such as install cameras all around the factory, create a “validated system” for monitoring employees, appoint a security officer and pre-screen employees (Greenapple Interview 2018). Other requirements of supply-side security checks include providing shipment-specific information in advance, pre-approval of drivers and conveyances on a regular basis and the application of risk management principles to enable Israeli officials to identify companies that meet their requirements (Office of the

Quartet 2017). The Office of the Quartet offers a “service” of arranging the pre-approval for the Palestinian manufacturers.

These mechanisms force Palestinian businesses to adopt “security” measures in order to trade, and advances competition between vendors, whereby the need to have access to market exchange repeats a racialized regime of good Palestinian versus bad Palestinian. Certain companies and families are identified as “safe” or low risk, certain areas (south West Bank) are marked as low-risk, compared to companies in the North of the West Bank (Office of the Quartet 2018). While still in its pilot phase, families and companies in the south of the West Bank have attained supply-side security checks in advance of companies and families in the North of the West Bank (Greenapple Interview 2018). These initiatives as with the conditions imposed on Hamas are not intended to recognize equal and safe partners, but instead to divide colonized communities and reiterate their circumscribed and securitized access to the land, resources, and trade. The ability to participate in market exchange is desirable for social reproduction, but under the parameters of neoliberal models ensues competition and in colonized communities serves to pacify, securitize, and divide.

In the post-Oslo period, the Zionist project, with donor financial and political manipulation, shifted the management of pacification onto the Palestinians. The Palestinian Authority institutions are linked to their ability to pacify resistant elements within the Palestinian community. In June 2018, Netanyahu withheld funds from the Palestinian Authority, stated to compensate Israeli farmers living near Gaza who had their crops destroyed by the fires sparked by flaming kites sent from the Gaza Strip (Schneidmann 2018). It is impossible for the Palestinian Authority security services to interfere in the Great March of Return activities, not least because Israeli forces control the “border zones” (Turner 2011). However, Palestinian Authority responsibility and good behavior is wrapped up in its ability to control Hamas and the Gaza Strip. Moreover, the apparatus of statist models of rule reiterate the hyper-militarist modes of imperial and colonial rule, whereby the technologies of sovereignty, however contingent wield violent measures and cause divisions within colonized communities.

The Palestinian Authority’s role in aggravating the situation of Gazans provoked anger and division within the wider Palestinian community. The Palestinian Authority imposed sanctions on the Gaza Strip, which included withholding salaries from Palestinian Authority civil servants in



Gaza and cutting the Palestinian Authority's payments to Israel for the electricity supplied to Gaza (Schneidmann 2018). Palestinian communities in the West Bank supported those in Gaza with a range of protests to encourage and demand that the Palestinian Authority lift the sanctions. Palestinian National Security Forces "deployed" the riot police against those protesting the sanctions and the Special Police Forces used violence against the protestors. The violence against the protestors waged by the Palestinian Security Services left parts of the Palestinian community and members of the security forces stunned and in disagreement as to the legitimacy of the violence used against the Palestinian protestors; some members of the security forces arguing the protests were illegal and the response of the Special Forces was legitimate (Hajjo Interview 2018), while other members of the Palestinian police argued the violence used by this unit of the Palestinian security services contravened Palestinian Basic Law (Sabbah Interview 2018). The social reproduction of the pseudo-state institutions of the Palestinian Authority is attached to reiterating hyper-militarist forms of domination. While the agency of such violence cannot be reduced to the transmitted technologies of imperial donor interventions, the results ensue: internal violence that fragments a Palestinian resistance movement.

### GAZA'S UNRULINESS AND IMPERIAL TECHNOLOGIES OF WHITENESS

The Gaza Strip emerges as a site of unruly behavior and as a site that needs saving, both of which are performative of indigenous elimination upon which regional and transnational economies circulate. The continuous destruction and internationally maintained "humanitarian" crisis of Gaza has meant the emergence of projects to continuously "fix it" through the launching of various large-scale infrastructure projects. These infrastructure projects provide external actors the ability to practice iterations of white domination and indigenous dispossession. "The contestations between hypermasculine and core capitalism are not really whether needs of people are as important but how to fulfill the desire of the owning-classes, irrespective of the exploitation and violence" (Agathangelou 2004, 108). The "suffering-saving" of Gaza is generative neoliberal partnerships that have disenfranchised and dismantled wider pan-Arab solidarity, while periphery and regional economies often perform and participate in indigenous dispossession, doing the dirty work

of the empire (*ibid.*), leading to inconsistent and overlapping roles. These overlapping and inconsistent energies are evident in the contradictory behavior of neighbors such as the Qatari state who is a principal supporter of the Hamas government, and at the same time an actor for American imperialism, hosting and financially supporting the largest American army base in the region. In 2019 and 2020 Mossad chief Yossi Cohen and Israeli general Herzi Halevi visited Qatar and met with Mohammed bin Ahmed al-Masnad, the national security adviser, and Qatar's envoy to Gaza Muhammed al-Emadi, to urge them to continue transferring funds to the Gaza Strip (Nassar 2020). Investments in the Gaza Strip provide opportunities for unlikely partnerships to form, through which hyper-masculine state leaders perform their saving/taming of the Gaza Strip, whereby Gaza's resistance is feminized as something that shames its neighbors.

Actors from around the world want to get involved in "saving Gaza," and the UN and the EU provide a healthy infrastructure for this involvement, while whitewashing their own colonial activity. The language and technologies that circulate around the building of Gaza's new desalination plant in particular demonstrate how performances in "saving Gaza" give neoliberal dispossession a "civilized face." The desalination plant called "Giving Gaza Hope" is the largest ever investment in Gaza (European Neighbourhood Policy and Enlargement Negotiations 2019). Currently, 97% of available water is undrinkable due to the contamination of the over-pumped coastal aquifer. The new plant is supposed to provide 55 million m<sup>3</sup> of quality fresh drinking water per year, "allow" over 2 million Gazans to live their lives in "dignity," mitigate health risks and insecurity, and create a perspective for a better future (European Neighbourhood Policy and Enlargement Negotiations 2019). The donors handbook begins by mapping the non-future of Gaza's water resources as a depoliticized issue of mismanagement and Gaza's feminized "perpetual crisis" gives rise to pledges and programs that are further performative of international donors as saviors. "In this context, the construction of a large-scale desalination plant has been identified by all major stakeholders, including the European Commission (EC), the European Investment Bank (EIB), the Islamic Development Bank (IDB) and the World Bank (WB) as *the most realistic option for Gaza to stabilize* the aquifer and secure its water supply" (Palestinian Water Authority 2017, 4). The internationally sponsored occupation of Gaza has built and destroyed large

infrastructure projects in recent decades; yet building more infrastructure projects remains “the most realistic option.” In the plans for Gaza’s desalination plant the repatriation of resources and return of refugees are not identified as a viable option. These infrastructure projects instead are important for their symbolic and performative elements in reproducing white supremacy and indigenous inferiority. The donors report perform a ‘scientific’ rationality in overcoming the difficulties of “doing business” in Gaza are performative of off shoot businesses and rentable sites, such as the United Nations offering to do security checks on behalf of the Israeli administration.

The large infrastructure project brings significant stakeholders together, but offers Gazan stakeholders very little autonomy or future in the building of these projects. According to the EU Representative Team the Palestinian Authority have little involvement in the public bidding process or deciding how the desalination infrastructure project will go forward, because according to external donors Palestinians do not have the technical expertise to guide the project (The Office of the European Union Representative West Bank and the Gaza Strip 2018). According to the Project’s Donors Report there is currently not the expertise in the Gaza Strip to operate the plant, and as such the five-year contract will be awarded to an external company. What is more, Gaza’s “particular dire circumstances” are framed as an interesting obstacle to overcome and are marketed as an opportunity to work in difficult circumstances. The donor report explains, they must attract qualified firms to work in the *challenging Gaza environment* (Palestinian Water Authority 2017, 11). Different regional and transnational actors manage the trust funds, as paternal capitalist investors practicing a desire to colonially manage Gaza, whereby each major external “investor” is awarded a significant area of the funding process to supervise, giving external stakeholders “the opportunity” to drive their investments into the future (ibid., 16).

The desalination plant is also performative of discourses of “good practices,” where donor projects are not only performed as benign and neutral (Hanieh 2016), but also function to perform the legitimacy and whitewashing of neoliberal interventions. In an interview with the EU Representative Office they explain the lengthy processes the various partners go to in order to ensure the future desalination plant is built with “fair rules.” The EU Representative Office explains, “the desalination plant is a public project, so they need to have various [public] tenders” (The Office of the EU Representative Interview 2018). “For the

Program components supervised by the World Bank, [and the European Investment Bank] procurement rules apply, including: open international competition, non-discrimination of tenderers, fairness and transparency of the process, and selection of the most economically advantageous offer” (Palestinian Water Authority 2017, 20–23). The procurement processes themselves are “attractive” and seductive due to their semblance of fairness; they employ a language which is performative of iterations of institutional validation and authority, despite the ongoing unsustainability of the Gaza Strip. Moreover, Israeli companies, or companies with affiliates with Israel, can bid for the projects in Gaza under the “rules” of open competition for public tenders. Yet, because Israel vets all the bids, bids from companies or states Israel does not approve of will not be awarded the project (The Office of the EU Representative Interview 2018).

Israel places enormous obstacles in the building of these projects, which are further performative of Gaza as a complicated, unruly subject, and donors willingly perform and derive pleasure from performing Israel’s obstacles. The Office of the EU Representative in Jerusalem explains, “Before anything they [tenders] have to receive some sort of assurance from the Israelis that it [the project] will go forward.” The project bids are asked to submit a full use of equipment to COGAT<sup>1</sup> in order to check with a clandestine and ever changing dual-usage list. All companies, *before knowing whether they have received the project*, must submit a list of all the equipment that will be used to the Israeli military, which is expensive and a waste of resources. These demands on external partners are outrageous and unique to Israel’s colonization of Palestine, and yet donors continue to knowingly and willingly partake. The UN then provides “a service” to complete the dual-use security check for companies, through the Gaza Reconstruction Mechanism (GRM)<sup>2</sup> process review, again at an expensive rate. The UN will manage the entry regime and oversee that the materials are not on the dual-usage list. They then follow up to ensure that the materials are going for the intention stated, apparently to ensure the material is not used for tunnels. Such infrastructure processes are framed as a service to Gaza, but their procedures are performative of indigenous dispossession. A range of external actors perform future-orientated actions: investments, planning, action-based activities, surveys, extending neoliberal investments and white iterations of legitimate domination into the future. The project is an iteration of a lack of indigenous sovereignty over lands, resources, capital, planning and investing.

## CONCLUSION

This chapter set out to explore how the non-future of Gaza as a site of indigenous elimination and resistance against it are performative of local, regional, and transnational symbolic and material economies. A performative approach to economic structures investigates the practices that constitute the economy and the discourses and orders that stylize these economic modalities. These modalities rely on and repeat racialized and sexualized discourses, which circulate from Gaza as a site of indigenous dispossession and elimination. Through queer and anti-colonial, anti-racist, and anti-imperial feminist writings this chapter explored the attraction of participating in the neoliberal project when under threat of elimination, which acts as a tool of pacification and division within colonized communities. First, this chapter explored Gaza as a site of gratuitous anti-indigenous violence, seen through the ruthless bombardment and snipers against unarmed protestors. Rather than seeing this violence as solely productive of the Israeli economy, it argued this violence is productive of anti-black and anti-Muslim violence that has circulated globally upon which material economies rely. This violence is further performative of racialized disposability and indigenous dispossession, whereby Israel simultaneously frames the fires caused by The Great March of Return as an attack on the “land,” which the settler must protect. Second, it explored how indigenous non-futures are pitted against the future of tamed or pacified neoliberal subjects, which is performed through the Palestinian Authority’s place in conditioning Gaza and Hamas. The performance of state-like institutions is reiterative of violent practices used against Palestinian protestors, which is generative of divisions within a national resistance movement. Different neoliberal projects such as the door-to-door supply side security system award Palestinians actors access to the market, provoking anti-indigenous future-making through racialized pacification. Third, Gaza’s imminent destruction, but also its continued resistance against it, is feminized as unruly, and regional and transnational actors slowly rush to “save” it. The desalination plant is an important example of how infrastructure projects that delay the destruction of Gaza provide opportunities for external donors to participate in the “saving Gaza” in a way that further undermines indigenous sovereignty and upholds white civilizing logics.

Anti-indigenous violence has been at the center of European-like modern sovereign institutions in a post-imperial era. The brute violence

wielded by colonial forces is performative of transnational regimes of white supremacy, disposability of Palestinian life and livelihoods. These circulations of violent domination must be countered through transnational solidarity for the Right to Return and the Boycott Divestment and Sanctions campaign and other solidarity movements within colonized Palestine, where protesters hold up banners reading, “Gaza unites us.” “Neoliberalism atomizes and fragments Palestinian society, making collective struggle more difficult in an environment of individualized consumption” (Hanieh 2016, 43). Hanieh and Hilal argue for development projects that work against the fragmentation of the Palestinian collective, which are guided by principles of equality and social justice and not the whims of the colonial power, the donors, or the market (Hilal cited in Hanieh 2016, 43). Socioeconomic development must be linked to the question of resistance (Hanafi and Tabar 2004), return and the repatriation of resources and territory, so that responses to indigenous dispossession do not lead to further elimination and divisions within resistant communities.

## NOTES

1. COGAT (Coordination of Government activities in the Territories) is a section of the Israeli occupying forces that manages “civil” affairs in the West Bank (WB) and the Gaza Strip.
2. Gaza Reconstruction Mechanism (GRM) is an agreement between the “Government” of Palestine and the Government of Israel that enables the entry of construction material into the Gaza Strip.

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# Political Economy of Foreign Aid in the Occupied Palestinian Territories: A Conceptual Framing

*Jeremy Wildeman and Alaa Tartir*

## INTRODUCTION AND CONTEXTUAL BACKGROUND

Over US\$40 billion has been spent since 1993 by international donors as foreign aid for Palestinians living in the occupied West Bank and Gaza Strip (WBGS) (OECD 2020). This development “investment” in peace centered on Palestinian institution building and reform has made them one of the highest per capita recipients of non-military aid in the world. Of the US\$40 billion, around US\$30 billion (75% of the total aid) was allocated between 2007 and 2019, according to the OCED aid database. On average, over the past decade US\$2.2 billion of aid

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funds were poured annually into the Palestinian economy, representing around 20% of the WBG's Gross Domestic Product (GDP) and around US\$520 per capita aid per year in a low-income economy. In spite of those sums, however, peace and development remain elusive, and this aid has failed to achieve its three main objectives: lasting peace, effective and accountable (democratic) Palestinian institutions, and sustainable socio-economic development (Wildeman and Tartir 2013, 2014; Knudsen and Tartir 2017; Wildeman 2018a). Instead, Palestinians have been forced to live in an aid-development paradox: large amounts of aid associated with a downward decline in socioeconomic and human development indicators (Tartir 2017a). In cases like Gaza, those declines have been dystopian (Roy 2016).

Following nearly three decades of foreign aid intervention meant to induce development and growth, the United Nations Conference on Trade and Development (UNCTAD) recently concluded that “in 2018 and early 2019, the performance of the Palestinian economy and humanitarian conditions reached an all-time low. Per capita income fell, mass unemployment increased, poverty deepened and the environmental toll of occupation has been rising in both the Gaza Strip and the West Bank” (UNCTAD 2019, 1). The prospects for the Palestinian economy, according to the UNCTAD report, are “grim because the sources of growth that have propelled it in the last two decades are disappearing, while the constraints imposed by prolonged occupation persist and worsen” (UNCTAD 2019, 2). This was before the Trump administration announced its “Peace to Prosperity” plan meant to offer Israel the opportunity to move from *de facto* to *de jure* annexation of the rest of the occupied West Bank, which was expected to lead to further forced transfers of Palestinians from non-urban centers, accompanied by further aid packages (White House 2020; Baconi 2020).

Thus, following decades of Israeli settler colonialism of Palestine and a failed “peace process” (Hawari 2020), the Palestinian economy has experienced a pervasive process of *de-development* that has deprived it of its transformative potential while expanding Israel's colonial dominance. It is a phenomenon first identified by Roy in 1987 in her research on Gaza. When it occurs, normal economic relations are impaired or abandoned, preventing any logical or rational arrangement of the economy or its constituent parts, diminishing productive capacity and precluding sustainable growth. De-development involves the “deliberate, systematic

and progressive dismemberment of an indigenous economy by a dominant one, where economic – and by extension, societal – potential is not only distorted but denied” (Roy 2007, 33). It forestalls development by “depriving or ridding the economy of its capacity and potential for rational structural transformation [i.e. natural patterns of growth and development] and preventing the emergence of any self-correcting measures” (Roy 1995, 128). It “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” (Roy 1987). Over time, de-development represents nothing less than the denial of economic potential (Roy 2014). In the case of the Occupied Palestinian Territory (OPT), de-development represents a deliberate and focused settler colonial strategy.

This chapter explores the aid and de-development nexus by identifying key features, underpinning assumptions, and arguments of four approaches, starting from 1993 when the Oslo Accord was signed and the World Bank first put in place a framework to support the Oslo Peace Process (World Bank 1993). Recognizing that the causes of de-development are fundamentally and inherently political, a political economy understanding of the relationship between aid and development is the apt way to appreciate the complexity of this relationship in the Palestinian context. This analysis finds that the foreign aid intervention in the Occupied Palestinian Territory (OPT) can be organized into four conceptual categories: *Instrumentalism*; *Critical Instrumentalism*; *The Critics*; and *Neocolonialism*. It discusses these four approaches by synthesizing and categorizing arguments in the literature on Palestine Studies and Development Studies in an attempt to conceptualize the process by which aid is given and understand the result in the Palestinian context.

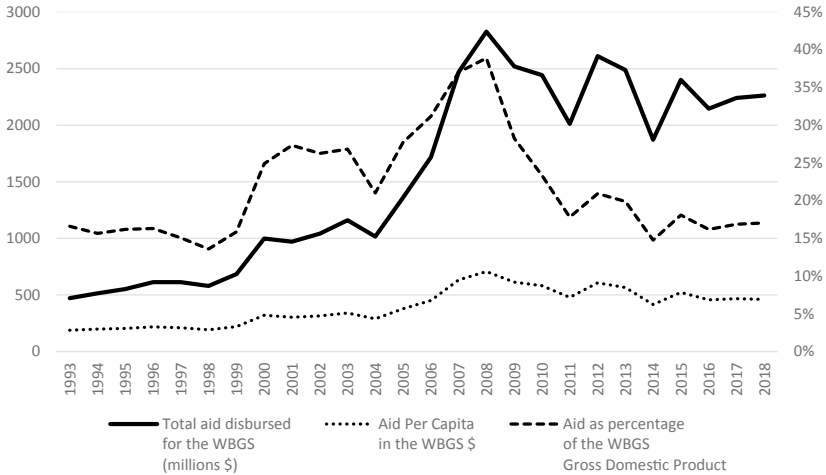
As discussed in this chapter, the *Instrumentalist* approach has argued since 1993 that the fundamentals of the Oslo economic and aid framework are sound, and the model should be maintained. Rather, when the aid and development process begins to fail, it blames political elements exogenous to their model and argues that aid only needs to be applied better. This approach is quite neoliberal by nature and championed by the World Bank in particular. It tends to sanitize and decontextualize the Israeli military occupation, while rejecting the idea of the settler colonial nature of Israeli rule over the Palestinians. It also lays a disproportionate amount of blame on the Palestinians and Palestinian Authority for the failure of aid to achieve its anticipated results. *Critical Instrumentalism*,

meanwhile, argues that the Israeli occupation is the main obstacle to peace and development, and they consider aid and politics to be intrinsically linked. While being overall much more critical of Israeli rule as a determining factor in the failure of the Palestinian aid model, they retain an instrumentalist faith in the general model and the ability for good policy to bring about positive change. This approach is also not critical of the neoliberal normative values that define Palestinian aid and does not place Israeli policies within a settler colonial framework, but rather as a military occupation that may be temporary by nature.

The *Critics* argue that aid policy is a rationalizing technical discourse that conceals a hidden bureaucratic power or dominance, and that this hidden reality is the true political intention behind the development process. They believe the Oslo Accords' aid model—in the way it is implemented—is effectively part of the Israeli occupation and helps to reinforce its colonial dominance, because aid is designed in a way that subverts Palestinian development while reinforcing and subsidizing the Israeli colonial occupation. For *Critics*, development is in general not policy to be implemented, but domination to be resisted, and in the case of Israel-Palestine, it reinforces the occupation and settler colonial condition. They also argue that economic integration with Israel, advocated for by the *Instrumentalists*, benefits the occupier at the expense of the Palestinian economy.

Finally, the *Neo-Colonialist* approach considers aspects of foreign aid to have been a success and that aid to Palestinians is not failing at all. This approach considers aid as an economic incentive and instrument to offer to Palestinians in return for their giving up political rights and halting resistance to the occupation. Here the purpose of aid to Palestinians is to combat terrorism against Israel; encourage Palestinian peaceful coexistence with Israel; develop Palestinian institutions for self-governance; and meet humanitarian needs to prevent further destabilization (Zanotti 2012). This perspective has been advocated by multiple American think tanks and paved the way for the US Administration under Donald Trump to cut aid to Palestinians while pressuring them to advance the so-called *Peace to Prosperity* vision (White House 2020).

Based on the conceptual analysis of these four approaches (discussed below), the chapter concludes that any political economy driven analysis or framing of the impact of foreign aid in the Palestinian context necessitates recognition of the inherent embedded structures of power and harmful relations of settler colonial control (Fig. 10.1).



**Fig. 10.1** Level of aid given to the West Bank and Gaza Strip (WBGS), 1993–2019 (*Source* As compiled by the authors based on OECD-DAC Aid Database and main statistics from Palestinian Central Bureau of Statistics [PCBS])

### THE INSTRUMENTALISTS: BELIEF IN THE “INVESTMENT IN PEACE” PARADIGM

The Palestinian economy is an aid dependent economy surviving under an ongoing Israeli settler colonial occupation (Tartir and Seidel 2019). The overarching Palestinian aid model is shaped by a 1993 World Bank development plan, “An Investment in Peace,” which informs the major bilateral donors who fund Palestinian development on how to disburse their aid (World Bank 1993). The *instrumentalist* approach adopted by the World Bank and major donors is highly bureaucratic, top-down, and visibly dominant both in the design and analysis of post-Oslo aid. It can be described as neoliberal by nature. As implied by the name of the plan, it was developed to improve Palestinians’ standards of living and to provide them with incentives to participate in the peace process (Le More 2008). Similar to other programs developed by International Financial Institutions (IFIs) for developing world countries in the 1990s, the Palestinian aid framework is economically neoliberal and aims to build institutions based on models of “good governance” (Khan 2010, 2014; Hickel 2012). Other core normative values the plan professes are open

markets, economic integration with Israel, regional economic integration, financial liberalization, and support for “democracy” (Khan et al. 2004; Khan 2009; Hanieh 2011). In the twenty-first century that aid policy evolved further linking itself to the security paradigm, where military and security planners consider underdevelopment a danger to global security (Duffield 2001). As such the instrumentalist aim has been to create—through its policy and aid intervention—a Palestinian state made in the image of the West, preparing Palestinians for independence from, and peaceful coexistence with, Israel.

As with other scenarios where aid is mainly about technical assistance but not real change or freedom (Ferguson 1994), Palestinian aid instrumentalists are persistently optimistic about the power of well-designed policy as a tool to solve real-world problems (on the power of policy, see Mosse 2005). The tendency of many of their studies, in line with “modernization theory,” is to conceptualize development as linear by nature, implying a kind of step-by-step process where development policy is formulated, implemented, and then followed by certain results that can be used to evaluate the extent to which the original objectives have been achieved (Long 1990). Perhaps *sine qua non* to such a bureaucratic approach, their natural starting point is to work with a central authority that in theory represents the people who are receiving aid. They perceive development objectives as a public good and this means that a hierarchical authority is required to structure networks both outward and downward for policy implementation (Brinkerhoff 1996). This is premised on the view that the political provision of public goods requires that one center of authority and responsibility, whose role is to utilize hierarchy and monopoly to guarantee effective coordination, control and efficient performance (Landau 1991). This need for a central state authority and institutions has been a primary motivating factor for donors backing the establishment of the Palestinian Authority (PA) in the OPT as a starting point for development policy to be enacted.

*Instrumentalists* consider it highly important to make certain the central authority is “strong,” regardless if it is authoritarian in nature or pursues an undemocratic style of governance (on the authoritarian trends, see Tartir 2018). In fact, they often think authoritarian central authorities may be “better placed” to enact “good policy” defined by authorities in the donor community, like the IFIs. That authority can use its powers of hierarchy and monopoly to encourage but delicately balance out its own intervention into the economy to ensure markets



remain free. Here policy implementation networks function most effectively when combining markets and hierarchies to take advantage of the strengths of each, and to cover for the weaknesses of the other (Brinkerhoff 1996). Otherwise, if that delicate balance is not maintained, aid intervention could stray down the “failed” path of “socialist style” intervention, risking a systemic failure should one monopoly in the economy fail (Brinkerhoff 1996, 16–17).

This concept of balancing free markets with authority is based on a faith the instrumentalist approach has in the power of market forces to correct for inefficiency, incompetence, or abuse. It assumes that in the marketplace enough entities exist and can be identified to provide the required goods and services to foster wealth and discourage poverty (Brinkerhoff 1996, 16–17). For this reason, and by adopting a neoliberal ideology, the state should not be economically monopolistic and should encourage free market enterprise. Faith is also placed in the idea that the state can be a neutral, objective and representative entity, able to carry this approach out, even when authoritarian in nature.

These concepts underpin the World Bank’s “An Investment in Peace” and the 1994 “Paris Protocol” economic agreement that formalized a sort of customs union between Israel and the PA (Israeli Ministry of Foreign Affairs 1994; Ahmad 2014; Arafah 2018; chapters by Iqtait and Dana in this edited volume). In one of the more egregious displays of inadequacy in the way donors approach Palestinian development, practitioners who adopt this approach seem to ignore the source cause of Palestinian misery: a settler colonial occupation that structurally and violently defines every aspect of their life. This was particularly true in the 1990s when an effort was made to make the occupation invisible to the point of never mentioning it. For what Le More describes as political reasons, the term “occupation” almost entirely vanished from the international discourse (Le More 2008: 29). This was in part justified on an argument that peace can only take place by avoiding pernicious political issues that can lead to unhelpful mutual recriminations, and derail “progress” that aid was seeking to foster. That contributed to the international community ignoring the structural violence carried out by Israel, while building colonial settlements considered illegal under international law, whose existence and growth were however the fundamental factor undermining the two-state model at the heart of the Oslo peace model. In this way, through a widespread adaptation of the instrumentalist approach the occupation became nearly whitewashed out of existence in the 1990s, to

the point of undermining the notion that Palestinians had land rights in the OPT. All of this contributed to the process of elimination and erasure, which is characteristic of settler colonialism (see Charrett and Seidel in this volume).

When the “good governance” project and World Bank model repeatedly fail to deliver desired outcomes, it is with equal repetition that practitioners in the instrumentalist approach blame exogenous factors such as political violence, or the Palestinians for not implementing policy well enough. They deflect blame rather than engage in inconvenient self-reflection to take into consideration flaws that may exist in their own approach. They also seem unwilling to challenge power in an asymmetrical relationship. In this way, political events become a complicating factor sabotaging well-designed aid models in what they assume is, fundamentally, a conceptually sound good governance project (Brynen 2000). Thus, reports by the World Bank, the architect of the instrumentalist model, place a disproportionate amount of blame on the PA for aid’s lack of results. They do this in spite of a well-established understanding that aid becomes a political factor in any conflict situation (Anderson 1999; Lester Murad 2014). They also conveniently forget that the PA is an institution of their own creation, a fact that “poses a serious challenge to their uniform analytical frameworks and rigid assumptions” (Taghdisi-Rad 2010, 42–43).

World Bank reports play a central role shaping external intervention (Tartir and Wildeman 2012). Their approach has always contrasted sharply with Roy’s assessment that Israel’s occupation was the key obstacle to development and peace (Roy 1999). Rather, if the Bank and other instrumentalists acknowledge the occupation, they typically show how it is unhelpful, but do not focus on it and instead work around it in their policy prescriptions. That is, they make avoiding its reality a priority, rather than challenging it. Their approach has no doubt been tied to, and augmented by, the bureaucratic and policymaking elite’s use of language that operated to sanitize the reality of occupation and colonization from policy assessments of the OPT (Le More 2008: 30). Acknowledging and challenging the settlements is equally if not more unlikely (Wildeman 2018a). Anyone working within this framework is forced to work within the confines of that way of thinking, to the point of their employment being in jeopardy (Wildeman 2017). As one of countless examples, a comprehensive 2000 World Bank and Government of Japan analysis of OPT development, carried out on the eve of the Second Intifada, blamed

a lack of positive outcomes in the Oslo aid and peace models on external political problems and poor policy implementation by the Palestinians, while almost never mentioning the occupation (World Bank 2000). Even as the Oslo process became less and less believable to people living with facts on the ground, over a period from 2009 to 2017 the Bank's key reporting to the donors became less and less contextually sound. In fact, one might forget when reading their reporting and policy advice, that settlements and occupation were even a leading problem for Palestinians and the establishment of their own state (Wildeman 2018b). At no time did they waver from maintaining the existing Oslo aid model.

The instrumentalist approach is based on deep misconceptions of the actual conditions of Palestine-Israel. It takes an approach to development and peacebuilding that is based on the false premise that there are two relatively equal sides engaged in a political dispute. That is a narrative which runs completely contrary to the reality of a gross power imbalance where Israel occupies OPT Palestinians through force. Instrumentalists display further deep logical fallacies in their approach by proposing that politics can somehow be kept separate from aid, all while ignoring the history (context) of the occupation and omitting information that does not reaffirm preexisting normative values (Pappé 2016). The settler colonial nature of the Israeli state's relationship with Palestinians is ignored in spite of remarkable historical consistency in Israeli policies of Palestinian land expropriation—policy which predates the formation of the state of Israel and occurs irrespective of which political party is in power (Pappé 2006; Masalha 2012). In fact, from the beginning the instrumentalists even miscategorized Israel-Palestine as a post-conflict situation, though the conflict never ended (CDS-BZU 2011).

Repetitive failure in the OPT has not dented the instrumentalist faith in policy or their own approach. Instrumentalists characteristically find success in any development program they are associated with, anyway, provided those programs are imbued with the “correct” (neoliberal) normative values (i.e. in this case good governance, democracy, open markets). For this reason, support for failed programs is renewed regardless of results, as values sit ahead of results in importance (Mosse 2005, 3–4). In this way instrumentalists habitually confirm self-fulfilling prophecies about the viability of the programs they have designed. So, while aid has not succeeded in bringing about peace and development as sought by the Palestinian people, instrumentalists still argue that the fundamentals of the program are sound because the norms are right. That is why “An

Investment in Peace” and the “Paris Protocols” have not been significantly amended or abandoned, while the post-Oslo aid process failed alongside the Oslo peace process.

### CRITICAL INSTRUMENTALISTS: MAKING ADJUSTMENTS

As the aid and peace processes began visibly to fail with the unfolding of the Second Intifada in the early 2000s, an early and notable challenge to the instrumentalist model came from aid researchers and practitioners already working within its normative values. We refer to this approach as *critical instrumentalism*. Individuals who adopted this approach had personal experience with the existing instrumentalist approach, and saw how it had failed. Unlike the instrumentalist approach, they questioned the downplaying and sanitizing of the occupation, and making it invisible, which had been particularly common during the 1990s. They felt aid would not work unless the occupation (and power) was challenged and began to raise serious concerns that aid may be sustaining Israel’s military rule of the OPT. These early critics rose in prominence in the mid-2000s at the height of the Second Intifada, a period that sparked questions about the Oslo Peace Process and aid programming generally. They argued that only by dealing with the political question of occupation could development and peace take hold.

This stood in stark contrast to prevailing instrumentalist thought that politics needs to be separated from development, or to focus on technocracy over politics, for peace to take place. As Anne Le More (2008) wrote in her seminal book about the political economy of aid during the Second Intifada, the occupation had to be challenged and the aid model changed to account for it. From this viewpoint, the aid intervention cannot be effective until the root cause of conflict and Palestinian poverty, the occupation, is also dealt with politically. Specifically, they criticized the depoliticized nature of the instrumentalist approach. As one of the leading early voices in this shift, Le More (2008) says that donors did recognize early on that politics would necessarily impact the development process, yet somehow acted as if the aid effort in the OPT could proceed independently. That included offering insufficient attention to the continuing Israeli military occupation and the absence of Palestinian sovereignty (Le More 2005, 996). This despite how,

The Second Intifada clearly showed that cushioning the harmful impacts of Israeli policies on Palestinian territory, economy and society by giving money to the Palestinians encouraged, rather than disheartened, Israeli expansionist policy—donors did not even manage to prevent Israel from destroying the Palestinian infrastructure and institutional projects they had financed between 1994 and 2001. (Le More 2005, 997)

Still, the critical instrumentalist approach retained some values in common with instrumentalism. That includes faith in policy, in bureaucracy and a West-centric model for governance. They also remained generally comfortable with the normative values imbued in the Oslo model for development, including a linear approach to project implementation and the establishment of the PA as a central authority to structure networks both outward and downward for policy implementation. Further, they remained confident that development aid was necessary to encourage peace, and that good policy could make this happen:

There is little controversy about the international community's initial scheme to buttress the Oslo peace process by providing tangible benefits to the Palestinian population of the OPT. Aid is now the landmark of every post-conflict reconstruction and state-building enterprise and, if used adroitly, can go a long way to help stabilize a political process and cement a peace deal. (Le More 2005, 995)

They took the approach that, if Oslo Aid were to succeed, it must fully account for and challenge the contextual realities of occupation. They do not however account for settler colonialism and the logic of neoliberal capital as key factors undermining the development and peace process, and this segues to a third category we have identified in the nexus of Palestinian development aid (Box 10.1).

**Box 10.1: Assessing Impact of Aid—Selected Main Findings (Knudsen and Tartir 2017)**

- The current cooperation and international aid paradigm has reached its limits in the absence of a parallel constructive political track that addresses the key constraints of Israeli occupation, settlement policies and the political division of the West Bank and Gaza Strip.
- Continued Israeli military occupation in the West Bank and Gaza Strip remains the primary reason for the failure of international aid

to achieve goals related to peace, human development and economic prosperity.

- The Palestinian Authority (PA) adopted donor-driven security sector reform (SSR) as the lynchpin of its post-2007 state-building project. The development process became highly securitized as nearly one third of the aid was allocated to the security sector.
- Due to the absence of effective accountability mechanisms in the international aid framework for Palestine, donors are not committed to the principles of aid effectiveness (Paris, Accra and Busan declarations) and the Do No Harm principles.
- Aid fatigue in the OPT is acknowledged in the donor community, but most donors are unwilling to revise the overall aid system or alter the economic framework of the Oslo Accords (Paris Economic Protocol arrangements).
- The annual losses to the Palestine economy due to the occupation are greater than current ODA aid volumes.

*Source* Knudsen and Tartir (2017)—Country Evaluation Report Commissioned by The Evaluation Department, Norwegian Agency for Development Cooperation (Norad) and Carried out by Chr. Michelsen Institute (CMI).

## THE CRITICS: REINVENTING THE AID MODEL

As the debate in development theory will point out, agreement about the utility of aid is not universal (Mittelman 2018). The belief that policy need only be adjusted modestly to take account of the occupation opened space for a much sharper critique of aid, which gained traction as conditions continued to deteriorate in the OPT through the 2000s and onward. The *Critics* are altogether pessimistic about the power of policy to do good and took the sharpest departure from instrumentalism. The Critics consider the instrumentalist model to be a simplistic, neoliberal, one-size fits all, decontextualized and West-centric approach that was always doomed to fail once implemented in the OPT. That is because they observe how instrumentalist management models isolate aid intervention from history, politics, and social realities—including the legacy of colonialism—and then bend reality to match their internalized logic with self-fulfilling prophecies of success or failure (Mosse 2004), irrespective of results. Nor do critics agree with the simplicity of a linear

approach to development. Instead, they argue that enlightened planners and development workers will readily appreciate that a:

Separation of “policy”, “implementation” and “outcomes” is a gross oversimplification of a much more complicated set of processes which involve the reinterpretation or transformation of policy during the implementation process, such that there is no straight line from policy to outcomes. (Long 1990, 15)

That is, policy will be affected and should be amended to match the actual conditions of an intervention, while that intervention is taking place, accounting for change and mistakes. So, development is a dynamic process and policy should react as such. Further, social actors are not some disembodied social “category” created per a classification system. Nor are they just passive recipients of aid, but rather active participants who react to the processes of intervention affecting them. As a result, the precise paths of change and the significance for those involved can never be simply and straightforwardly imposed from the outside, nor can they be explained in terms of the working out of some inexorable structural logic such as a linear model of aid giving (Long 1990, 6–7).

Though some were writing prior to the Oslo process, critics have since the late 2000s been growing increasingly vociferous in their denunciation of the Oslo framework, the World Bank and the instrumentalist model. The continuous failure of the Oslo aid model gave rise to the critical voices, and their argument and analysis have proliferated in the literature, especially over the past decade (e.g., CDS-BZU 2011; Nakhleh 2012, 2014; Bisan Center for Research and Development 2013; Turner 2020). In fact, this approach likely became “the” dominant mode of analysis on aid in the academic literature in that period. Yet, the *Critics*, mostly academics, activists, and some think tanks, do not enjoy the institutional support of power over policy as bodies equivalent to the World Bank and major bilateral donor agencies, and the non-governmental entities they fund, which operate on a still explicitly instrumentalist model guided by the World Bank. Since the two approaches are largely hostile to one another, this lack of access ensures that the *Critics* are unable to reinvent the aid model, at least from the top-downward.

Though the *Critics* share in common an objective of reinventing the aid model, they cannot be seen as an analogous and harmonized group (Tartir 2015). Though the level of critique and “radicality” varies among

them, they share in common a belief that the existing instrumentalist approach is inherently flawed and having a deleterious effect on Palestinians. Though they have diverging views on what aid model may work, if aid can work at all, they do share in common a belief that the existing model needs to be done away with. At its worst, many critics believe aid is acting as a smokescreen obscuring a failed peace process, while helping to subsidize an occupation Israel should otherwise be paying for. They also believe aid policy is a rationalizing technical discourse that conceals a hidden bureaucratic power used to dominate the Palestinians and keep them quiescent. For Critics, this hidden reality has become the true political intention behind foreign aid, while the real basis for aid is not to empower Palestinians, but rather to dominate them politically and socially through financial means. In this way, development is not policy to be implemented better, but rather domination to be resisted (for further analysis on resistance toward global development aid generally, see Mosse 2005).

In contrast to critical instrumentalists, critics fault not just the Israeli occupation but also the policy process behind aid for the ongoing humanitarian crisis. In contrast to the instrumentalists, critics argue that economic integration has always benefitted Israel at the expense of the Palestinians (Hever 2010; Roy 2016). Unlike instrumentalists and critical instrumentalists, critics do not have confidence in the ability of policy to bring about positive change (Rodney 2018), and are highly critical of much of the normative values intrinsic to post-Oslo aid. They believe that the neoliberal aid model designed by the World Bank is both ineffective and harmful to Palestinians (Dana 2020b), in no small part due to it being decontextualized from facts on the ground. They point out that it led to economic decline, subverted Palestinian civil resistance and subsidized the occupation (Dana 2015a).

Critics actively seek out the unspoken and unwritten intent they believe exists for why policy is made and actions take place (Mosse 2005, 2), even if those hidden facts are difficult to locate and measure. As Pappé established, hidden meanings and intentions are intrinsic to understanding the actual history of the state of Israel and the Palestinians (Pappé 2006), and the high donor politics of aid is no different. As Challand points out, aid is never neutral, despite technocratic language that claims neutrality and objectivity:



Various studies highlight the fact that funding, despite its apparently technical and specialized outlook, is never truly neutral, and that behind the noble objectives of “development” lie much more straightforward political (and in some cases economic) interests. (Challand 2008, 410)

This parallels Morgenthau’s (1962) realist theoretical analysis of foreign aid, where he argues that foreign aid’s official structures mask the true political reasons it is being spent, in pursuit of power.

Since aid had been earlier de-linked from politics in the 1990s (Shikaki and Springer 2015), it was subverting Palestinian development, reinforcing the Israeli occupation and subsidizing a process of colonization (Leech 2012). Mandy Turner goes so far to suggest international aid in the OPT is a visible form of developmental counterinsurgency (Turner 2015), designed to “extend, uphold, and police an international system created by, and structured with, colonial relations of power” (Turner 2020). Turner further argues:

in the absence of political or economic pressure applied to Israel to allow a sovereign Palestinian state to emerge, it was inevitable that international aid would create structures and a political economy that worked in tandem with, rather than in opposition to, Israel’s rule. Aid is a stabilization and “development” strategy, and in the OPT these were pursued and undertaken in the context of Israeli settler colonialism because these structures of power and control were allowed to persist. (Turner 2020)

### THE NEO-COLONIALISTS: ALIGNING AID WITH ISRAEL’S SETTLER COLONIALISM

Neocolonialism is a post-Imperial concept whereby a powerful state, typically from the Global North, uses economic, political, cultural, or other pressures to influence or control other, typically formerly colonized, countries of the poorer and weaker Global South. The United States regularly does this with the Palestinians, and the international donor community often as well. Although it is not exclusive to US intervention, the antecedents to the “Peace Dividend” model, a derivative of the Economic Peace framework lay in US policy dating back at least to the 1970s when the Carter administration started a depoliticized approach premised on the idea that “happy” Palestinians, who had steady employment and a functioning administrative structure, would be willing to negotiate for a

settlement while under occupation (Wildeman and Tartir 2019). In the 1980s, the Reagan administration proposed a “Quality of Life” initiative (Wildeman 2019), to promote political reconciliation between Israel and the Palestinians through economic inducements that were theoretically separated from politics, reflecting an argument that “Economics may be politics in the West Bank and Gaza, but the American government can and should attempt to separate the two for policy purposes” (Starr 1989, 38). While couched in the technocratic jargon of instrumentalism, the US intention clearly included exerting political dominance over the Palestinians. The same policy thinkers who argued for an apolitical aid program also argued that aid should go only to Palestinians with the “right” politics (Starr 1989, 40).

They also conveniently worked around Israel’s long-running rejection of development aid that empowers Palestinian independence. By 1993 the Cold War had ended and the United States was the lone hegemonic power left in the Middle East. This would allow it to establish an aid model based on its past proposed peace dividend, while establishing a dominant position as the “arbiter” overseeing the Oslo Peace Process. The United States meanwhile was anything but an impartial mediator. It held extremely close political and military ties with Israel, which included providing Israel with billions of dollars in advanced military aid per year. This alliance is so tight that it represents the centerpiece of US Middle East policy, to the point that the United States will set aside its own security concerns to advance the interests of Israel as one-and-the-same (Mearsheimer and Walt 2008).

The Clinton administration in the 1990s adopted the notion of peace dividends and promised a new era of prosperity. The Bush administration proposed the “Roadmap for Peace” initiative in 2003 and put economic growth and investments at the center of a future “peace process” (Dana 2015b). A June 2012 *Congressional Research Service Report* noted that successive Administrations have requested aid for the Palestinians to support at least three major US policy priorities of interest to Congress: (a) combating, neutralizing, and preventing terrorism against Israel from the Islamist group Hamas and other militant organizations; (b) creating a virtuous cycle of stability and prosperity in the West Bank that inclines Palestinians—including those in the Hamas-controlled Gaza Strip—toward peaceful coexistence with Israel and prepares them for self-governance; (c) meeting humanitarian needs and preventing further destabilization, particularly in the Gaza Strip (Zanotti 2012).

In 2013, the Obama administration proposed the “Kerry’s Billions” initiative to boost the Palestinian economy by up to 50% and help “transform the fortunes of a future Palestinian state” (Tartir 2014). The Trump administration followed suit, although it took further drastic decisions and measures in comparison with previous US administrations concerning the final status issues, including Jerusalem and Palestinian refugees. There it proposed in 2020 in their *Peace to Prosperity* plan a vision that is based on the same economic flawed rationale.

The Critics argue that aid is actually assisting Israel in its occupation and settler colonization of the OPT (Hanieh 2013), and the critical instrumentalists recognized that aid may be subsidizing the occupation, too. The Critics further recognize that aid and a peace dividend may have been used to subdue the Palestinians politically by requiring them to forgo their political rights in return for desperately needed funding (Wildeman and Tartir 2013). This is most apparent by the Trump administration’s withdrawal of Palestinian aid funding as a tool meant to coerce them into agreeing to political outcomes. Though a more extreme version of US intervention, a neocolonial approach in support of Israeli policy has largely defined American aid policy to the Palestinians and the larger region, providing Israel with support to maintain control over the Palestinians, even if that meant effective support for settler colonialism.

Only The Critics appreciate, acknowledge, and challenge settler colonialism as a phenomenon in their analysis. Following the 1967 occupation of the West Bank and Gaza Strip, the Israeli government adopted the “open bridges” policy, designed by Defense Minister Moshe Dayan to make the “occupation invisible” (Dana 2015b). It aimed to endorse “limited economic modernization through agricultural and light-industry projects in Palestinian lands in order to pacify the population and disrupt the political foundation of the Palestinian anti-colonial struggle” (ibid.). In the 1980s, Israeli policy in the OPT social services sector appeared to be oriented toward safeguarding social conditions to facilitate political pacification, devolve the costs of occupation to others whenever possible, and to retain the advantages of a mixed political system that retains control over the West Bank and Gaza Strip (Brynen 2000, 42). In the 1990s, then-Foreign Minister Shimon Peres put forward his idea of a “New Middle East” which proposed a process of regional economic integration beyond the Palestinian territories. More recently, Benjamin Netanyahu advocated for an “economic peace strategy” in the West Bank to illustrate the fruits of a security collaboration and coordination model

that ensures stability in the status quo as a panacea for economic growth (Dana 2020a). Of course, the status quo is Israeli settler colonization of the OPT and dispossession and elimination of Palestinians from much of their land.

These Israeli approaches have three common features. First, they all worked in tandem with the US-driven neo-colonialist approach to aid in exercising control over the Palestinians in support of Israel. Second, they all—to varying degrees—found different sorts of Palestinian counterparts to collaborate with through complex financial mechanisms and bureaucratic structures, yet failing to convince the Palestinian people to surrender and give up their political rights overall. Third, they could depend on the United States influencing and shaping how, overall, the international community funded Palestinian aid at a structural level. Even when donors did not adopt an explicitly neocolonialist approach, it was quite easy to work with them if they adopted an instrumentalist approach that does not challenge power, and made the World Bank a particularly helpful partner, given its role as the guide of the overall donor model.

## CONCLUSION

In this chapter, we identified four main categories to describe the approaches that policymakers, analysts and scholars have taken with foreign aid in the OPT, over the course of nearly thirty years of evolution in the Oslo Peace Process. The *instrumentalist* approach has been both dominant and deeply unsuccessful at achieving its *de jure* aims. This is almost certainly due to its unwillingness to acknowledge the political processes of occupation and settler colonialism that have rendered Oslo impossible, combined with a conviction of faith in the ability of their policy models to bring about progressive change. The *critical instrumentalist* approach shares an instrumentalist faith in good policy being a force for positive social change, but believes for this to happen, the occupation needs to be addressed and challenged. The *Critics* meanwhile perceive aid policy to be part of the problem; hence aid is an instrument reinforcing oppressive processes that need to be resisted. That includes resistance to both the occupation and settler colonialism, the latter which Critics clearly consider aid policy to be reinforcing. The *neocolonial* approach has no problem with the presence and entrenchment of the Israeli occupation or colonialism, but rather with finding ways to help shape the Palestinians toward alignment with Israel's policy.

It is evident by now that the aid flow, however big it becomes, will never be effective if it continues to be poured into the skewed and distorted political and economic frameworks of the existing (failed) Oslo model. In fact, more money can lead to more harm when spent in an improper intervention. Similarly, technical solutions alone, regardless of how good they may seem on paper, will always fall short of addressing the real problems Palestinians face, if they avoid addressing the central political realities of the conflict (Tartir 2017a). It is therefore inevitable that a shift should take place in prevailing development thought, from one that considers development as a technocratic, apolitical, and neutral approach (instrumentalism) to approaches that recognize structures of power and relations of colonial dominance, some of which rearticulate processes of development as linked to the struggle for rights, resistance, and emancipation (Tartir et al. 2012; Dana 2020c; Seidel's chapter in this edited volume). Yet, even if that shift has taken place at a scholarly level, it has not yet translated to change in policy by the international donor community, or even by authorities on the ground in the OPT who receive aid funding.

By looking at Palestinian aid through these different categories, it appears the model defined by the dominant instrumentalist approach has only served to obscure the real structural neocolonialist reasons behind aid being given. While aid has clearly failed in its mission to build peace in the Middle East, tens-of-billions of dollars in funding would not continue to have been given, were it not fulfilling some other underlying political aim and satisfying other structural processes. The neoliberal architecture of the model built by instrumentalists provides Israel with financial and political support to maintain a profitable occupation over the OPT and to keep building settler colonies in it, all while keeping Palestinians quiet through financial buy-offs under the guise of ongoing development and peace processes. Considered from this standpoint, foreign aid might be succeeding as assistance for Israel in the completion of its colonization of historic Palestine.

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# The Palestinian Authority Political Economy: The Architecture of Fiscal Control

*Anas Iqtait*

## INTRODUCTION: ECONOMIC ARCHITECTURE OF OSLO

The Oslo process remains the overarching framework defining relations between the Palestinian Authority (PA) and Israel. The Oslo Accord of 1993 marked the beginning of the state-building process of the PA, and international state and non-state donors flocked to fund and assist in the creation of the PA and its governance institutions (Persson 2018). Billions in donor's funds were invested in the Occupied Palestinian Territories (OPT) with the PA's budget funneling US\$18 billion in foreign aid between 1996 and 2018 (Iqtait 2019, 152).<sup>1</sup> The formation and reform of PA's governmental institutions received the bulk of this investment, which was intended to foster the circumstances suitable for reaching a political settlement with Israel (Wildeman and Tartir 2014). Foreign aid was disbursed in two major waves: the first laid the institutional foundations for the PA's government during the Oslo Accords era from 1993 to 2000; and the second wave was synonymous with PA Prime Minister

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Salam Fayyad's reforms and state-building agenda from 2007 to 2013. Both waves were orchestrated by the World Bank and emphasized the importance of economic and fiscal achievements, through minimizing PA expenditure and integrating the Palestinian and Israeli markets (Iqtait 2019, 168).

Economic ties between the Palestinian and Israeli markets after 1993 are shaped by the policy parameters of the Oslo Accords, which instituted a legal framework for Palestinian economic activities and economic relations with Israel and the rest of the world. The Paris Protocol, formally known as the "Protocol on Economic Relations", is a "contractual agreement" signed in 1994 that governs economic and fiscal relations in the West Bank and Gaza Strip. According to the text of the Protocol, it meant to "lay the groundwork for strengthening the economic base of the Palestinian side and for exercising its right of economic decision making in accordance with its own development plan and priorities" (Israeli Ministry of Foreign Affairs 1994). The Protocol regulated matters related to trade, monetary and financial issues, taxation, labor, agriculture, industry, tourism, and insurance issues. It was designed to serve for an interim period of five years during the Oslo process of 1993 to 1999, but continued to dictate economic and fiscal relations between the PA and Israel until the present day (Israeli Ministry of Foreign Affairs 1994). The Paris Protocol envisioned fostering favorable conditions for the development of the Palestinian economy by binding its trajectory to the well-developed and comparatively wealthy economy of Israel. It claimed that the continuation of labor movement to Israel and favorable public and private investment conditions could have generated full employment; the public sector could have been developed and a viable tax system established; foreign aid could have assisted in financing lacking infrastructure and spurred private sector development; and free trade with Israel and access to international markets were projected to boost growth (Kanafani 2001).

However, there is a general agreement among policy makers and academics regarding the negative impacts of the Paris Protocol on the Palestinian economy (Roy 2007; Koldas 2017; Samhoury 2016). Most prominent arguments tackle the asymmetrical economic structure shaping the relationship between the PA and Israel (Hever 2010). The Paris Protocol adopted a neoliberal "peace-time" economic framework among economies of similar economic development levels, and each possessing individual sovereignty (Terme and Kattan 2010). However,

the Palestinian economy was characterized by de-development, dependence, and fragmentation (Roy 1999; Seidel 2019). Israel's colonial control and occupation were a primary driver of the Palestinian economy's ailments, which manifested in "multi-structural sectoral dependence of international trade, means of production, labor flows, productivity, fiscal revenues, and energy supplies" (Iqtait 2019, 161). Essentially, the Paris Protocol conveniently underplayed and ignored Israel's predatory colonial economic and fiscal policies (Seidel and Tartir 2019).

The failure of the Paris Protocol to instill economic development was complemented by the shortcomings of the momentous international-led state-building programs. Although the World Bank has documented the distribution of US\$35 billion in foreign aid in the OPT between 1994 and 2018, there is general agreement among Palestine scholars that aid has failed to achieve genuine economic development (Iqtait 2017a). Major macroeconomic indicators do not reveal any linear relationship between sustainable economic performance and the billions of dollars in foreign aid received (Wildeman and Tartir 2014; Taghdisi-Rad 2015). Rising unemployment levels, increasing poverty, declining per capita income, continuing de-development of productive sectors in the economy, erratic economic growth rates, increasing public and private debt levels, declining working conditions, rising costs of living, low investment levels, and persistent food insecurity were key socioeconomic indicators of foreign aid's failure in the OPT (Le More 2008; MAS 2012; OCHA 2012; Tartir and Wildeman 2012; Bisan 2011; Farsakh 2002; Hanieh 2016).

The Oslo development model, including donor's neoliberal aid regime, reinforced Israel's occupation and settler colonization of the OPT (Wildeman 2019). Above all, missing in the Oslo economic development model were plans to foster indigenous and sustainable economic progress. The resultant political economy in the OPT was one of total dependence and colonial subjugation, and this chapter draws attention to the fiscal dimensions of this system. Margaret Levi notes that "the history of state revenue production is the history of the evolution of the state" (Levi 1988, 1). By shifting the focus from the spending side of PA budgets to the revenue side, this chapter illuminates the fiscal structure connecting Israeli colonial policies with neoliberal economic development in the OPT. This approach is informed by the recent push for a new fiscal sociology in developing countries, which is reviving interest in the instrumental role public revenues play in the formation and evolution of

state institutions and policies. Particularly, this chapter draws on the fiscal-centered approach to external income and rentierism, which has called attention to the fiscal imperatives and interests related to the revenue side of state-building processes. The chapter contends that the absence of sovereignty and legitimation the PA had to design domestic revenue collection strategies for building fiscal capacity and ensuring its financial survivability. However, PA's fiscal operations ultimately further entangled the Palestinian economy with the availability of external income. The chapter further argues that readily available funds, in the form of foreign aid and clearance revenue, have relieved the PA of constructing an authentic contract with its populace and widened the gap between its senior employees and rest of society.

### FISCAL SOCIOLOGY AND THE PALESTINIAN AUTHORITY

The question of how revenues shape the evolution and behavior of states has long been a pertinent one. Joseph Schumpeter was among the first to highlight the centrality of revenue and taxation, observing that “the extraction of tax revenue by the state has an enormous influence on economic organization, social structure, human spirit and culture, and the fate of nations” (Campbell 1993, 163). He further asserted “that the study of the social processes behind taxation and public finances, that is, fiscal sociology, is one of the best starting points for an investigation of society, and particularly its political life” (Campbell 1993, 163). For Schumpeter, fiscal sociology researches farther than numerical budgetary data and investigates the nexus between contemporary and historical fiscal affairs and social and economic structures (Musgrave 1992, 90). Levi argues that “the greater the revenue of the state, the more possible it is to extend rule. Revenue enhances the ability of rulers to elaborate the institutions of the state, to bring more people within the domain of those institutions, and to increase the number and variety of the collective goods provided through the state” (Levi 1988, 2).

While researchers of fiscal sociology examine the dynamics of fiscal extraction, recent research has focused on other forms of public revenues. Scholars argue that different sources of public revenue produce different consequences for the evolution, development, and behavior of states, and states typically rely on two major types of revenues: taxes and rents (Mahdavy 1997; Beblawi 1987; Moore 2004; Luciani 1987; Bräutigam et al. 2018; Levi 1988). A “tax state” is a state that generates the majority

of its revenue from taxation. Conversely, a “rentier state” is a state that derives a prime portion of its revenue from external income. A state’s external income is defined as “the surpluses that can accrue to governments or to other organizations exercising effective territorial jurisdiction by virtue of either their effective territorial authority or of the fact that other states treat them as legitimate territorial authorities, even if the reality on the ground does not quite correspond” (Moore 2004, 305). As such, a rentier state is defined as “a government that is able to use its legitimate monopoly over territory to extract significant rents from international transactions and thereby become the dominant actor in the political economy” (Jenkins et al. 2011, 5).

Beblawi argues that the rentier state is a state where rent situations predominate the economy; relies predominantly on externally generated rents; only a few of its citizens are engaged in rents creation (in contrast, the majority benefits from its allocation); and government is the principal recipient of rents (Beblawi 1987, 51–52). He stresses that there is “no such thing as a pure rentier state”, and the prevalence of rentier conditions and income exist in all economies to different degrees. Luciani refers to the rentier state as an allocative state, rather than extractive, due to the absence of an effective tax base (Luciani 1987, 73). Thus, states that rely on rents do not have to resort to collecting taxes from their populace in order to finance their expenditures. The absence, or weakness, of taxes and the tax apparatus in these states eliminates the need for representation and allows the state to remain autonomous of its citizens (Beblawi 1987). In other words, the state lacks a “social contract” with its society. Thus, institutional and political structures that allow states to bargain with their societies and citizens are replaced by a “rentier bargain”, whereby states allocate material benefits in exchange for political quiescence (Gray 2011).

In the OPT, public revenues are predominantly controlled by Israel and international donors. The PA’s attempts at fiscal extraction have generated little compliance and yielded thin public revenues (Iqtait 2017b). This failure can be attributed to the PA’s incapacity to efficiently collect taxes, and its inability to instill a social contract with its society (Iqtait 2020, 119). Most importantly, the OPT’s heritage of colonial economic policies and international neoliberal interventionism stripped the PA of the legitimacy needed to bond with society. Israel’s system of control further duplicated the fiscal extraction efforts of the PA: where a majority of tax generating activity—such as imports and trade with Israeli markets—remains entangled by Israel’s web of economic systems



of control, as will be elucidated in the next sections. As such, the PA has largely remained funded by foreign aid and clearance revenue, both representing forms of external income and political rents (Iqtait 2017b, 62).<sup>2</sup> Foreign aid to the PA in the form of budgetary support gobbled 48% of all aid destined to the OPT, and accounted on average for 30% of total PA expenditure between 1997 and 2017 (Iqtait 2019, 151–154). In addition, the Israeli collected and processed clearance revenue has increased in importance for the PA and has accounted on average for 42% of all PA expenditure in the same period. Collectively, foreign aid and clearance revenue represented on average 72% of total PA expenditures (Iqtait 2019, 151–156). The subsequent sections will investigate the fiscal dimensions that had largely shaped the OPT since 1967.

### HISTORICAL FISCAL ARCHITECTURE (1967–1993)

The Israeli fiscal policies in the West Bank and Gaza between 1967 and 1993 were characterized by policies unilaterally imposed by the Israeli government to serve Israeli political, military and economic objectives as perceived at the time (Gazit 1995; World Bank 1993; Diwan and Shaban 1999). The Israeli government ran a fiscally conservative policy; often the revenues accruing to Israel from the West Bank and Gaza exceeded expenditures, thus resulting in a net gain to the Israeli treasury (Roy 1995, 192–198). The administration spent very little on infrastructure, health, education or public services. This created a large vacuum in the provision of public services; this vacuum was partially filled by local and international NGOs, in part as a political strategy of steadfastness and resistance—or *sumud* (Dana 2015; Challand 2009; Tamari 1991). In addition, the Palestinian economy was largely exploited for resources and labor by the larger and more developed Israeli economy. Samara argues that the structure of this exploitation was designed to coerce the Palestinian economic productive base to serve Israeli economic development needs, and to restrict the Palestinian economy's ability to trade with neighboring states (Samara 2000). By 1986, about 92% of Palestinian imports and 85% of exports originated from or were destined for the Israeli market (Arnon et al. 1997, 101).

In the early 1990s, it was already clear that the Israeli economic and fiscal policies in the OPT had systematically stripped the local economy of its ability to develop. In 1991, the Israeli defense minister, Moshe Arens, appointed a committee, known as the Sadan committee, to examine the

means to develop the economy of the Gaza Strip, which produced one of the most elucidating statements regarding Israel's policy toward the Palestinian economy:

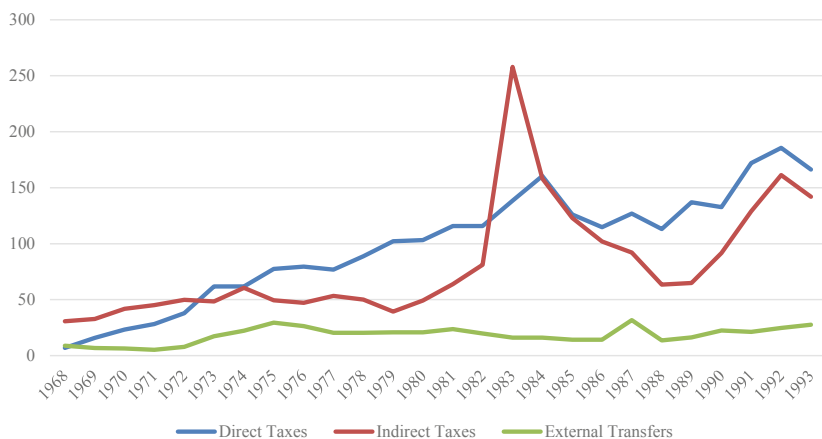
In promoting the economic interests of the [Palestinian] population, the focus was on wage earners and on the short run. Regarding wage earners, priority was given to increasing their income by employing them in the Israeli economy. Only rarely did the policy opt for the development of an infrastructure and the encouragement of the creation of factories and employment within the Gaza Strip itself. No priority was given to the promotion of local entrepreneurship and the business sector in the Gaza Strip. Moreover, the authorities discouraged such initiatives whenever they threatened to compete in the Israeli market with existing Israeli firms. (Arnon et al. 1997, 295)

The Sadan committee's report identified Israel's role in evolving an economy that was predominantly reliant on external income. Remittances from wage earners employed in Israel, or elsewhere, financed the bulk of economic activity in the Palestinian economy between 1967 and 1993. This specific Israeli policy, of increasing income levels through employment in Israeli markets, resulted in intertwining a segment of Palestinian labor with the availability of external income and fiscal revenues in the Palestinian economy (Mansour 1988, 81–82; Iqtait 2020, 66). In addition, foreign aid was utilized to relieve Israel of the responsibility of public spending in the OPT. For example, some of the foreign aid destined to infrastructural activities such as road construction and rural electrification was funneled through, or reported by, the Israeli military government's budget in the OPT (Tamari 1991, 63).

In the meantime, Israeli military governments maintained a strong record of fiscal extraction in the OPT. Fiscal revenues originated from several sources. The first was taxes extracted from firms and individuals, such as income and property taxes. The second was revenue accruing to the Israeli government from Palestinian laborers in Israel. This revenue derived from three sources: income taxes, national insurance fees, and pension contributions deducted from Palestinian laborers' pay (Hiltermann 1991, 22). The third source was custom clearance revenue, which was largely associated with imports into the West Bank and Gaza Strip. Finally, and least importantly, were monetary transfers by international organizations, foreign countries or, rarely, the Israeli government (Arnon et al. 1997, 127–128).

The majority of these sources can be divided into three categories as shown in Fig. 11.1: direct taxation, indirect taxation and external transfers. Indirect taxation and external transfers represented most revenue accrued and averaged 54% of total revenue between 1968 and 1993. Indirect taxes were the main source of revenue at the beginning of the period but declined in importance after 1973. This could be explained by the sharp increase in the number of Palestinian laborers working in Israel and paying high rates of income tax after 1970 (ICBS 1996). Higher employment in Israel translated to an increase in the share of direct taxes from overall revenues. In 1968–1975, direct taxes averaged less than 30% of total revenue but rose to more than 52% in 1974–1993. The share of indirect taxes dropped from 85% in 1968 to less than 50% in 1993.

In return, public investment levels in the West Bank and Gaza under Israel's control were extremely low (ICBS 1996; World Bank 1993). They averaged just 3.4% of GDP in the West Bank and 5.7% in Gaza between 1968 and 1993 (ICBS 1996). Public investment levels also averaged less



**Fig. 11.1** Public revenues in the OPT, 1968–1993 (million New Israeli Shekel (ILS), 1986 prices) (*Note* Author's calculations based on ICBS, *National Accounts of Judea, Samaria and the Gaza Area 1968–1993*. The steep fluctuation in Indirect Tax figures in the early 1980s could be explained by lags in ICBS's data collection and the overall macroeconomic environment which saw record inflation figures and overall sharp depreciation in the Israeli currency. *Source* ICBS)

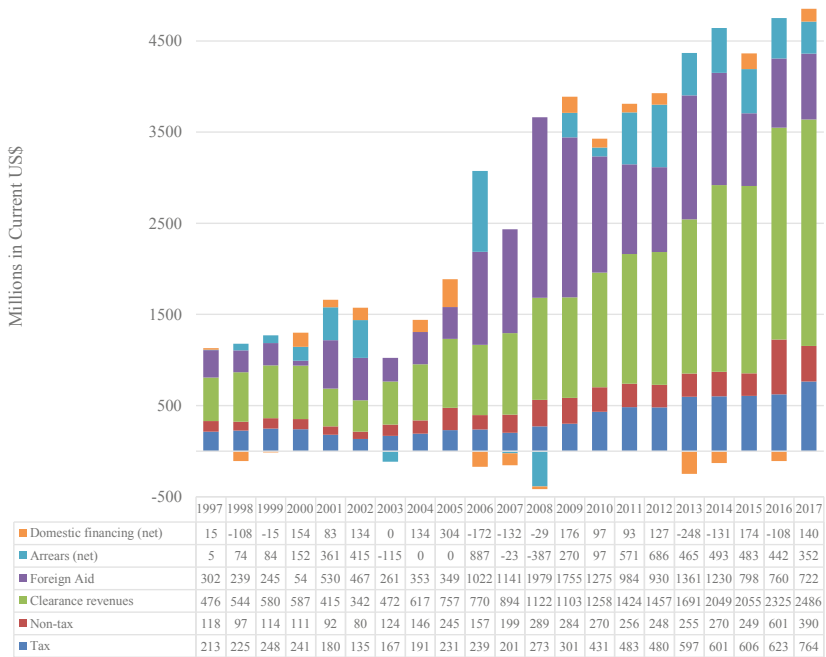
than 20% of total Israeli expenditures in the territories. The remaining 80% represented public sector expenditures on goods and services, which included spending by the central authority and municipalities. Finally, public consumption share of GDP represented a mere 11% in the West Bank and 14% in Gaza between 1968 and 1993 (ICBS 1996).

The preceding overview of the fiscal structure OPT between 1967 and 1993 outline that most fiscal revenue generated in the West Bank and Gaza originated from economic activity in, with or through the Israeli economy. For example, income taxes collected at the time mostly accrued from Palestinian laborers working in Israeli markets. An exploitative relationship rose between Palestinian and Israeli markets, whereby Palestinian labor contributed to economic productivity in Israeli markets and, in exchange, the Palestinian economy received much-needed income. This policy of substituting Palestinian economic development with external income conditioned the health of the economy on the continuous and uninterrupted flow of this external income. In addition, most indirect taxes, VAT and customs duties on imports accrued as result of trade between the Palestinian and Israeli markets, or from imports that arrived through Israeli points of entry. This entailed that when the PA was established in parts of the OPT after 1994, most of the OPT's tax base was controlled and largely collected by Israel.

## FISCAL OPERATIONS OF THE PALESTINIAN AUTHORITY

When the Palestinian Authority was established in 1994, it inherited an economic structure enervated by decades of marginalization, de-development, economic exploitation, dependence on Israel's economy, high unemployment, and reliance on external income in the form of foreign aid and remittances. Thus, when the Oslo process began, Palestinian economic priorities were enhancing private sector growth, employment generation, ending dependency on Israel and lessening the reliance on external income (Roy 1999). The Palestinians had to undertake large investments in infrastructure to offset decades of under-investment in electricity, communications, health, education and transportation. In essence, the PA was tasked with the process of developing a de-developed economy (Roy 1998). However, the structural relationship of the Palestinian and Israeli economies and an excessive reliance on remittances and foreign aid did not change after Oslo. In fact, economic and fiscal indicators prove that dependence on external income accelerated and

became entrenched after the creation of the PA. The economy continued to operate on external income windfalls in the form of remittances and foreign aid, which averaged a whopping 37% of GDP between 1995 and 2017 (Iqtait 2020, 84). Similar to the Palestinian economy, the PA was excessively reliant on external sources of income. While the economy was reliant on foreign aid and remittances, PA finances were contingent upon the flow of clearance revenue and portions of foreign aid in the form of budgetary support. Figure 11.2 provides basic data on the PA's budget between 1997 and 2017 in current US\$.



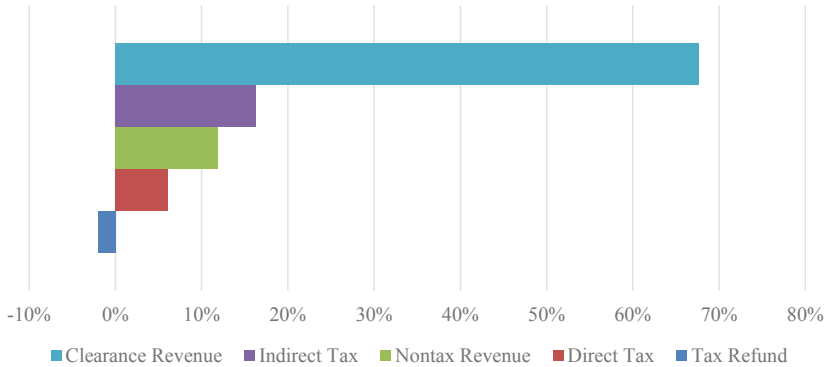
**Fig. 11.2** PA Fiscal Operations 1997–2017 (Current US\$ millions) (*Note* Author's calculations based on data available by IMF, *Report to the Ad Hoc Liaison Committee* [2004–2018]; PA Ministry of Finance and Planning, *Financial Reports* [1999–2018]; World Bank, *Country Profile: West Bank (WB) and Gaza* [2018]. *Source* IMF, PA Ministry of Finance and Planning, and World Bank)

### *An Overview of the PA's Revenues*

The PA began to raise revenues in its own right following its establishment in 1994 and managed to raise revenues equivalent to 9% of GDP. This percentage increased after 1996 to consistently count for at least 22% of GDP. However, the PA did not have full control over its revenues, as they were divided into three categories. The first was domestic revenue, which derived mostly from indirect taxes on goods and services, some direct taxes on income and corporations, and other non-tax revenues. This category represented revenues that fell under the direct control of the PA and equaled on average 7.8% of GDP, forming 25% of total revenues. The second category was clearance revenue. Clearance revenue formed the bulk of the PA's income, increasing from US\$476 million in 1997 to more than US\$2.4 billion in 2017 and doubling as a percentage of GDP from 8.1% in 1995 to 17.3 in 2017. Clearance revenue fell under the complete control of the Israeli government and was transferred to the PA on a monthly basis. Foreign aid disbursed to the PA's budget formed the third category and constituted on average 30% of PA's total expenditure.

PA revenues grew by 12% annually and increased in value by more than 600% between 1995 and 2017, from US\$511 million to US\$3,567 million. The substantial increase in aggregate revenues concealed the fact that PA revenue base was excessively derived from regressive forms of taxations, primarily indirect taxes. Figure 11.3 displays the composition of PA's revenues (excluding foreign aid) disaggregated by source for 2016 and shows that only 4.8% of revenues originated from income taxes. This includes income accrued from public employment, private sector wages and taxes levied on corporations. On the other hand, indirect taxes, whether originating from clearance revenue or domestic indirect taxes, formed the bulk of revenues at about 84%. Finally, non-tax revenues originating from domestic fees and charges formed about 12% of total revenues. This distribution represents the typical composition of PA revenues since 1995.

The PA's insufficient direct tax revenue was despite an excessively lax income tax structure. The PA frequently amended its income tax law making several cuts of income tax levied on corporate profits and high-income earners (Abdelkarim et al. 2015, 54). Initially, PA levied high tax rates on companies and high-income earners of 38.5 and 48% respectively, but after various rate cuts, the corporate profits and high-income



**Fig. 11.3** PA Revenue in 2017 (Excluding Foreign Aid) (*Note* Author's calculations based on data available from PA Ministry of Finance and Planning, *Quarterly Budgetary Report* [2017]. The year 2017 represents the latest publicly available data. *Source* PA Ministry of Finance and Planning)

earners are taxed at a low rate of 15% (Deloitte 2019). The PA claimed to implement a progressive tax code, which promoted employment generation incentivized investment (Palestinian Authority 2018). Tax collection records, however, depict a consistent failure to broaden the tax base or increase the share of direct taxes from overall revenues despite excessively low tax rates. It further reflects the PA's inability to mobilize tax from wealthy businessmen and large businesses due to a web of loopholes and exemptions granted by Palestinian Investment Law, and at times, PA's political leadership (Dana 2020; Haddad 2016). Indirect taxes in the OPT largely originated from economic activity with or through the Israeli economy and remained under Israeli control after the creation of the PA. Similarly, the smaller share of indirect taxes that fell under the direct control of the PA mostly accrued from products that were traded with the Israeli economy. This entailed that, comparable to the situation that preceded the creation of the PA, Israel continued to exercise near binding control over fiscal resources in the OPT.

### *Clearance Revenue: An Israeli Fiscal Mechanism*

Within this framework, the PA's ability to accrue clearance revenue from Israel was contingent on technical conditionalities that stipulated the

need to exchange clearance revenue receipts between the PA and Israel before transferring these funds. The PA's fiscal efforts at tax mobilization, then, were shaped by its quest to secure and register clearance tax receipts from Palestinian traders. In turn, the clearance revenue mechanism marginalized the economic and fiscal role of the PA in economic activity. The PA was excluded from the importation process to the OPT, which accounted for a significant portion of Palestinian economic activity at 53% of GDP in 2017 (PCBS 2018). Palestinian traders dealt almost exclusively with the Israeli authorities for processing imports to the Palestinian markets, whether they originated from Israel or from the rest of the world. Palestinian traders were not required to possess any licenses from the PA in order to trade with the Israeli market. For importing products from the rest of the world, a simple "import license" was the only required procedural interaction between the PA and traders (Khalil 2009). Most interactions were carried out directly with Israeli authorities, Israeli intermediaries, or specialized Israeli clearance and processing firms.

Thus, the Israeli authorities and Israeli private sector exploited this structure at various economic levels. Palestinian traders were forced to hire Israeli firms to represent them during the processing and clearance of shipments. Furthermore, Israeli bonded warehouses charged traders storage fees and costs while shipments were being processed (Elkhafif et al. 2014, 19). The World Bank estimated that the average duration for import processes in 2015 was 38 days, leading to significantly high storage costs (World Bank 2017, 44). Additionally, Palestinian traders were forced to hire Israeli firms to transport their imports from ports to the OPT. In addition to the costs incurred at the individual level, Israeli authorities deducted 3% of the total value of VAT and customs collected before crediting the PA's account.

Clearance revenue's costly and complicated dealings and procedures incentivized Palestinian traders to rely on Israeli counterparts to complete the importation process. While this process took 38 days to complete for Palestinian traders, their Israeli counterparts completed the same procedures in 10 days. Similarly, the average cost per transaction for Israeli traders was a third of the cost for their Palestinian counterparts in 2015, at US\$565 and US\$1,425 respectively (World Bank 2017, 44). As such, Palestinian businessmen imported products through Israeli intermediaries who, in turn, sold their imports to the Palestinian counterparts after the importation process had been completed. This diversion lowered the



import processing time for Palestinian traders by 75% and cut the cost of importation by 60%.

Palestinian traders importing products through Israeli intermediaries diverted significant fiscal revenue from the PA to Israeli coffers. Customs and VAT were collected on international imports that were destined for PA areas, but imports from Israel were only eligible for VAT according to the custom union principles of the Paris Protocol. In addition to Palestinian traders' use of Israeli intermediaries, the clearance revenue mechanism incentivized a wide range of tax evasion practices. These practices included under-reporting of VAT or customs paid to Israel, undervaluation, fraud and smuggling, and indirect importation through Israeli intermediaries.<sup>3</sup> The total fiscal loss to the PA was estimated at 3.2% of GDP annually, equaling about US\$4.6 billion between 1994 and 2016 (Elkhaffif et al. 2014; World Bank 2002). Palestinian traders resorted to indirect importation due to the PA's lack of control over resources and weak domestic productive base, the long-established relationship between Palestinian and Israeli traders, customs limitations and high customs costs, and the high number of administrative obstacles set by Israel or the PA.

### *PA Fiscal Policy: Fiscal Continuity and Entangling the Private Sector*

Although the PA did not possess the means of setting independent economic policies or direct control over its fiscal resources, it had evolved its fiscal anatomy to accommodate two levels of fiscal allocation cycles. These policies depended primarily on the amount of foreign aid disbursed by donors each year, the undisturbed transfer of clearance revenue by Israel, and the accumulation of arrears against the private sector.

The first level ensured the fiscal survival of the PA, represented by a fiscal allocation cycle that met its basic recurrent expenditures, which included its wage bill, social transfers and operational expenditures. The PA's short-term expenditures formed 90% of its total budget and were mainly allocative. About 50% of expenditures were dedicated to public sector wages and an additional 25% financed social transfers (IMF 2018). In order for the PA to meet its basic obligations, it had to secure clearance revenue from Israel on a monthly basis. During this fiscal cycle, the PA relied on a basic level of foreign aid disbursement by donors through the PA's budget, too. Although budgetary aid levels fluctuated, there seems to be a certain threshold of guaranteed support from donors for the PA's budget. From 2007 on, budgetary support did not fall below US\$600

million annually (Iqtait 2017a). Thus, with basic foreign aid levels and consistent clearance revenue transfers, the PA could sustain its fiscal position and meet its basic allocative obligations. However, under this cycle the PA accumulated significant arrears to the public sector pension fund, municipalities and private suppliers to finance its deficit. Arrears accumulation has accounted for 11% of annual PA expenditures in recent years. In addition to arrears, the PA relied on loans from the banking sector as illustrated in Fig. 11.2. In 2016, the PA had a stock of total debt liabilities of about 40% of GDP (IMF 2017, 7). Domestic debt stood at 30% of GDP, with arrears to private suppliers equaling 5% of GDP, domestic bank loans equaling 11% of GDP, and arrears to the pension fund 12% of GDP. Arrears to private suppliers exerted immense pressure on the wider Palestinian economy and undermined liquidity within the private sector (IMF 2016, 7).

The second level was an expansionary fiscal allocation cycle and was contingent on higher foreign aid disbursements through the PA's budget. The PA experienced two foreign aid expansionary cycles in recent years; these occurred between 2007 and 2010 and between 2013 and 2014 and financed around 51 and 32% of the PA's budget respectively (Iqtait 2019). In 2008, for example, donors funneled 80% of their aid disbursements through the PA's budget, which amounted to 60% of the PA's total expenditures for that year. In addition to meeting its recurrent expenditures, during these cycles the PA expanded its development expenditures budget and reduced the accumulated arrears and loans. The PA utilized the arrears mechanism to coerce the private sector into fiscal compliance. Arrears were reimbursed by the PA only after businesses provided proof of tax compliance: including income tax and disclosure of clearance revenue certificates.

The PA instituted a number of policies to raise funds and transform its fiscal burden to other segments of Palestinian society. One such policy was the issuance of PA treasury bonds during contractionary cycles. Although the PA had instituted the Law of Public Debt in 2005, which enabled it to issue state debt, only in 2014 did the PA issue its first sale of government bonds (Palestinian Authority 2005; Reuters 2014). The PA introduced these bonds to restructure debt to domestic banks with low interest rates. PA bonds were encouraged and sponsored by donors. In 2014, the IMF praised "the positive role that the issuance of government bonds could play for financial stability, and views securitization of government debt as an important step in support of banks' liquidity management

and, ultimately, towards developing a domestic debt market” (IMF 2014, 19). Similarly, in 2016 the PA started to issue promissory notes, or zero interest bonds, to the private sector as part of the arrears mechanism. The bonds increased the PA’s exposure to the private sector and made it easier for the government to receive services from private suppliers at a premium. Promissory notes holders had the option to cash in their debt at a local bank in exchange for a discount cash payment of 8% (World Bank 2016, 8). This transferred much of the arrears debt from Palestinian businesses to the banking sector. Most importantly, however, this meant that the PA was underpaying for services from the private sector; this agitated a large number of suppliers, who viewed this as predatory behavior and further justification for tax evasion (Iqtait 2020, 138).

### CONCLUSION: AN ARCHITECTURE OF FISCAL CONTROL

This chapter has demonstrated that the Oslo development model/framework provided the PA with public revenues but equipped it with little leverage over controlling or devising fiscal policy. The chapter further argued that public revenues in the OPT have historically served as agents in an overarching political economy architecture of control, and that political rents played a central role in the creation and sustenance of this architecture. Israeli fiscal and economic structures denied the PA of forming the legitimation necessary for successful domestic fiscal extraction. Israeli policies and the Oslo development model/framework concentrated on increasing income levels for Palestinians instead of stimulating economic development. As a result, external income from wage earners employed in Israel, or elsewhere, as well as foreign aid funded a significant portion of economic activity. Lack of domestic economic development meant that external income was mostly used to fund local consumption and swelled international imports and cross-border purchases from Israeli markets. This secured Israel’s total control over much of the flow of external income as well as the fiscal extraction on trade flows to the OPT. The PA’s role, in securing Israeli-controlled revenues through successful collection of custom and VAT certificates, was specific and purely technical. At the same time, through the institutional marginalization of these processes, the PA’s efforts to construct legitimation to raise domestic taxes failed. In fact, many Palestinians continued to pay taxes and fees to the Israeli government in lieu of the PA. Donor’s proactively reinforced these mechanisms by packaging

PA compliance with Israeli technical conditions as fiscal and governance reforms.

In the absence of legitimation and sovereignty to enforce taxation, and faced with declining international aid, the PA had to resort to alternative domestic strategies for building fiscal capacity. Accumulating arrears against different segments of the private sector served as a starting point, followed by debt accumulation with domestic banks and bond and promissory notes debt issuance schemes. Initially, donors praised and packaged these measures as part of sound fiscal reforms. However, accumulating debt from the domestic economy conditioned the viability of the Palestinian private sector to the resumption of foreign aid flows through the PA's budget. In addition, donor's recommendations to alleviate the PA's fiscal constraints and increase its fiscal capacity fostered a regressive taxation system, whereby eliminating fuel subsidies, raising property tax rates and government fees, in contrast to measures to increase tax rates on high-income earners, were sought for policies to increase the fiscal capacity of the PA. Ultimately, the PA's budget was reinstated and, at times, innovated new measures of economic and fiscal colonial control in OPT. Furthermore, instead of consolidating fiscal capacity to support development and economic growth, the PA subjugated its budgetary operations to political rents.

This chapter opens the way for a deeper interrogation of the fiscal affairs of the PA. Shifting the focus to the revenue side of PA's operations has the potential to enrich our understanding of the inner workings of the PA. The findings suggest that consideration of the fiscal-historical and fiscal-political nexuses can contextualize the study of colonial and neoliberal control structures of the OPT's political economy. This approach is imperative given recent trends of declining aid flows and increasing pressures for PA to mobilize domestic taxation.

## NOTES

1. Aid funneled through the PA's budget is referred to as Direct Budgetary Support and funded PA's recurrent and development expenditure. Between 1993 and 2019, aid to the OPT total to over US\$40 billion. For an in-depth analysis see the chapter by Wildeman and Tartir in this edited volume.
2. The PA's domestic fiscal operations are determined by the principles of the Paris Protocol. The Protocol limited to a large extent the capacity of the

PA to formulate its own trade and fiscal regimes. Because the PA lacked control over borders, the Protocol proposed a revenue clearance mechanism, under which Israel collects, processes and transfers to the PA taxes imposed on Palestinian international imports and exports, including those from Israel. The mechanism also accounts for income taxes from wages earned by Palestinian workers in Israel.

3. For further analysis on these issues, please refer to the chapter by Walid Habbas in this volume.

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# Political Economy of Intervention and Securitized Ordering in the Occupied Palestinian Territories

*Tahani Mustafa*

## INTRODUCTION

Security, while commonly associated with the rule of law, is arguably about producing and maintaining socio-economic order more broadly. The conception of the police as an institution of the state narrowly concerned with crime prevention and law enforcement as opposed to the reproduction of order was itself a late eighteenth-century product of increasingly hegemonic liberalism (Laffey and Nadarajah 2016, 115). The processes of socio-economic ordering via the banalities of security architectures are best captured within modern-day peacebuilding/state-building interventions. In the Palestinian context, the implementation of liberal governance in the Occupied Palestinian Territories (OPT) has

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been predicated on the reform of the Palestinian security sector under the programmatic umbrella of Security Sector Reform (SSR).

In conventional cases, sovereignty frames and clouds the power dynamics behind liberal interventions. In contrast, the OPT is an exceptional and rather extreme example of modern-day state-building interventionism, given that it is not an internationally recognized sovereign state. It is precisely because the OPT is such an extreme and atypical example, that it lays bare the intricacies of these processes and their networks of interaction, on both the micro-level of Israeli settler colonialism and on the wider macro-level of the interaction between colonial center and colonized periphery.

SSR and its derivative packaging of demobilized, demilitarized, reintegrated, rehabilitated, and restructured security programming, illustrates the phenomenon of aid securitization in development (Schnabel and Ehrhart 2005, 45), becoming but one dimension of this process of modern-day liberal ordering.

By constructing the tropes of “statehood” through liberal ordering, western sponsored state-building has ensured stability in the OPT and preserved the stability of Israel as well as western neoliberal expansionism by disfiguring the local socio-economic and political landscape (Tartir and Seidel 2019; Turner 2015).

Rather than the production of its envisioned Weberian state, SSR through its flawed processes of securitization has instead produced and perpetuated the production of a plurality of hegemonies and their oligopolies of violence. In other words, instead of creating a single centralized monopoly and hierarchy of violence, it has instead created oligopolies of violence that have intensified societal fragmentation via the creation of new elites dependent upon outside actors. This occurs when objects of SSR interventions engage and seek to appropriate securitized development aid. New securitization configurations then emerge.

This fracturing of securitization creates numerous local, regional, and international groups and actors. As these actors emerge, their identification, modes of agency, and power depend upon their positionality within an interconnected chain of interaction that significantly shapes the interests and agency of each of its interlocutors.

This chapter therefore focuses on the ways in which SSR becomes a pivotal programmatic process in the (re)construction of space, creating actors, structures, and processes. The myriad ways in which its benefactors internalize and respond to these processes within the different spheres

of socio-economic, political, and geographical locales in which SSR is applied, has significant implications for the emergence of a Weberian end-state.

The political economy of control in the OPT is thus shaped by a multifarious network of engagement between the Palestinian Authority Security Forces (PASF) and the Israelis, the Palestinian Authority (PA) patron-client base, among various segments within broader Palestinian society, the international donor community, and self-interested regional Arab states. These networks of engagement shape outcome expectations and continuously create and recreate multiple levels of agency, interests, and hegemony in the OPT.

This chapter scrutinizes the creation of these various levels of authority that have largely influenced the current socio-economic landscape within the OPT. It does this by evidencing how the Oslo Accords sought to redefine the means and ends of security, highlighting how this process contributed to creating new security configurations to supplement existing ones and how differing Critical Security Interlocutors (CSI), position themselves vis-a-vis national, regional, and international security partners.

The conceptualization of Palestine's ruling elite as CSIs borrows from the Marxian conceptualization of the role of the indigenous/comprador bourgeoisie. Here elites' positionality and their consequent power base are characterized by their dependence on foreign powers and hostile sponsors, rather than the consent of the populace under their tutelage. In the context of modern-day state-building, interventions are designed with complicit "locals" as part of a *mission civilisatrice* to tame and civilize the problematic "object of interventions" (Richmond and MacGinty 2015).

This chapter therefore describes the political economy of securitized ordering in the OPT and its implications for the emergence of a Weberian end-state. Does the projected outcome of this process then become one of a mitigated image of Zionism? Or is it a multi-layered and complex discursive process of struggle and negotiation among the Palestinians, but also in their relations with the colonial power? And does this process create a level of interdependence between Israel and the PASF?

## THE POLITICAL ECONOMY OF SECURITIZED ORDERING

The "international community" tacitly consents to the superiority of the "liberal peace" as a model for conflict resolution, and the universal nature

upon which it is predicated. There exists a widely shared conviction that political and economic liberalism offer a key to solving a broad range of social, political, and economic problems, from underdevelopment and famine, to disease, environmental degradation, and violent conflict (Paris and Sisk 2008). Significantly, the liberal peace theory represented a radical developmental agenda for social transformation that embodied within it a new political humanitarianism, laying emphasis on conflict resolution and prevention, reconstructing social networks, strengthening civil and representative institutions, promoting the rule of law, and Security Sector Reform all in the context of a functioning economy (Mullin 2010). In promoting this “top-down” approach, the liberal peace saw its operationalization through the hegemonic imposition of a state and its order on a society.

In the Palestinian context, both Oslo and its follow on, the “Road Map for Peace,” have mirrored a similar trajectory, by maintaining that the prerequisite to establishing peace between Israel and Palestine is the prior establishment in Palestine of the institutional, social, and economic arrangements inherent to a liberal state (Mullin 2010). A genealogical assessment of the Palestinian and Israeli peace process shows that agreements typically encompassed a package of neoliberal economic policies that were accompanied and buttressed by a set of political and security reforms.

Oslo was underpinned by the Protocols on Economic Relations, commonly referred to as the Paris Protocol, signed during the first stage of negotiations in 1994. These were followed by proposals for its accompanying political and security infrastructure in 1995. The Road Map for Peace that followed in 2003, like its Oslo predecessor, was a product born out of both Israeli and the PA’s political and economic desperation in bringing an end to the Oslo status quo disruption caused by the second Intifada. However, these reforms only came into effect in 2007 following Hamas takeover of the Gaza Strip, and the division of the OPT into two separate political and economic entities. These reforms were articulated in documents such as the Palestine Reform and Development Plan, later termed “Fayyadism,” named after the then Palestinian Prime Minister Salam Fayyad whose government oversaw their implementation. This time, the restructuring of Palestine’s security apparatus was directly tied to a discourse of efficiency, anti-corruption and private sector development (Leech 2012). These policies were encompassed under the

programmatic umbrella of SSR which by that time had become an indivisible component of the liberal peacebuilding agenda (Joshi et al. 2014). Those groups or individuals that diverged from this neoliberal hegemonic rationale, embodied in both the Accords and the Road Map, were immediately suppressed via mechanisms of criminalization.

Hamas' ascension to power illustrates this last point well. Hamas presented not so much a physical as much as an epistemological and ontological threat to Israel and the international community. The Islamic organization promoted its own discourse of civic order that was a direct rejection of the stipulations informed by the liberal peace and its Oslo embodiment (Baconi 2018). This rejectionism was based on what it saw as violating its Islamic vision for Palestine and prejudiced Palestinian national rights. Consequently, following Hamas' victory, the Palestinian political arena developed two opposing centers of power—that between the presidency led by Mahmoud Abbas in the West Bank and Fatah, and the Hamas led government residing in Gaza. The latter has since been subjected to an international embargo and Israeli blockade on the movement of goods and people in and out of the Strip.

In the West Bank, there has been a systematic attempt to delegitimize such groups' either for purposes of elite aggrandizement or as a consequence of Israeli and Western intransigence to engage Islamist movements which are construed as a threat to the national security of individual western and pro-western states (Mullin 2010). As a result, a systematic process of suppression and delegitimization has been geared toward Hamas and similar groups. This reality draws our attention to the relationship between coercive power, which SSR projects aim to marshal and control, and the civil order it enables by enforcing compliance with that order through the actual employment of state violence or merely through the implied threat of its employment. Thus illustrating the forms of agency permitted and those suppressed.

The marginalization of groups like Hamas must be understood against the backdrop of the ways in which the modern rationalist approach affects the study of political Islam via its tendency to “ideologies” the use of terrorism by Islamist movements. This tendency is predicated on the construction of an organic and inextricable link between the *raison d'être* of these movements and the tactics or strategies they employ. Moreover, the “ideologization of terror” perspective implicitly denies the specific contexts in which these tactics and strategies are adopted, often as a last resort. Instead, it either focuses on economic factors—assuming that

the Islamist is under the influence of “false consciousness,” and merely reacting to material frustration caused by underdevelopment, inequality, globalization and so on—or, in orientalist fashion, it blames the violence on some pathological predisposition of Muslims, or on the result of their adherence to jihad, patently misconstrued as ideology rather than a theological concept. According to Corinna Mullin, it is within this context that the marginalization of Hamas, an Islamist-nationalist movement often accused of expressing irrational hatred toward, and practicing indiscriminate violence against, its Israeli foe, in the Israel–Palestine “peace process” can be understood (Mullin 2010, 527). Surprisingly, despite the fact that Hamas and the PA are two very different organizations, they are implementing the same type of internal order, founded on authoritarian politics and the routinization of daily life, within the respective territories under their control.

Palestinian politics has never been homogenous. However, with the “self-rule” agreement of Oslo, factional hostilities became more divisive since there was something more tangible to fight about: namely, the (non-) state structures that offer access to power, position and wealth (Roy 1995, 250). The ripple effects of this politics of hostility, struggle, and contestation for hegemony in the OPT, has been an economic system rife with corruption and racketeering buttressed by a coercive apparatus, embodied by the PASF. These definitive traits have characterized the PA’s governance apparatus for the last three decades since its inception. Indeed, the most thorough characterization of the PA is what Henry and Springborg (2001) describe as “a bully praetorian republic.” It is a system of governance in which the power of ruling elites rests almost exclusively on the operations of the military/security/party apparatus (Henry and Springborg 2001, 134). These elites are not drawn from a particular identifiable societal group but instead are separated from the general population through the exclusivity of their access to and dependence on the institutions of the regime. These regimes rely heavily on coercion, particularly in times of crisis; but they are also dependent on co-optation and rent-seeking arrangements. These two factors have played out in both polities in the West Bank and Gaza, significantly contracting both the political and economic sphere.

These assumptions and categorizations vividly highlight the ways in which the mechanisms of liberal ordering are overly reliant on the creation

of players/actors within this system that, as in any other, aid in the recursive production and perpetuation of this civic order. Here the human body becomes central to this process.

## FROM NEGOTIATIONS TO QUASI-STATE INSTITUTION BUILDING

On January 28th, 2020, US President Donald J. Trump unveiled his long-awaited Middle East peace plan, dubbed the “Deal of the Century.” The rather raw deal exhibited outright indignation for international law and customs. Despite its sensationalism and utter crassness, the Deal of the Century fell short of anything remarkable.

Its first five pages lambast the Oslo Accords and its failures to end violence and terrorism (White House 2020, 1–5). However, the Trump Deal offered no alternative, but rather a continuation of past initiatives. The vigorous research undertaken for the proposal’s formulation used a total of 25 books on the conflict. The most telling feature of continuity in the 180-page peace proposal is its emphasis and self-professed focus on security, upon which any future Palestinian self-determination and prosperity depend. In retrospect, all Israeli-Palestinian negotiations for “peace” have been structured around an architecture of security, each seeking to redefine the means and ends of security; and creating new security configurations to supplement existing ones within the OPT.

A narrative of peace on both sides has centralized self-determination and autonomy in the process of Israeli-Palestinian conflict resolution. Contextually, both Israel and the Palestinians had continually denied the legitimacy of the other. However, this was not a symmetrical form of political denial as Israel has and continues to control sovereign territory while the Palestinians remain stateless. As such, Israel had the advantage of both controlling the political debate and of advancing Israeli proposals for conflict resolution. For Palestinians, they viewed the end of conflict resolution as the final achievement of self-determination, which would be the result of their quest for a state. “Autonomy,” on the other hand, is a term used by Israel in its search for a solution which can guarantee territorial presence and control. Genealogical evolution of the territorial and conflict resolution narratives of both the Palestinians and the Israelis illustrate the ways in which these concepts underwent diverse interpretations at different stages in the process from the Alon Plan, Camp David, and its successor the Oslo Accords (Newman and Falah 1997).



The idea of a demilitarized Palestinian state spearheaded by an indigenous Palestinian police force, as part of an Arab-Israeli agreement on the occupied territories, was not imagined into existence by the Oslo Accords, nor its successor “The Deal of the Century.” Instead, it is merely a continuation of the long-standing Israeli policy toward peace. Stipulations about an indigenous policing force have been a constant feature in peace plans advanced by Israel, the Palestinian Liberation Organization (PLO), and other prospective interlocutors since the 1970s. These Israeli police proposal concepts have come in different shapes. There was a civilian police force with full jurisdiction over demilitarized zones of the West Bank as part of an interstate compromise with Jordan (Alon Plan). Then they proposed a limited autonomy police force as part of a devolution of authority to West Bank tribal leaders in a system known as “The Village Leagues” or an interim self-government authority, in the Camp David Agreement.

The PLO’s strategic thinking on a police force, however, was guided by the overriding objective of establishing an independent state. Under the Oslo Accords, Israel’s police proposals were unacceptable to the PLO because they did not serve this aim. Instead, it was thought that a limited autonomy police force subordinated to the Israeli security establishment would serve to legitimize and consolidate the occupation rather than paving the way for Palestinian national independence (Lia 2006, 94). However, the PLO’s gradual acceptance of the two-state solution, owing largely to a change in its economic and political fortunes, gave rise to new strategies for achieving Palestinian independence and allowed for the rethinking of a future Palestinian police force before the establishment of a state (Lia 2006, 94).

Historically, these two discourses of “autonomy” and “self-determination” talk at rather than to each other despite the brief period provided by the first decade of Oslo which created the appearance of convergence.

Often heralded as a historical moment, in essence Oslo changed nothing and everything. In Oslo, psychological and political history played out to generate new forms of control, cementing rather than rescinding Israeli control and its vision of “peace” in both the West Bank and Gaza Strip. In this sense, Oslo was nothing of a watershed. Rather it was an immediate and urgent response born out of desperation from both the Israeli and Palestinian leadership instigated by the first Intifada

that proved if anything that the existing political and social dispensation at the time was completely unsustainable. And that, in essence, is what Oslo ended up fulfilling. The Israeli vision of peace, Israel being the stronger party in the conflict, saw the creation of the Palestinian Authority (PA) and its state-like institutions. These were charged with social welfare and the provision of security primarily geared toward ensuring no further acts of aggression against Israel (Newman and Falah 1997, 127). Limited devolution rather than the relinquishment of Israeli control has since been the unfolding reality on the ground. Israel still retains full military control but repackaged into something that has the veneer of a state-building process but whose contents are anything but.

Significantly, Oslo also shifted the economic and logistical burden of the occupation directly onto the international community. Palestinian autonomy was later operationalized by the conditions set within the Oslo agreements under the rubric of “Security first,” which prioritized Israeli security during the transition period. The “Security first” requirement pertains to the terms under which Israeli demands must be satisfied before their withdrawal from the occupied territories. These conditions should not be confused with the demand that violence is renounced during any negotiations (Newman and Falah 1997, 128).

Instead as recognized by the Oslo agreements and all subsequent discussions of Israeli disengagement, these sets of conditions are to the effect that withdrawals will be partial, phased and conditional while details of the final borders and all other significant issues will be deferred. During this interim period, Palestinians must adhere to a strict code of non-aggression against Israel, Israeli settlements, and settlers in the occupied territories. Yet Israel remained free to carry out security operations and targeted killings necessary for its survival, even within areas designated under full PA control, otherwise referred to as the right to “hot pursuit.” These particular features of “security first” create an open-ended period of limbo in which disengaged territories are neither truly sovereign nor technically part of Israel.

Stipulations that fall under the Oslo remit specifically refer to the Palestinian Authority Security Forces (PASF) as a “Policing Force” and that any future Palestinian state is to be a demilitarized one. This was due to Israel’s strategic security concerns in the case of having a neighboring Palestinian state that is both armed and hostile. In short, Palestinians would have autonomy but not freedom, as they would never be able

to define their own policies—but only autonomously implement preapproved policies. Essentially Israeli forces would not be visible in the implementation processes, but would be omnipotent in the decision-making sphere. In effect, this placed Israel's security concerns above and before the Palestinians' ambitions for social and political emancipation. And this is exactly what Trump's Deal of the Century further cemented, albeit in more explicit and deliberate simplified terms under some semblance of a state.

This "Faustian pact," would later prove to be the primary catalyst in the subsequent creation of security strongmen that began to evolve to control the business and financial sectors and ultimately fostering the creation a new comprador bourgeoisie within Palestinian society—and with that came an accompanying discourse that justified their existence (Dana 2020).

In spite of the uneven playing field, programs like SSR and the process of securitization accompanying it, created, produced, and reproduced the hegemony and positionality of elites within Palestinian society, essentially those willing to implement Israel's security demands, within a Hobbesian hierarchy. From a discursive perspective, these elites form part of multiple levels of interaction. The first is between these elites and Israel. The former engage, interact and are to some degree protected and afforded privileges in the process.

For instance, PASF personnel who coordinate with Israel on issues such as handing over or arresting suspects pursued by Israel, in return, are afforded privileges that range from leisurely visits to Tel Aviv beach resorts to freedom of movement aiding access to business opportunities compared to the average Palestinian (Mustafa 2018).

Against the backdrop of the recent global health crisis of COVID-19 and the PA's draconian handling of the situation, in the absence of a respected legal framework, political and security officials have managed to capitalize on the crisis-induced uncertainty. For example, accusations have been leveled at the PA from across the West Bank and Gaza claiming that its officials have selectively distributed donations from the private sector, giving priority to those closely connected to senior PA figures. Similarly, while thousands of Palestinian students were left stranded across the world unable to return home, the reported return of individuals connected to the PA via special coordination with the occupation has infuriated the families of those still stranded abroad without any effective assistance to return (Abu Shukhaidem 2020). It was only after a concerted campaign

led by those Palestinians stranded abroad, called *Rajouna ala Boyoutna* (bring us back to our homes), that the Jordanian government intervened, with the Palestinian Ministry of Foreign Affairs quickly following up and taking action.

A testament to the significance of maintaining positive relations with the occupying power are embodied within the fortunes, both political and economic, amassed by two of Palestine's most prominent strong men, namely, Mohammad Dahlan and Jibril Rjoub, former heads of the Preventative Security forces in the Gaza Strip and West Bank. Both men continue to share good relations with senior Israeli officials, and have amassed significant wealth from this cooperation (Mustafa 2018). Both can be seen as figureheads for this bourgeoisie. The two men are now leading contenders to replace President Mahmoud Abbas, even though their relationship with the President is tumultuous. In effect, this shows that strong relationships developed by the comprador bourgeoisie create relations of interdependence between the occupiers and occupied that create internal hegemonies within the elite. Hence, proof that positionality within the elite depends more on your relationship with the occupier than your friendships within the elite.

Such privileges and competition such as partial control over the permit processes allow Palestinian security personnel to then create their own systems of extortion from the wider Palestinian population excluded from this intermediary nexus. A plethora of strongmen within the security sector and Fatah's military wing started to rise to and compete for power. These figures, as well the two aforementioned figure heads, also include Tawfiq Al-Tirawi, Marwan Barghouti, Hussein Al-Sheikh and a few others. Many of these leaders amassed significant wealth, through the establishment of protection rackets, or through using their wealth and position to benefit from import/export opportunities (Mustafa 2018).

This creates another level of interaction between the Palestinian interlocutors and the subaltern actors over whom they administer and whom such choices and privileges are not extended and instead form the sites whereby domination and compliance are more coercively applied. In this context, if the PA and its PASF are an Israeli proxy, then it is a non-zero-sum game for the PASF and a zero-sum game for the non-benefactors. Consequently, these interactions have produced a complex web of structural, governmental, and subaltern power that have embedded societal fragility into the emerging state structures (Mustafa 2018).

The above contradicts the general depiction of some Palestinians in much of the existing literature that relegates them to the role of a passive entity and mere “subcontractor” subject to the strategic and political desires of both Israel and the international donor community via programs like SSR. On the contrary, they are not merely passive actors implementing Israel’s bidding, but more significantly are willing actors partaking in the restructuring of society. At the same time, it does not negate the existence of the power discrepancies in the triadic relationship between the Palestinians, Israel and the western donors. What this discursive perspective does provide for, however, is a more nuanced analysis of the multiple and complex power dynamics shaping the process of securitization and its subsequent altering of the socio-economic and security landscape within the OPT.

### NEGOTIATING SECURITY AND CREATING ELITES

To operationalize the security architecture imagined by the negotiations required the creation of a locally derived critical security nexus. This link could only be derived from the social formations and community that Israel needed securing from. The objective became one of subverting the interests of the Palestinian elite in order to extend Israel’s reach over wider Palestinian society. SSR was one disciplinary mechanism of doing so. The governing logic here rests upon the assumption that disciplinary power is not imposed upon subjects from the top but generated from below by the introduction of particular organizational arrangements and institutions such as the modern army. These arrangements regiment human bodies and create docile labor subjects (Dreyfus and Rainbow 1983). Governmentality expresses the emergence of the modern idea of authority as the technocratic management of the governed, conceptualized as a target whose identity is known through rational, scientific discourses such as political economy and sociology and whose contours are shaped by the reach of state and parastatal institutions (Burchell et al. 1991). Bio-power encapsulates the production of lived bodily experience as distinct domains of regulation (Foucault 2007). In these diverse ways, subjects emerge within the pre-existing nexus of power relations, the contours of which already define the possible boundaries of personal social and political existence. At the same time, this negates the sovereign technologies of power which are directly disciplinary and coercive.

This Foucauldian conceptualization of power is thus one in which power creates and structures the possibilities of agency without removing it. In this way, the dispositif of security sector governance attempts to reengineer a society's threat perceptions, which is required to ensure the successful devolution of the responsibilities formerly performed by Israel's resource-intensive military bureaucracy in the OPT. In this light, SSR provides one of the core mechanisms and strategies to do just that by subjectifying the targets of intervention and shaping the mental, physical and conceptual space in which these targets find themselves.

Furthermore, these discursive practices of security and security sector governance particularly within colonial contexts are distinctively characterized by this schema in which the sovereign, disciplinary and governmental trajectories of power are simultaneously and unevenly superimposed. This is further confirmed by the international community's insistence that "this project (SSR) has to be imposed as no security sector will reform itself" (Mustafa 2018). As a result, while projects such as SSR, with its official objective of creating a Weberian state where it is either lacking or does not exist, may maintain the form, the substance within however is qualitatively different.

During the first decade of Oslo international assistance with regard to the PASF was limited and lacked cohesion. Ad hoc assistance provided centered on civil security and counterterrorism purposes (Zanotti 2010). Donors frequently found themselves entangled in the politics of the Israeli-Palestinian conflict. The limits of international assistance to the Palestinian police were determined in a negotiation process in which Israel and its main international supporter the US exerted a decisive impact (Le More 2008). The high degree of politicization of even the most mundane and technical issues, such as uniforms and vehicles, for instance, meant that politics and tradeoffs, not professionalism, common sense and practical considerations characterized and continued to define strategic decisions regarding the PASF. This was further coupled with the internal politicking between the US, Norway, and the EU over influence and control of the process, however limited this was (Lia 2007).

Against this climate, donors generally bypassed the PA and international mechanisms that had been established to coordinate security assistance, and instead dealt directly with their preferred organizations. By fostering a fiefdom mentality among competing security chiefs to address short-term objectives, donors undermined the necessity for a more consolidated PA security sector answerable to civilian control and

the rule of law. This is reaffirmed by a former political advisor to President Mahmoud Abbas when he recalls that:

The Oslo agreement created certain structures. These internal Palestinian structures are bilateral or trilateral structures and they defined objectives. And the objectives at that moment was to clamp down political (advancement) of Islamic Jihad and, but also on some components of the Fatah movement and some of the others who are just engaged primarily in, most of the terrorism was directed at that point towards Israel. So most of it was cracking down on these organizations and their infrastructure. The first part of that work was also to deal with the organizations as they stand to the opposition to Arafat's own internal work and decisions, so there was an overlap between countering the, you know, the terrorist aspects of these organizations but also countering them as political opposition. The international community (played) along, we had a number of problems (as a structure), putting aside the kind of paradigmatic aspect of it, is in particular what we end up having is, first of all there was no coordination between international donors, so you ended up having duplications in some cases and just gaping holes in the aid map for Palestinian security sector. But you also had various international particular intelligence agencies (picking) their favorite, be it specific organizations or individuals and working with them, so you end up really having a jumble, and all of that was basically was impossible to track. There was no (clearing house), if you wish, to know who was being supported by whom and how much and how much money is going to the agency and what kind of external links they have. (Mustafa 2018)

Every security agency functioned as a semi-autonomous fiefdom in the absence of effective civilian oversight. Security heads enjoyed unbridled control of their services, including overspending, that bred nepotism. Professional criteria, such as education and experience, were not the standards by which personnel were hired. Instead, security chiefs cultivated and rewarded loyalty, promoting friends and family members (ICG 2010). This nepotism has largely gone unaltered and in many cases continues to be encouraged by the donor community.

Hamas' forcible takeover of the Gaza Strip in June 2007 led to the establishment of a more moderate PA government in the West Bank under the premiership of the then-Prime Minister Salam Fayyad. The way was now opened for the US to provide more substantial overt assistance, coordinated by the United States Security Coordinator (USSC) and the

State Department's Bureau of International Narcotics and Law Enforcement (INL). Since then—with approximately US\$395 million in US funds reprogrammed or appropriated to INL through the International Narcotics Control and Law Enforcement (INCLE) account—there has been a rapid expansion in security assistance to the Palestinians to support the PA's Security Sector Reform and Transformation program. The latter promoted a downsizing of the security establishment along with fiscal stabilization and financial management over the security apparatus (ICG 2010).

With this also came a division of responsibility and mandates over the PASF. The USSC was mandated control over the training and equipping of three of the six security branches comprising the Palestinian security sector, namely the Presidential Guard, the National Security Forces, and the Civil Defense. The EU was relegated to reform and train-and-equip efforts of the Palestinian Civil Police (PCP)—the least politicized of all six security branches—along with the criminal justice sector through the EU Police Coordinating Office for Palestinian Police Support (EUPOL COPPS) program headquartered in Ramallah. Logistical support to the two most politicized branches, namely the Preventive Security and Intelligence Agencies tasked with counterterrorism and clamping down on any dissent against the status quo, were relegated to the intelligence branches of various western states including the CIA and MI6 (Mustafa 2018).

The establishment of the USSC—its mandate and purpose—and the forces it has overseen since, have been accused of being an arm of both the Israeli occupation and an extension of Abbas' efforts to crush political dissent in the West Bank. Palestinian security forces have been accused of involvement in the torture of Hamas officials and other political opponents detained in the sweeps in the West Bank (HRW 2018). Accounts of torture and abuse of power, the willful crushing of political dissent, and the shuttering of nongovernmental organizations associated with movements and political parties opposed to PA policies have and continue to plague the Palestinian security services (HRW 2018).

In a more revealing instance, the Palestine Papers<sup>1</sup> revealed a covert policy switch in 2003, when former British Prime Minister Tony Blair tied the UK and EU security policy into a major American counter-insurgency (COIN) “surge” in Palestine against the backdrop of the latter's war on terror (Crooke 2011). The Palestine Papers reveal “a security drive with the objective of” degrading the capabilities of the rejectionists: Hamas, PIJ [Palestinian Islamic Jihad], and the Al Aqsa Brigades - through



the disruption of their leaderships' communications and command and control capabilities; the detention of key middle-ranking officers; and the confiscation of their arsenals and financial resources held within the OPT. US and—informally—UK monitors would report both to Israel and to the Quartet. The British government also provided financial support for two Fatah security forces linked to torture (Crooke 2011).

The Palestine Papers also show an enormous investment in training and infrastructure of the security services including the building of prisons to accommodate the possible introduction of internment for Hamas members. This coincided with the establishment of the Dayton military battalions<sup>2</sup> to confront Hamas, the planning to depose Hamas in Gaza, and the targeted assassination of Hamas leaders. Even the international Quartet was engaged to work with Arab states' intelligence services in order to disrupt Hamas' sources of financing. Aid, economic assistance, and institution-building were all reoriented toward the counter-insurgency project. Ultimately, the Palestinian state-building project and the COIN surge were to become one (Crooke 2011).

Against this backdrop, the Hamas electoral victory in 2006 only prompted a further increase in European “off-balance sheet” assistance to the EU/US-made security sector. At a political level, the Europeans were attempting to keep an independent voice. The EU had endorsed the Quartet conditions for engagement with Hamas—conditions which the UN representative at the time told the UN Secretary General were hurdles raised precisely in order to prevent Hamas from meeting them, rather than as guidelines intended to open the path for diplomatic solutions. Soon after, British and American intelligence services were preparing a “soft” coup to remove Hamas from power in Gaza (Crooke 2011).

Thus according to Crooke “EU standing in the region has suffered from the schizophrenia of maintaining one line in public, whilst its security policies were facing in another direction entirely. Thus, we have the EU ‘talking the talk’ of reconciliation between Fatah and Hamas, whilst ‘walking the walk’ of disruption, detention, seizing the finances, and destroying the capabilities of one of the two factions” (Crooke 2011; Mustafa 2018).

Against this backdrop, security sector provision has constantly been reconfigured to more effectively operationalize control and pacification in the OPT. The examples and observations above go to show that international donors are nonchalant, and often times careless, about

implementing the technical practices necessary for SSR's normative goals such as the rule of law and its accompanying conceptualization of good governance encompassing the liberal notions of transparent, consensual and effective public management, when the consequences would benefit the broader Palestinian population. Yet, these same actors are focused and at times professionally coercive when SSR needs to be implemented in order to protect the broader political dynamics of the military occupation and its conjoined neoliberal project. Furthermore, many of the infrastructural contradictions outlined above had strong implications for the development of the interlocutors who are critical intermediaries within this complex nexus between Israel, the western donors, and Palestinian society. The Critical Security Interlocutors (CSI), seeing a lack of seriousness in purpose within SSR, and the benefits of fulfilling Israel's security interests as a means to gain western support and finances, reconfigured their role in society and used this access to accumulate power vis-à-vis the Palestinian population.

### CRITICAL SECURITY INTERLOCUTORS AND THEIR COMPLEX NETWORKS

Peacebuilding interventions are designed with complicit "locals" as part of a *mission civilisatrice* to tame and civilize the problematic "object of interventions" (Richmond and MacGinty 2015). Therefore, the human body becomes central to this process of ordering by necessitating the creation of players/actors within this system that, as in any other, aid in the recursive production and perpetuation of these processes. The Palestinian security sector is a revealing example in this case.

Fiscally, the security establishment was and remains a significant instrument of political co-optation in the OPT. It has helped to forge the structural/institutional relationships that prevent various groups who would otherwise form the basis of mobilization against the regime. The PASF is a highly partisan institution. While the security sector is a vital coercive tool, it is also one upon which many Palestinians are economically dependent. The security services, in particular, provide one of the few job opportunities for Palestinians, especially those without higher education. In both Gaza and the West Bank, this sector consumes over 40% of state budget (Sayigh 2011, 20). This keeps a large segment dependent on the system, given the lack of more viable alternatives, and this has effectively created a situation where political demobilization has been achieved through institutionalization.

This figure becomes even more unpalatable when considering how the 30–40% of public budget allocated has been spent on a security force that has so far built up a public track record of human rights violations, as well as exacerbating the endemic corruption and racketeering that has largely characterized the PA's governance apparatus for the last three decades since its inception.

During the ten years of Yasser Arafat's presidency, the PA had a centralized decision-making system with strong authoritarian and neo-patrimonial traits. In this system, Arafat was the unrivaled linchpin; he relied on a combination of political cooptation, financial accommodation, and intense micromanagement to secure his rule. A central element of Arafat's power structure was his direct control over the various PA security organizations which had been created in 1994 and later (Tartir 2015).

Arafat governed the security sector through a strategy of divide and rule. He established different organizations with overlapping or parallel functions and fostered competition between their commanders so that they would refer to him as the final arbiter. The central function of this internal competition was to prevent Western and Arab donors from interfering with his control over the security sector, as each sector kept a close eye on the other. In this environment, the PA witnessed a rapid proliferation of its security infrastructure very soon after its establishment.

Systems of "patrimonialism" ruled Palestinian society before 1948, where elite wealth played a central role in "solving problems of collective action in hierarchal polities, via its distribution through informal patron-client networks" (Badawi 2004). This system would re-emerge in the functioning of the PLO and was re-introduced to the West Bank and Gaza as a system of "neopatrimonialism." Covertly, Western donors and Israel exercised control by providing the resources (and thus could define policy), with visible control in the hands of the PA, and its most well-funded unit: the security sector.

As a result, internal training and recruitment were done largely on the basis of political considerations rather than practical necessity (Mustafa 2018). Most of the security branches, with the exception of the preventative, were filled by Fatah cadres, paramilitaries and activists recalled from Tunisia, Lebanon, and Libya. Those that were recalled were those closest and most loyal to the leadership.

Dissenters and opposing factions such as the Popular Front for the Liberation of Palestine (PFLP) and Democratic Front for the Liberation of Palestine (DFLP) were marginalized as were a significant segment of

the generations that had fought in Lebanon, many of whom were forced into early retirement. This was both an Israeli and Palestinian initiative. For the former, this was meant to stomp out any radical and militant personnel who were perceived to be less reform-minded than the younger, more impressionable and less politically active generations from the OPT. For the latter, this was a political decision on the part of the PLO leadership who wanted to maintain only those loyal to their authority and eradicate any dissenters from the process. This was also reconfirmed with Parson and Lia's description of recruits at both the top tier and lower ranks of the security branches. Those recruited, particularly at the lower levels, were usually below the age of thirty, a generation who were born and raised under Israeli administrative control. Those at the top were those loyal to Arafat and Fatah, again not much older than forty to fifty years old (Parson 2005).

Former detainees and prisoners in Israeli jails were given positions within the security branches, most notably in the preventative security. This was a deliberate policy to try to pacify those radical elements who had formerly resisted Israel and part of the broader mechanism of now getting Palestinians, especially those who were politically active, to start thinking of "Israel not as their occupier but instead as their partner" (Taha 2016).

The deliberate use of police recruitment for repatriation purposes was another example of Arafat's policy of consensus-seeking and cooperation. The failure to merge the Tunisian-based security bodies and the OPT's internal Fatah organization into one unified command structure contributed to the Palestinian police's reputation as a multi-headed militia organization with murky remits and no accountability.

As the second Intifada progressed, Israel succeeded in besieging Arafat, assassinating key leaders of the different paramilitary groups, and destroying the infrastructure of the PASF. As the Fatah Paramilitary groups disintegrated, many of their members sought to use their weapons as a means to expand their power and accumulate wealth and often did so through illegal means. Israel's restrictions on the PASF further meant that it could not enforce public order. The disorder that gripped Palestinian society, known as "*Falatan Amni*" which translates to "security chaos," and the failure of the Intifada to achieve the political goals it sought, led the Palestinian Legislative Council and other societal leaders to demand a re-institution of order to the extent that in the proceeding Presidential elections, Abbas ran on a platform of bringing back order and reigning in Fatah.

Significantly, those who managed to survive and thrive in this period of instability during the second Intifada, and walk the fine line between their roles in the PASF (and thus the need to coordinate with Israel) and their contradictory allegiance to Fatah paramilitaries that were fighting Israel, began to emerge as the new security elite—their rise either condoned or supported by Israel and Western Actors. As the Intifada ended, President Abbas began to use foreign support for SSR to ensure those closest to him from within this small group became the only actors possessing the monopoly over force. Many used this to their advantage. It provided access to weapons, aid money, and a mechanism to provide protection for potential clients. For instance, the lack of accountability and overreliance on bilateral back-channeling has meant money trails from foreign donations are murky if not impossible to accurately trace. The lack of availability of basic track records such as weapons log books mean weapons can easily go missing from training compounds. In the wake of the Hamas 2006 election victory, funding for the PASF increased, and continued to be off-balance sheet with funding provided by western and regional allies, covertly (Local Aid Coordination Secretariat [LACS] 2017).

Promotion in the ranks was once again largely based on political affiliation and loyalty to the leadership (Mustafa 2018). The lack of low-ranking officials and an overexpansion of higher tiers of command means no one knows who is in command with each branch pitted against the other. This is further encouraged by the political leadership's divide and rule strategy. The Palestinian security sector at present thus resembles an inverted pyramid—where there are many *elites* and fewer *cadets* (Author's correspondence with USSC and Abu Zaid 2016–2017).

In the post-Intifada period, and as Western donor support for SSR intensified, the top echelon of the PASF managed to utilize their privileges in the form of access to arms, and donor funding. They have instrumentalized this to create networks of patronage and support among those relegated to the socio-economic margins. The provision of social welfare along with equipping and training paramilitaries in operation across refugee camps in the OPT, Lebanon, Syria, and Jordan have been instrumental in forging networks of patronage and social capital. The PASF personnel have also used these privileges to carve out networks for themselves among the Palestinian business and economic elite (Mustafa 2018). For example, Bashar Al-Masri, a multi-millionaire who is leading the development of the Rawabi suburb near Ramallah, is well connected

to the security elite and the Israeli government. Al-Masri often cooperates with Israeli army-connected personnel, facilitated by Palestinian security forces. Seeking such cooperation is necessary to build his economic power in the West Bank even though broad members of Palestinian society are critical of his practices and dealings (Lazareva 2015).

Many of these economic elites particularly business elites rely significantly on the shadow networks that lie outside of official purview. As a reward, the PASF personnel who are typically members of the Fatah *Tanzim* (the official name for OPT's Fatah cadres) are rewarded with lavish gifts and hefty payments for their illicit services (Mustafa 2018).

In the Palestinian context, pacification has come to mean something far more extensive than the original Oslo demand for collusion with Israel. Indeed, the concept is being used to create a politico-security and economic architecture and élite to implement a benevolent pacification policy (Byrne 2011). In return, the local elites receive significant material benefits and privileges. These oligarchs dominate key political, economic, and security positions, and in many instances own and direct key companies in the new Palestinian landscape (Dana 2020). Most notably is Mohammad Dahlan, who, from his position as head of security in Gaza, prior to Hamas' takeover, oversaw the use of pitchforks at crossings and the oil monopoly established with the Israeli company *Dor* that reportedly made him a millionaire (Byrne 2011). Ultimately, the security apparatus created, in tandem with a second-generation of monopolies and concentrations of economic power that arose simultaneously, have little to no domestic transparency or accountability, with final control resting with Israel, the US and its designated intelligence service the CIA and other external intelligence services.

So successful has this political and security architecture been in cementing and normalizing the current socio-political situation in the West Bank that the then US Assistant Secretary of State, David Welch, hailed it as "the best Palestinian Authority government in history" (Byrne 2011). Those Fatah leaders who refused to abide by this new system were either assassinated, imprisoned, exiled, or sidelined.

As successful as these processes have been in fiscal and political co-optation, the flip side has been the creation and perpetuation of a fragmented PASF, who are anything but a homogenous entity. The PASF remain far from united and continuously compete among themselves for power and resources. An essential component of their competition depends on the patronage networks that have developed around this

sector, which are intricate and diverse. The security elite's power struggle has repetitively boiled over into lethal and bloody clashes between different patrons. Moreover, dependent on their positionality within this nexus, these elites have different interests and understandings of what security is and how this should be implemented which has, in turn, affected their conduct within the security infrastructure.

While the top tier and those closely affiliated to the political leadership see a vested interest in maintaining the current status quo, those within the middle and lower ranks have utilized their positionality to uphold "resistance" and the goal of self-determination against the ongoing Israeli occupation. This has taken various forms from direct attacks such as the case of Amjad Sukari, a Palestinian policeman who shot three Israeli soldiers at a West Bank checkpoint in 2016 (Erlanger 2016), to equipping paramilitary cadres within the refugee camps, to more nuanced and subtle means, such as obstructionist, or empathetic and lenient practices of clamping down on resistance and violence geared toward Israel. In the latter case, these range from chanting slogans in support of demonstrators, to refraining from the use of force and arrest at demonstrations, to providing mundane comforts and privileges to Palestinian prisoners wanted for crimes against Israel (Mustafa 2018).

The rationalizations they employ are also fragmented. There are hardliners within the top ranks who are adamant about clamping down on those that threaten the status quo to maintain their personal interests (Byrne 2011). And there are those who consider resistance against Israel to be a right, but clamp down on such resistance as a means of "protecting Palestinian society" because stopping an attack against Israel will prevent any Israeli collective retaliation that could cause significant harm to broader Palestinian society (Mustafa 2018). However neither of these discourses have resonated within wider Palestinian society whose perception of the PA and its PASF resembles the "bully praetorian republic" a system of governance characterized by the power of ruling elites that rests almost exclusively on the operations of the military/security/party apparatus (Henry and Springborg 2001, 134; Tartir 2017).

## CONCLUSION

The simplified characterization of the PA's security apparatus as merely a "sub-contractor" to Israeli settler colonial objectives imposes significant limitations on the understanding of how the discourse and practice of

security have transfigured the political and socio-economic landscape of the OPT. This is significant when understanding the political economy of securitization, its cause and effect, and ultimately the implications for the construction of a Weberian end state in the context of state-building.

Palestine's contextual landscape underwent significant (re)structuring and (re)formulation, underscoring Israeli colonial objectives. Under foreign auspices, a body politic was created to be a mitigated projection of Zionism securing first and foremost Israeli economic and political interests. However, this process was far more expansive and transformative.

The underlying logic of security in the OPT necessitated not simply the creation of a "sub-contractor" for the occupation, as most scholars observe, but rather the transformation of the very fabric of Palestinian social structures from within. This was achieved through the creation of a new subset of elites, and redefining the basic contours of their agency, i.e., their understandings, interests and practices that could find synergy with Israeli and Western objectives. The creation of local interlocutors would be critical to the process of establishing order that could harmonize the contested interests among various stakeholders to the conflict.

This triadic relationship between all SSR stakeholders found harmony in maintaining an economic and socio-political situation favorable to Israeli colonial objectives, Western neoliberal hegemonic expansion, and Palestinian elite self-aggrandizement. In the process, the latter required the Palestinian ruling classes to put themselves in the subsidiary role to the Israeli occupation.

While allowing for a minority to re-define national interests and local power dynamics, the majority of Palestinians have found themselves excluded from this process. The constructed tropes of statehood imposed in the OPT have been entirely divorced from the specific internal and external historical, social, political, and economic environment that constitutes the lived reality for the majority of Palestinians. So much so that even the PASF remain a fragmented institution, and where their economic positionality within this nexus of control has subsequently affected their understanding of what security and the process of securitization is, or should be, and for whom.

Ultimately, the international focus on securitizing the state has resulted in the creation of a system of local hegemonies in the OPT that takes on a more authoritative role through its interactions with these multiple agencies. This design flaw is driven in part by structural defects and in part to the complexity and practical difficulty of imposing the hegemony of a state and its order on a society and missing the ways in which the plurality of external stakeholders can influence the implementation of an



SSR project and structure it to suit their interests. It is the interactive mechanics of these processes that provide the core basis for understanding the reality that SSR buttresses.

## NOTES

1. The Palestine Papers refer to the collection of confidential documents about the Israeli–Palestinian peace process leaked to *Al Jazeera*, published between the 23rd and 26th of January 2011.
2. A paramilitary force trained and funded by the Americans and partnering European states under the umbrella of the USSC and under the guidance of its then head of mission Gen. Keith Dayton.

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# Off the Grid: Prepaid Power and the Political Economy of Waste in Palestine

*Sophia Stamatopoulou-Robbins*

## INTRODUCTION

The financial costs of waste management are not inherent to waste. They stem from how waste is valued, who is responsible for it, and its relation to territory, people, and futurity. If a “structural imperative to create waste” is inherent to capitalism (Hawkins et al. 2019), production and control of waste are fundamental to the modern capitalist state (Alexander and Reno 2012; Alexander and Sanchez 2018; Doherty and Brown 2019; Gidwani and Reddy 2011; Laporte 2000; Stamatopoulou-Robbins 2019). The state seeks to define and value waste, control its possession, distribute responsibilities for it, and determine its exchange and spatial arrangement. Waste must thus be part of any political economic analysis of the state, though it is often forgotten. Economists sometimes refer to capitalism’s waste products as “externalities” because they are not calculated into value-generating operations. Yet waste is part of the economic

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activities shaping political outcomes and possibilities, and of political activities shaping economic outcomes and norms. How waste is defined and adjudicated impacts valuations of people, territory, and the acceptable treatment of both. Waste defines and shapes public and private realms, family, intimacy, the senses, and the political subject.

Drawing on interviews and participant observation I conducted between 2007 and 2017 in the West Bank among Palestinian municipality and PA employees, local activists, residents, and international donor agency representatives, this chapter examines the relationship between waste and money to ask, what can a political economy of waste tell us about Palestine?<sup>1</sup> With Oslo Israel abrogated responsibility for waste and made the Palestinian Authority (PA) responsible for waste produced by Palestinians even outside the PA's official jurisdiction in Areas A and B. Palestinian refuse became *de facto* PA property. The PA monopolized processes of definition, valuation, and arrangement of waste in space. The PA centralized solid waste disposal in two regional landfills (in Jenin and Hebron) and closed hundreds of municipal dumpsites across the West Bank. This increased the cost of garbage disposal for municipalities, turning refuse into a financial burden. Haulage, disposal, and repayment of international loans for new infrastructures fell upon already indebted municipalities. Waste had previously been the purview of municipalities. PA monopolization transformed the relationship between the PA and municipalities (see also Stamatopoulou-Robbins 2019, 105–140), forcing harmonization between PA and municipal interests and governing styles.

This chapter focuses on the technique municipalities deployed to create revenue for increasingly costly waste services. Municipalities in much of the northern and southern West Bank purchase electricity from Israel and distribute it to residents through municipally-owned electricity distribution companies (e.g., the North Electricity Distribution Company, Hebron Electric). In the central West Bank, residents purchase electricity directly from JDECO, a private Jerusalem-based Palestinian company. As the second Intifada (2000–2006) was coming to a close, northern and southern municipalities began connecting waste management fees to prepaid electricity meters recently installed in the two regions. Waste fees were now extracted automatically each time residents purchased electricity. A prepaid meter is a machine that controls electricity flow into a space, isolating power supply to a unit (e.g., apartment or shop). Power runs for as long as the amount of money on the card allows. To regain electricity, a new pre-payment must be made at a point of service.

This chapter explores how connection of waste fees to prepaid meters became thinkable and practicable in the northern and southern governorates, demonstrating how the relationship between government and subject was rearranged through payment automation. I argue that automation transformed the mediating role of waste between residents and municipalities. It rendered the municipality a more extractive and simultaneously less intimate actor in residents' lives. It separated residents from waste, and made refuse both more public and less polysemic.

This shift's contribution to PA statecraft took two contradictory directions. On the one hand, prepayment allowed the PA to harness neoliberal market logics to perform state-like authority in the absence of political sovereignty. The technical "piggy-backing" of waste payment onto electricity prepayment marketized revenue collection for a public service. It secured an unprecedented level of wealth extraction, a key function of sovereign power (Foucault 1990). It gave the PA the technical capacity to exercise coercive, illiberal governing practices that both *bolstered* and *elided* its power. Based on research on prepaid meters in South Africa, Antina Von Schnitzler argues, "translation of neoliberal rationalities into particular contexts often entails a recourse to techniques associated with more coercive, illiberal regimes" (2008, 901–902). Neoliberal rationalities draw on illiberal governing techniques to become practicable. In Palestine, the PA used the illiberal technique of automation to achieve two seemingly opposed goals. The first was, to perform residents' compliance with PA-centralized governance, approximating control over the population in the absence of sovereignty at the level of territory or a monopoly over violence. Prepayment substituted for overt violence as a coercive technique as residents in need of electricity lacked choice around waste payment. The second was, to impose a "calculative rationality" (Von Schnitzler 2008, 902) on households with meters. Daily interaction with a machine inside homes materialized the presence of the would-be state within what are arguably residents' most intimate spaces. At the same time, meter users were compelled to think about their own expenditures in relation to electricity and waste costs. They were encouraged to discipline use of electricity, for example, to prolong periods between payments for both services. Waste payment automation thus oriented service recipients' attention inward toward themselves. Automated prepayment for waste followed effect patterns that prepaid electricity and water meters have in Palestine (Salamanca 2014) and elsewhere (Anand 2020; Von Schnitzler 2008).

On the other hand, the fact that it was *waste management* that became prepaid complicated the extent to which automated prepayment operated according to the logics familiar to us from other contexts. Michel Foucault (e.g., Foucault 1980), James Scott (1998), Timothy Mitchell (2002), and others have shown that modern states seek to make population and territory legible. What Michel Callon calls the “calculative agency” of the state must be produced (Callon 1998) and certain techniques and technologies are helpful for producing it, including prepaid meters. Residents become legible to the government through the meters. Residents also become legible in new ways to themselves, as they are compelled to see themselves as responsible subjects. Meters are also data-gathering devices. They register information about how much electricity is used and at what rate, technical problems, and attempts to tamper with meters (Abu Helou and Jarrar 2010, 4). That information can be triangulated with other household-level data such as size, marital status, and location.

Yet when waste fees were connected to prepaid meters in Palestine, the meters were much clumsier, inexact tools. Waste fee automation lacks the intimate extension capacity into the home and habitus that other governing practices vis-a-vis waste can have. Prepaid meters offered little data about people’s relationship to their refuse, for example. In most cases, prepaid meter connection replaced in-person fee collection that had taken place either through door-to-door visits from a municipal collector or at the municipal building. In-person collection had allowed for informal conversation, explanation of circumstances making payment difficult, and a view into residents’ homes. Automation eliminated these intimacies between municipality and resident, making residents less legible to their government.

Prepaid meters for water and electricity have also been understood as moralizing devices. They are often accompanied by campaigns placing responsibility for resource use and preservation on users by creating the category of the “user,” individuating service access, and establishing and drawing residents’ attention to a commodity relationship with resources. Automating waste payment in Palestine, by contrast, encouraged residents to think less about their refuse. Waste fees were concealed within more obvious and onerous electricity payments. Some residents were not even aware that they were also charged for waste management. Others knew of deductions but did not know how much of what they paid to recharge their electricity cards covered waste. Municipalities did not disconnect

waste collection services from non-paying households and continued to provide waste services irrespective of payment. Inversely, residents paid waste fees through electricity cards whether or not they produced refuse.

In this way, waste management became more like a public good for which residents were taxed than like a commodity, and waste payment automation lacked and arguably even decreased the responsabilizing, individuating emphasis of neoliberal governance. Residents were simultaneously left to their own devices, for example to recirculate and revalue refuse before discarding it. Paradoxically, this *laissez-faire* dynamic bolstered PA waste centralization efforts approximating sovereignty by buttressing the PA financially. The PA's broader neoliberal governance model thus benefited from the deployment of other-than-neoliberal techniques. This suggests either that neoliberalism does not always rely upon neoliberal (or authoritarian) techniques, or that neoliberalism is not quite as all-pervasive as its critics might believe.

### WASTE, MONEY AND THE WOULD-BE PALESTINIAN STATE

The centrality of waste to modern human organization makes waste particularly important to moments of political and economic transition (e.g., Gille 2007; see also Petryna 2013). Waste can be diagnostic of state logics or aspirations—including a state's relationship to the economy, political systems it aims to replace, and visions for a future society. The creation of the PA in the 1990s and the signing of agreements between the Palestinian Liberation Organization (PLO) and Israel was one such moment. Oslo created a straightjacket that has constrained Palestinian governance and life, precluding Palestinian sovereignty, including in relation to waste. Oslo allowed Israel a heavy hand in defining waste for Palestinians, as Israel had done during the first three decades of occupation. Israel could prevent Palestinian construction in Area C, obstructing Palestinian waste infrastructure construction there. By constraining PA economic growth, Oslo preempted an independent Palestinian economy and rendered the PA dependent on donors and foreign investment, including to fund waste-related projects upon which these donors and investors placed conditions.

Yet the PA also generated its own effects, including on the direction and possibility of a national Palestinian movement and everyday life (e.g., Dana 2019). The PA structure marginalized the question of refugee return (e.g., Allan 2013; Farah 2006; Massad 1999; Roy 2002) as well



as feminist and socialist visions for Palestine's future (Baumgarten 2005; Dana 2015a, b; Jad 2010; Khalidi 2018; Nakao 2019). The PA has cultivated debt-based lifestyles that foster capital accumulation for the few, for example through housing (Rabie 2021). Scholarship on the PA has analyzed its capitalist and specifically neoliberal logics (Haddad 2016; Khalidi and Samour 2011; Rabie 2013, 2021; Seidel 2019; Dana 2020). Profit is privileged over equitable distribution of wealth and opportunity, underregulation abounds in "public/private partnerships," and individuation and responsabilization are endemic (e.g., Busse 2015; Taraki 2008). Others have analyzed the PA's coercive practices, sometimes connecting those to the imperative to keep "public order" and capital accumulating in the current political formation (e.g., Parsons 2010; Tartir 2017), which helps to "outsource" occupation's repression (Tartir 2019). Yet the question of waste, which is fundamental to all of these processes, to the survival of Palestine's human and nonhuman inhabitants, as well as to availability of land, has until recently received scant attention (cf. Stamatopoulou-Robbins 2014, 2019).

Oslo gave greater leeway to the PA to design its approach to waste than it did in other realms of governance such as energy, trade, water, IDs, movement, and security. Management of municipal solid waste (MSW) is one of the few services the PA left un-privatized. Waste management is helpful for analyzing how the PA most directly seeks to govern its population and for characterizing the kind of state it aims to become. The PA organizes waste-related functions according to laws passed by the Palestinian Legislative Council (PLC). The PA established, and then amalgamated, hundreds of municipalities that manage trash collection and disposal. Palestinian schoolchildren read PA educational materials about litter, recycling, and the environment, and PA-authored long-term strategies for wastewater and solid waste management determine infrastructural priorities. The PA appoints waste experts to the ministries of environment, local government, planning, and water. PA police can enforce order when Palestinians obstruct construction or operation of PA waste infrastructures. The PA negotiates prices for land slated for infrastructures and decides when eminent domain is used to expropriate land for projects. Though these forms of PA control over waste are shaped by occupation, donor dependence, and social and material pressures, waste is a realm in which the PA has been able to perform the most "state-like" functions, even when it has been seen to fail to do so properly (Stamatopoulou-Robbins 2019).

As a result, MSW management has undergone palpable shifts since Oslo. MSW had been one of the most publicly-oriented municipal services since becoming a municipal responsibility in the late Ottoman period. Municipalities had swept streets, collected and disposed of household refuse at little or no cost to residents, and shared custodianship over refuse with residents. Beginning even before the late Ottoman reforms that established municipal jurisdiction over refuse, refuse had been polysemic. It had been reusable material subject to near-constant redefinition and revaluation from a wide variety of actors. It could become a commodity or object for barter at the whim of its producers or it could be recirculated into family-sustaining or commercial activities, without intervention from local, regional, or central government. Refuse could be collected and burned by municipalities or by residents in a variety of ways and locations.

Through the PA Oslo stabilized and singularized the definition of household refuse as something called “solid waste.” Solid waste came to be framed as a problematic substance defined by its pollution of another emergent object called “the environment” (Stamatopoulou-Robbins 2019). Not only did this help define the environment as that which humans must protect from waste; it also created a mandate to separate the environment *from* waste. Earlier practices of refuse valuation, exchange, and disposal were recast as unacceptable, while priority was given to building infrastructures and management systems that isolated waste, on one side, from people, water, air, and land, on another side.

## MONEY PITS: HOW TRASH BECAME WASTE

For over a century, Palestinians’ refuse had arguably not been waste as we now know it. In the roughly 100 years before Oslo, autonomous municipal management had created variation in management systems across the territory and over time. Schedules and techniques for street cleaning had differed from one municipality to the next. Municipalities had used different numbers of workers and equipment, trained them differently, and cleaned at different hours. Categories of refuse requiring disposal instead of redirection had also varied. One Jenin public health official estimated that in the 1950s and 1960s only roughly 30% of household refuse was collected by the municipal collector, or *damin*. This was the refuse of urban households without livestock. The *damin* collected and sold refuse to farmers, who used it as fertilizer. Other residents reused refuse themselves. In urban centers like Jenin and Nablus located near

olive cultivation, for example, public bathhouses (*hammam*) burned olive pits to heat water. Household refuse was burned to heat bakery ovens.

Yet one constant feature of waste management across the pre-Oslo West Bank was that disposal had cost municipalities almost no money. Street cleaning and trash pickup had costs associated with labor, equipment, and fuel, once motorized vehicles were integrated. But for most municipalities waste *disposal* had been so cheap and easy as to not count as separate from collection, as it would in the twenty-first century. Residents and local governments disposed of waste in open sites, often at the outer boundaries of cities and villages, where waste was burned to reduce volume. Burning made it possible to use relatively small pieces of land for disposal and municipalities and village councils used land they owned or rented cheaply. Short distances traversed for disposal required few vehicles and workers, and residents sometimes transported it themselves. Costs were low even when municipalities sent garbage to larger, “controlled” dumpsites like Yatta in the South and al-Azariya in the central West Bank. From the perspective of municipal governments, waste was inconvenient matter that could be kept under control through volume reduction. As material burned locally, waste had been experienced as both expendable (Bataille 1988) and revaluable. It was “externalized” into the air and dissipated into social reuse.

The two PA landfills, opened in Jenin (2007) and Hebron (2013), became underground storage sites, what I have called “accumulation technologies,” that instead accrued waste volume over time. They compressed larger amounts of waste in fewer locations and prohibited burning. Centralized trash storage materialized Oslo’s definition of solid waste as an environmental pollutant. It also aided in the redefinition of waste as property of the would-be-state, as landfills were run by PA-appointed councils (called Joint Councils for Solid Waste Management) and created opportunities for the PA to experiment with authority-boosting techniques. Seeing costs rise and fearing the effects on the use and value of land around the landfills, many municipalities were hesitant to support the projects. The PA used land expropriation and closure of municipal dumpsites to force them to dump at the landfills (Stamatopoulou-Robbins 2014, 2019). Yet these centralizing moves simultaneously undermined PA sovereignty. By pursuing waste storage, the PA chose donor dependence. Only donors—specifically the World Bank, the German government, and the EU—could provide the capital

for storage facilities. Donors, for their part, made “cost recovery”—systems for extracting money for projects from residents—a condition of funding. The newly heavy burden of waste thus trickled down to municipalities and from municipalities to residents.

### PROBLEM: MUNICIPAL DEBTS

One of the biggest problems municipalities faced was paying for the new disposal system. Waste management became a more significant part of municipal budgets, ranging between 15% and over 50% of budgets just for daily operations. Hauling became its own additional cost based on distances between municipalities and PA landfills, which also charged a “tipping fee” based on tonnage. One regional manager estimated that landfills increased transfer and disposal costs by an average of 50 ILS (US\$14.70)/ton. Hebron municipalities had previously paid between 13 and 15 ILS (US\$3.80-4.40)/ton for disposal at the Yatta dumpsite, which was slated for closure. Bethlehem’s disposal costs increased by over 240%. In the absence of a central West Bank landfill, Ramallah and al-Bireh hauled waste to Zahrat al-Finjan landfill in Jenin, two hours north (Stamatopoulou-Robbins 2014), increasing transport costs by 100 ILS (US\$29.40)/ton.

New costs exacerbated existing deficits. Many local governments were deep in debt by the time the PA was established. After 1967, municipal taxes were transferred to Israel. Residents soon began municipal boycotts, refusing to pay for their own occupation, and organized market shutdowns to withhold tax revenue from their occupiers. Yet municipal services continued to incur charges, for example for electricity purchased from the Israeli Electricity Company (IEC). In 2010, a NEDCO employee in Jenin told me that Jenin was US\$24 million in debt for electricity.

As members of the communities they served, municipality and village council employees had participated in a delicate dance between extraction and forbearance with residents. Force was seen as a last resort. Muhammad Abu Surour, of Jenin’s health department, described municipalities’ relationship to residents as humane (*insani*). He gave the example of a clean streets campaign the department had recently launched requesting that residents only put out garbage once per day. Collection would take place 6–9 am. For the rest of the day, garbage would be kept indoors. The campaign failed. “God forbid!” Abu Surour said, mocking

residents' reaction to being asked to keep garbage at home. "*As soon* as a bag is filled they have to take it outside," he explained, frustrated. "The bag after lunch? We take it out. If guests came over and peeled fruits, we take it out." Abu Surour saw this as a challenge to "change the behavior of the people." But he acknowledged that it needed not only time, but also "sweet talk": "You have to be nice at the same time." Humaneness might be one way to characterize fee collection systems that predated prepaid meter connection in the 2000s. Door-to-door fee collection was a common technique. Faqu'a's mayor recalled, "there were people who had debts (*fee nas 'alayha duyoun*), and those who wanted to pay would pay, and those who couldn't would continue to have debts." Residents elsewhere were charged for waste collection at the beginning of each year, *if they could pay*.

Many municipal employees and elected officials were reluctant to push residents too hard, at least not systematically. Reluctance may have had to do with historic experiences of municipal governance, including complicity with Israel. Reluctance may have been linked to a broader desire to cast municipalities as sources of solidarity. When, during the second Intifada, municipalities did not force electricity payments, some residents believed that it was out of consideration for the Intifada's devastating effects. Widad, a Jenin resident in her sixties, told me that before the Intifada "you could pay [the collector] right there, or you could go to the municipality later and pay them...But if you didn't pay, sure, they'd cut the electricity. They'd cut the wire...But when the Intifadas came, they stopped cutting the electricity. They let it go." Residents might also look more favorably upon mayors and councilors who were generous about fee collection. Jenin's mayor exempted camp residents from paying electricity fees in 2005, when municipal elections took place.

Others understood non-collection of fees as a symptom of governmental weakness. Some of my PA and municipality interlocutors regarded municipalities as what one Jenin employee called "the weakest part of society." The second Intifada was characterized by the widespread availability of weapons in Palestinian communities. The employee explained, "whoever wanted to could carry weapons!" adding that this created fear about fee collection among collectors. The municipality tried other inducements such as discounts of "up to 50%." The head of a prepaid water pilot program in Jenin said that prepaid meters had been off the table during that time because "there wasn't enough force" available to

the PA. There were “no laws, no authority. Everyone was under threat all the time.” Now, by contrast, “there is a strong Palestinian Authority.”

Municipal reluctance to forcibly exact fees was mixed with a fear of political unrest. Refugee camps are an especially intense source of anxiety around the question of public order. With strong self-organization, political consciousness, and the presence of armed resistance, camps are seen as some of the most ungovernable spaces in Palestine, both by Israel and by the PA (e.g., Marei et al. 2018). Camp residents have received infrastructure services and welfare primarily from UNRWA, often for free. According to Jenin’s accounting office, in 2003 Yasser Arafat and Mahmoud Abbas periodically exempted camp inhabitants from paying water and electricity dues by having the PA ministry of finance cover them instead.

Another, perhaps less tangible obstacle to municipal revenue collection had been the fact that waste management had long been understood as a public good that municipalities were obliged to provide. This made refusing to collect waste from a neighborhood or street corner unthinkable. “Who would be affected then?” Abu Surour of Jenin’s health department exclaimed. “The entire street or neighborhood! With pests and so on. *Why?!?*” The problem was threefold: one, unlike electricity or water, services entering homes directly via grids and pipes, waste management is a collectively provided service. Multiple households dispose of trash in a single dumpster. There is no way to disconnect service from one household without disconnecting it from others. Two, collective punishment was anathema to Palestinian civil servants. How could they cause everyone to suffer because of a few noncompliant residents? Three, controlling refuse was a moral good that protected both public health and, now, the *national* environment.

## TECHNICAL PIGGY-BACKING: PREPAID METERS FOR WASTE

Despite myriad forms of devastation suffered by Palestinians during the second Intifada, the PA decided to radically transform municipal revenue collection in the early 2000s. One of the largest PA operations during my fieldwork was centralization of municipal budgets to secure “cost recovery,” including through installation of software and standardization of budgets and payment methods. Many of these were World Bank-funded efforts through the Municipal Development and Lending Fund framed as “anti-corruption,” “transparency” and “good governance”

projects. One goal was to prevent municipal governance from being based on the kinds of personal relationships that had allowed residents to determine when and what they paid.

The change began with electricity. Municipalities had collected electricity fees in a variety of ways, none of which had been automated. In addition to door-to-door collection, another method described to me in Jenin involved cutting electricity to nonpaying households, but this was limited by Palestinian laws that made it difficult to disconnect a household for nonpayment.<sup>2</sup> Revenue collection had come to a near standstill during the second Intifada. One municipal accountant told me that they had begun “working on selected persons” “with money.” To supplement this effort, the PA increased salaries of some municipal employees and began deducting electricity and water fees directly from salaries. In 2006, Jenin claimed that there was “stability in the area” and instructed the water and electricity departments to “collect your money” or cut service. But the city continued making exemptions for “social cases,” which constituted roughly 5% of the population. Revenue collection remained low.

Salam Fayyad’s government turned to prepaid electricity meters around 2007. The PA had begun thinking about prepaid meters during Oslo, first in relation to water. But prepaid water metering posed several challenges, especially residents’ opposition. Residents viewed water as a right; not a commodity. The Palestinian Consumer Protection Association and Palestine-based water rights organizations such as the Palestinian Hydrology Group and Lifesource argued that under human rights law and Palestinian law disconnections are prohibited if people cannot pay.<sup>3</sup> Residents should be given the opportunity to prove whether they were unwilling or unable to pay, they argued, advocating for cost subsidization by major water consumers (see also Farmer 2017). The PA paused the prepaid water project through the second Intifada and returned to it in 2009, when it piloted installation of meters for 6000 residents in northwest Jenin. In 2007, Fayyad had rolled out the *Palestinian Reform and Development Plan* (PRDP) for 2008–2010. The plan made installing prepaid meters for electricity a national PA priority. Norway, the main investor in Palestinian electricity, had already introduced prepaid electricity meters to Palestine in 2004 (Koppelman and Shalalfeh 2012, 9). The PA set out to install 330,000 meters in Palestinian households by 2010.

Prepaid meters have become attractive for governments and private companies across the globe. Developed in the United Kingdom, they have since come to be used in Brazil, Egypt, Uganda, Curacao, Nigeria,

Tanzania, Swaziland, Sudan, Malawi, Namibia, South Africa, and elsewhere. Opposition to them is common. In the West Bank, many communities revolted against installation of the meters. I heard them called part of a “war on the poor.” Refugee camps vocally resisted them. Camp committees and residents in Jalazon, Balata, and al-Am‘ari camps threatened violence against anyone trying to install meters there. Another form of resistance involved tampering with meters or working around them. One Jalazon resident who thought I was an electricity company representative proudly told me that he knew people “who know how to break the machine, and get 600 ILS on it with only 10 ILS!” When Ramallah municipality tried to install them, electricity “theft” increased by an estimated 35% according to an activist at the organization Stop the Wall I interviewed in 2011.

Still, the PA succeeded in pushing prepaid electricity metering through most municipalities in the north and south. And meters became an opportunity for the PA and local governments to rethink how they collected fees for other services, including waste management.<sup>4</sup> Northern municipalities connected waste fees to prepaid electricity meters in 2009. Hebron municipality connected waste management fees to the prepaid meters in 2016. Jenin divided the 180 ILS (US\$52.90) annual waste fee into monthly automatic payments of 15 ILS (US\$4.40) deducted when residents paid for electricity. Municipalities also took this as an opportunity to raise waste fees. With satisfaction, a Jenin accountant who had worked on the shift to regional landfills took credit in a conversation with me for increasing waste fees by 300%.

### FRAMING AUTOMATION: GREED INTO SELF-INTERESTEDNESS

Municipal and PA officials with whom I spoke attributed the revenue problem to what they called a “culture of non-payment,” sometimes called *thaqafet al-balash* (culture of freeloading). The phrase implied nonpayment for personal gain. One PA employee called it “individual greed.” ‘Ali Shati, then mayor of Jenin, explained, “We have a part [of the population]...that has a culture of not paying (*‘ando thaqafet ‘adam aldafa’*).” Such uses of the phrase usually suggested that residents’ reasons for not paying were illegitimate. They suggested greed expressed through withholding of wealth from the public domain. One Jenin municipal employee referred to the second Intifada as an Intifada



“not only against the occupation...it was also taken advantage of for personal gain.” The phrase “culture of nonpayment” connoted a hostile relation to service providers. The same PA employee who referred to greed paraphrased the “greedy” resident: “I want to mock the PA,” he said.

This interpretation of residents’ culture is clearest when contrasted with descriptions of people with a “culture of payment.” Dr. ‘Amer in Faqu’a said, “people have a culture of payment (*thaqafat al-dafi*). Even when there wasn’t a prepaid card, about 50–60% of people had adherence (*iltizam*) [to fee payment] ...We didn’t have a big big problem...even though people’s financial situation was very difficult.” Residents were willing to sacrifice money for the greater good of paying for service. The challenge of paying made their payment *cultural* rather than rational. Payment indexed the weighing of the values of self-sustenance against publicly owed debts.

While the culture of nonpayment framing implied a culturally-formed ill will toward municipal service, prepaid meter connection presented the solution to this culture as technical—that is, non-cultural. Prepaid meter proponents proposed it as what Gökçe Günel calls a “technical adjustment” (Günel 2019) not needing to pass through channels like cultural transformation or persuasion around the moral good of payment. One PA employee in Jenin expressed it this way: “I think [the meter] is the fastest way to change the culture,” where culture seemed to mean practice as opposed to belief: “I don’t depend on the values of the citizen. Those might delay ten years.” He clarified that what was achieved with prepaid meters was “not value, but adherence. These are two different things.” Prepaid meter connection was appealing precisely because it was quick and easy and did not require willingness to participate. One PA-appointed landfill manager told me that meters were “the easiest way” for municipalities “to get money from the citizens.” In the words of a Palestinian economist who had consulted for international donors, the PA pursued the use of prepaid meters “so they could be done with the debts.” The longer game of persuading residents of the value of centralized waste storage could wait (Stamatopoulou-Robbins 2019, 29–68).

Others saw more possibility for cultural change through meters. Jenin’s mayor ‘Ali Shati felt meters could facilitate otherwise challenging cultural and political progress. “The idea of prepayment...has a social component,” he said. Prepayment was “a project that gives the citizen a kind of freedom.” The meter “freed” people from debt by forcing them to

pay their dues regularly. “If I am not in debt, I have more freedom (*lama ana bakon mish madioun bakon aktar hurrieh*),” he told me. “The citizen who’s in debt, stops asking!” The idea was that people were not making as many claims on the municipality as they could—and should—because they were silenced by the shame of having debts. The resident can “become more participatory (*musharak*),” the mayor added, “and more demanding (*mutallab*).” The resident “can monitor the municipality more (*biragib albaladieh aktar*). The person who is in debt to the municipality doesn’t ask ‘what is the mayor doing?’” Shati drew a line between democratic practice based on claims-making at the municipal level and coercive extraction of revenue from residents. “Now,” he added, “I am under the monitoring of every citizen...This contributes to the democracy of the municipality.” In the absence of liberation at the level of the state, he framed meters as tools for solidarity and social uplift: “municipalities are not just service providers. They also have a relationship to political change, and cultural and social change. That’s why we say that municipalities are schools!”

### CONCLUSION: A PERSON IS PROGRAMMED NOW?

Von Schnitzler argues that “[i]nfrastructures, and the technologies deployed within them, are invested with and productive of social and political relations” (2008, 900). In South Africa, prepaid meters became “central to the reformulation of political subjectivities” (*ibid.*). For Von Schnitzler and other meter critics, reformulation is secured by shifting rationales. Omar Jabary Salamanca, for example, argues that meters “disable the widespread household strategy to reduce cash expenditures by delaying the payment of bills such as electricity or water.” This “forces [poor people] to cut back on other basic needs to pay for electricity and water” (Salamanca 2014, 18; see also Hamdan 2012, 7). By way of concluding, I consider how my fieldwork both supports and complicates this view of prepaid meters.

On the one hand, prepaid electricity meters and their connection to waste fees indeed encouraged residents in Palestine both to self-discipline through the card and to view themselves as self-interested actors. Comparison was frequently drawn to prepaid mobile phone cards. Prepaid meter proponents argued that no one complained about prepayment with phones. Everyone “just seems to accept that if you wanted to talk, you have to refill your card,” they said. Others offered variations

of the following thought process: “If I want my refrigerator or dialysis machine to work, I need to refill my card.” That made sense for electricity, where the meter commodified electricity, organized residents’ experience of service in relation to the card and thus to themselves as its rechargers. It was easy to overlook meters’ coercive capacities given their automatic and seemingly impersonal, nondiscriminatory character. Prepaid meters created an experiential wedge between residents and municipalities, as well as a “wall” behind which municipalities accused of inhumaneness could hide. Prepaid meters thus disrupted certain relationships and sutured others.

Jenin’s mayor, ‘Ali Shati, claimed he had witnessed major changes in the past two-and-a-half years of meter use. “I hear that, at the very least, the relationship between us [residents] and you [the municipality], we are paying for it. We are paying so we want our rights,” he said. Faqu’a’s mayor and I spoke in 2010, two years after the new system had been put in place. He noted that the council hadn’t “had any problems, maybe one or two cases,” since installation of the meters. “People became accustomed to the idea that they have to refill their card. A person is programmed now (*sar alwahad barmaj lanafsu*),” he told me. “Anyone who has work came to know that each week he spends about 100 ILS, so he has to have 100 ILS every week to cover electricity.” A Jenin municipal employee commented that in Arrabeh, a nearby village, prepaid meter waste fee collection had “relaxed” and “relieved” people. Muhammad Abu Surour, Jenin’s public health director, was sitting with us. “There are some people who are very happy with this,” he added. “Because they say ‘You relieved us of constant demands.’”

While on the opposite side of the prepayment debate from people like Shati and Abu Surour, my friend and interlocutor Iyad Riyahi, who ran a small left-wing think tank, offered unintended support for Shati’s claim that meters could trigger demands for better service and thus political participation. In 2011, Iyad invited me to Jalazon camp to participate in a meeting of the camp committee on prepaid water and electricity meters. He made an impromptu speech to roughly fifty camp residents in the camp club’s meeting hall. His argument against meters was that “You pay taxes in order to receive services! If I don’t get services then the taxes I’m paying, I wonder what’s being done in the villages or in the cities with the services I’m paying for!” Others at the meeting made similar points: they were willing to pay for services *as long as the services were worth paying for*. This framed services as commodities and people as

good consumers: people seemed to be invested in appearing to be willing to pay. Tahrir, another anti-meter activist and friend of Iyad, added that “We have some obligations. The first principle is that we are against the culture of freeloading. *We have to pay.*” The problem he articulated was that camp residents paid taxes, for example through owning businesses and by purchasing goods (the Value Added Tax). But they received no services those taxes were meant to cover because camp services like sanitation, health, and education were either covered by UNRWA or were internationally funded. “The PA should give the amount we have paid in all those taxes to the electricity company in exchange for some services that we can actually see,” Tahrir argued. I found similar sentiments in Jenin. Abu Surour noted, “There are people who say ‘Why did you do this to us, what are you doing? We don’t want to pay; there is no actual service.’ Residents compared what they saw as a lack of service in Jenin with better services elsewhere: ‘Go see America, go see Nablus!’ Abu Surour estimated that ‘75% of the people are [still] of the kind that doesn’t want to pay, who hate being told to pay.’ He complained, ‘Every day I have problems! People asking me why we take 15 shekels.’”

On the other hand, the technical fix of automated prepayment was imperfect, especially when it came to waste management. Automation of waste payment failed to wholly commodify waste service as it had electricity. How and whether residents’ garbage was removed from them was unaffected by whether their electricity was cut off, or if they tampered with the meter and left waste management unpaid-for. In this sense, waste management remained off the grid even once it was financialized. Connecting waste fees to prepaid electricity meters also hid the presence of the former behind the latter, which is why I encountered residents in Jenin who did not know that they were being charged waste fees when they paid for electricity. Over mujadara in her house one year into the connection to the prepaid card, Widad, the sixty-seven-year-old, told me that she thought that when she recharged her electricity card with 100 ILS, she received 100 ILS’ worth of electricity. A study based on 58 questionnaires given to residents of the northern Jenin villages whose households were given prepaid water meters found that 40% were unaware of the amount they were being charged for water (Abu Helou and Jarrar 2010, 10). Connection of waste fees to prepaid meters also contributed to some residents’ (mis)perception that waste management had been privatized. I was surprised when even a long-time PA employee in the Jenin branch of the Ministry of Interior called the Joint Service

Council that managed Zahrat al-Finjan landfill private. He argued that residents should not resist prepayment because the service was now privatized. “It’s my obligation” to pay if the service is private, he explained. While obstructing the process of responsabilization that is one of the dark undersides of neoliberal governance, making waste fees less visible also undermined the democratic claims-making that prepaid meter proponents touted.

Scholars of the state and its relationship to waste have argued that state power is constituted through the transformation of shit into gold (Laporte 2000). By redefining waste and deciding to store garbage underground, the PA instead turned gold into shit. To gain the capacity to exploit waste by having proprietary rights over waste, the PA devalued it. That devaluation created new financial burdens for municipalities. The decision to transfer the burden to residents by means of prepaid meters (1) enlisted residents in the PA’s process of devaluation, (2) created an occasion for reconceptualizing the meaning of belonging to the would-be state (e.g., as a paying customer with demands), (3) undermined residents’ autonomy to revalue waste by avoiding questions of persuasion, and (4) created a revenue collection mechanism securing the continued storage of waste. These processes in turn allowed the consumption of cheap and disposable goods that sustain the Paris Protocol’s “quality of life” to continue apace (Elkhafif et al. 2014; Stamatopoulou-Robbins 2019). This is perhaps not surprising given that prepaid meter connection to waste fees was chosen precisely to avoid what were perceived as more culturally interventionist policies. Prepaid meter connection outsourced waste governance to a technology and removed intimate interactions between municipality and resident. Jean and John Comaroff point to the contradictory juncture of political liberation and economic liberalization in South Africa (Comaroff and Comaroff 2001). In Palestine, waste fee automation represented economic liberalization without liberation. Instead, it mobilized liberalization as both a performance of liberatedness and a coercive pathway toward a particular, and particularly capitalist, version of liberation (see also Tabar and Salamanca 2015).

Paying attention to waste’s relationship to money allows us to denaturalize municipal services often glossed as “basic needs.” It is not a basic need to store garbage underground, even if it is arguably best for garbage to be kept at a physical distance from human bodies and in certain states (e.g., solid rather than smoke or ash). If we treat waste as an “externality,” as capitalism and governments, both often do, we are less able

to see how profoundly approaches to it can differ and, in their difference, differentially affect what counts as a service in the first place. Waste management is no more natural than electrification (Meiton 2019). It has a history and is contingent on confluences of politics, materiality, culture, and economy. The cost of waste management is not inevitable, in other words, and neither is the need to burden residents with that cost. Policy-makers often argue that municipal debts must be paid. Rights activists, for example around water and sanitation, argue that residents should be protected from service cut-offs when they do not pay (e.g. CAWP 2006). But both rarely question the reason for the debts. The PA's post-Oslo seizing and revaluation of, and decision to store, waste has created the debt burden that Palestinians are experiencing today, while encouraging residents not to think about the relationship between their daily forms of consumption and storage of its material afterlives in the land of a free future Palestine.

## NOTES

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2. Between the late 1990s and the early 2000s, Jenin disconnected the electricity of commercial establishments. Jenin leveraged establishments' need for annual licensing to demand payment. Licenses required a clearance certificate, called *barayit al-dhimme*, which stated that the business had paid for water, electricity, waste management, and a craft license. Biannual licensing was effective but did not reach the thousands of households under the municipality's purview.
3. See, for example, Article No. [3] in the Palestinian Water Law No. [3] for the year 2002, Articles No. [122 and 106] from the Civil Procedure and the Palestinian Trade Law No. [2] for the year 2001 (Abu Helou and Jarrar 2010, 8).
4. Prepaid meters became a technique for collecting debts.

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## To Unknow Palestine: A Conclusion

*Sara Roy*

### THE “ABSENCE OF A GREATER SENSE OF ABHORRENCE”<sup>1</sup>

Many years ago, when I was living in the West Bank, a Palestinian employee of an American NGO was shot and badly injured by an Israeli soldier. The director of the NGO was a friend of mine and asked me to accompany him to a meeting with a senior Israeli military official where he intended to voice his outrage and seek an explanation. The meeting did not last long. After my friend expressed his horror at the shooting of his employee who was unarmed and working on a project in the area where the incident occurred, the Israeli officer, who had listened quietly (and, I might add, did not dispute the facts), looked at both of us and shrugged. He then got up from the conference table where we all sat, and without saying a word, left the room followed by his staff. My friend and I remained in our seats stunned, not only by the official's incivility but by what informed it: an utter lack of concern for the shooting of the Palestinian (imagine the response if the situation had been reversed). The facts, which so horrified us, were, for him, trivial echoes at best, lacking any meaningful substance or ethical urgency.

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That meeting took place over 30 years ago. In the years since, the invalidation of Palestinians has only deepened and found broad affirmation. This despite the wealth of knowledge produced over the last four decades on the Israeli-Palestinian conflict (which must also include Palestinian citizens of Israel and those residing outside Israel and the Occupied Territory) and on Israel's occupation and colonization of Palestine to which the present volume is a significant contribution. Its importance lies in the different but complementary approaches this book takes to the study of Palestinian political economy—critical, interdisciplinary, and decolonial—thereby revealing complex power dynamics that while defining, often remain obscure or ignored.

Why, for example, has the deliberate and systematic ruination of a productive Palestinian economy—once considered a lower middle-income economy—and analyzed anew in these pages, failed to elicit any humane policy? This failure has been disastrous, particularly for Gaza, which has been under an onerous closure or blockade since 2006 that has produced massive unemployment, food insecurity, and aid dependency. Among Gaza's increasingly desperate population unemployment reached a staggering 45.5% during the first quarter of 2020 (other estimates place it higher) and is the principal factor driving impoverishment and the need for humanitarian assistance. More alarming, during the same period unemployment among those 15–29 years of age exceeded 64%, while school dropout and child labor rates have increased as have suicides, especially among teenagers and young adults unable to feed their own children (GISHA 2020; Hussaini 2020). Every second person in Gaza (including over 400,000 children) lives in poverty and 68% are food insecure meaning they are unable to access adequate amounts of nutritious food; between 70 and 80% of Gazans remain dependent on food hand-outs without which they would go hungry (UNOCHA 2018, 4, 7–8, 25).

As a colleague in Gaza recently told me: “Securing enough food on a daily basis is what consumes most people. Entire families—men, women and their children—are on the streets begging, every two meters. This is a new phenomenon. People beg from morning until midnight.”<sup>2</sup>

The almost singular focus on obtaining enough food to feed one's family—which is also a reality for 900,000 Palestinians in the West Bank (around 30% of the total population [UNOCHA 2018, 4])—is tied to another defining reality: the political abandonment of Palestinians by the

international community and, perhaps most painfully, by their own leadership, which has acted violently toward them. The ruling authorities in Gaza and the West Bank are seen as a profound part of the problem contributing in very real, direct, and damaging ways to the overall fragmentation of Palestinian society, economy and polity, a theme this book examines carefully and unsparingly. Similarly, the embrace of a national vision and sense of collective purpose, which was so unifying during the first Intifada, no longer exists and its loss is a source of real and expressed fear among Palestinians because it deprives them of agency and endeavor, deepening their sense of isolation and impending collapse. Again, said my colleague in Gaza: “People have lost hope and our demands have declined; our past demands have become meaningless. No one speaks of Jerusalem or the Right-of-Return anymore. We just want food security and open crossings.” Tragically, Palestinians see the present, though diminished, as better than the future, a contradiction of a kind that this volume interrogates from different analytical perspectives.

Yet, despite all that is known and proven and continually revealed including in these pages about the oppression of Palestinians, why has their position become even weaker and more inconsequential? Why has the production of so much evidence and understanding failed to enter our consciousness and our conscience?

The political and economic interests of key actors in the conflict—Israel, the USA, EU, and certain Arab states—play a decisive role in Palestine’s continued deterioration as some of the chapters in this book argue. In fact, for decades the approach to resolving the conflict has been one of promoting “economic peace” under occupation. The Oslo process made this approach especially clear by arguing, often strenuously, that economic change must precede political change, shaping a context open to and welcoming of future political compromise. There are many examples of this including then Secretary of State John Kerry’s 2013 attempt to revive peace negotiations between Israelis and Palestinians and more recently President Trump’s “Peace to Prosperity” plan for resolving the conflict and developing the Palestinian economy. All of these plans and the policies they reflect aim to extinguish Palestinian political demands and aspirations through minimal economic gains under an ongoing occupation that continues to dispossess Palestinians of their land and other resources. The resulting context is one that remains securely under Israeli control and restriction, precluding sustainable growth and strengthening the de-development process.

The political explanations underlying Palestinian decline have been relentlessly examined and are not the subject of this brief conclusion. Rather, I want to reflect on what I see as another and arguably lesser understood but equally pernicious factor that has invalidated Palestinians and their claims over time, a factor (among others) that remains unaffected by, but itself contributes to, the painful actualities of Palestinian life.

### REDEFINING THE SPACE THAT ISRAELIS AND PALESTINIANS INHABIT: NULLIFYING THE OTHER

Although I have written about this story elsewhere, it bears restating here. Several years ago, I attended a closed conference in East Jerusalem in which Professor Nadera Shalhoub-Kevorkian of the Hebrew University presented a paper on the physical barriers and movement restrictions imposed on Palestinians living in East Jerusalem. She described how these barriers hindered children from reaching their homes after leaving school; in order to evade them, the children were forced to walk through sewer pipes. The image that immediately struck me—and, I suspect, was not the speaker's intent—was of Palestinian children as waste, flowing invisibly and silently beneath Israeli homes.

While I do not want to overstate the symbolism evoked by this image, it speaks powerfully to a fundamental change in the way Palestinians are now perceived by Israel and the West that I have witnessed in my decades-long engagement with the conflict. This change—which positions Western and Middle Eastern cultures (and values) as oppositional—no longer seeks separation from Palestinians alone, but their exclusion and repudiation. This repudiation or erasure is central to settler colonialism. It is deeply tied to, and is itself enabled by, the deliberate reduction of Palestinians to a humanitarian issue as described above, deprived (and undeserving) of political and economic rights and dependent on the international community for sustenance, where relief not progress becomes the primary if not the only political option. This is precisely why a political economy approach as articulated in this book is so crucial. It challenges common misconceptions about economics and economic relations that often remove and disbelieve the political [and historical] dimension and, by extension, reject the inseparability of politics and economics especially in the Palestinian context.

As such humanitarianism has come to define the way the international community interacts with Palestinians who are made irrelevant and disposable as political, national, and cultural actors—in effect, invalidated. As a State Department official once told me, “Palestinians have nothing to offer us [the U.S.]. They have no political capital.” Palestinians, I was being told, were expendable. Hence, Palestinians exist only as charity cases or as terrorists. In this way, Israel and the West maintain a humanitarian problem to manage a political one—in this case, subduing an undesirable and inconvenient population. If a policy exists, it is one of not finding solutions (see Roy 2015). The resulting context has proved increasingly resistant to testimony and fact, assigning little if any value to them.

So removed and nullified, Palestinians cannot easily affect or compel Israelis or Americans if at all. Nor can they easily or convincingly defend against all forms of assault including “what Israel sees as its historical right to render Palestinians rightless” (Roy 2018, 532), without the agency to “unthink rightlessness” (Farred 2012, 208; Roy 2018, 532).

The critic, Northrop Frye, put it more starkly: “[T]he enemy become, not people to be defeated, but embodiments of an idea to be exterminated” (quoted in Roy 2007, xxi). In this redefined space there is “no approach or nearing, let alone engagement (with whom?), reciprocity or redemption. Instead there is only singularity (particularly as it concerns indigeneity) ... and the insistence on sameness and certainty. Palestinians are erased from Israel’s emotional and political landscape, precluding contestation and complexity...” (Roy 2018, 531), while Israel (and others) is distanced from the violence it inflicts, protected from all forms of introspection or self-reproach.

Consequently, for Israel and the West, the issue of justice for Palestinians becomes progressively detached from and even inappropriate to the current (created) context. Arguably, this is reflected in Palestine’s diminishing determinative role in regional politics, demonstrated most recently by the August 2020 deal to normalize relations between Israel and the United Arab Emirates (in exchange for Israel’s suspension of its annexation plans). The weakening if not interrering of the Palestinian role was underlined by a senior Likud official when he stated: “The Israeli and international left always said that it is impossible to bring peace with Arab nations without peace with the Palestinian people. That there is no other way except from withdrawing from the ‘67 borders, clearing out the settlements, dividing Jerusalem and establishing a Palestinian state.

This is the first time in history that Prime Minister Netanyahu broke the paradigm of ‘land for peace’ and brought ‘peace in exchange for peace’” (Landau 2020). Consequently, “It’s hard to claim right now that the 53-year-old occupation is ‘unsustainable’ when Netanyahu has just proved that not only is it sustainable but Israel can improve its ties with the Arab world, openly, with the occupation still going” (Pfeffer 2020).

I would add that the Palestinian issue has also diminished within Middle East Studies as a discipline. This statement, admittedly subjective and anecdotal, is one that I have gradually observed over time. It posits that as an area of research, Palestine increasingly appears to be separated out—almost divorced from—larger political, social, and economic issues, particularly as it regards the study of societies and economies in the Arab world. Similarly, Palestine is increasingly treated ahistorically as if the onerous conditions that obtain are rootless and exist only as part of a detached present. Although this is a personal observation, it has become more and more apparent in my experience, and demands further inquiry.

### “TO NOTICE IS TO RESCUE, TO REDEEM”<sup>3</sup>

What then, is to be done? Of course, the continued and resolute production of knowledge as evinced in these pages is vital to challenging those forces seeking its irrelevance. Eqbal Ahmad, citing Marx, writes that the function of knowledge is to understand in order to change, to “think critically and take risks” and to examine the political, social, and cultural norms and values with which we live (Fazila-Yacoobali 2003, 37; Ahmad 2000). While evidence and fact may not always lead to resolution, without them conditions would be far worse. But understanding the nature of the challenge beyond obvious explanations as argued here is essential. This begs the question, what is the role of the intellectual or scholar? For Edward Said, it lies in keeping a living connection with those who suffer and are disempowered, experiencing with them, to the extent possible, the conditions in which they live, “tak[ing] into account the experience of subordination itself” (Said 1996, 35; Roy 2007, xviii) establishing relationships and creating bonds too often refused.

If the role of authority is to obfuscate, then the role of the intellectual is to reveal. A key component of such disclosure lies in examining realities as they have evolved over time, in understanding not only what they are but how they came to be. Hence as the contributors to this work have powerfully shown, Palestine’s current reality is not inevitable but



conditional—the accumulation of economic distress that is both intentional and the result of conflict—the product of human choices that can be altered, even reversed. As I have written, “Palestine’s economic de-development...was not natural but imposed,...the growing violence within Palestinian society is not predetermined...but the logical and tragic result of unabated oppression...By understanding how events occurred and why, they assume a history and rationale that defy static and reductive explanations, allowing, says Said, description (and explanation) to become transformation” (Roy 2007, xx). This is especially important given that de-development as it is examined in this book has become so acutely destructive.

In this sense, knowledge production is itself a form of resistance, challenging “the logic of elimination” and “giving attention to the erasure of history and to the history of erasure,” to borrow from the editors’ Introduction. It will always remain essential to the struggle that sustains resistance, which is another compelling theme of this work. And knowledge is exponential, where, as the French philosopher Paul Ricoeur observed, there is never a last word.

## NOTES

1. See Roy (2007, xv).
2. Phone Interview with a colleague in Gaza, June 2020.
3. See Wood (2020) and Sehgal (2020).

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