

Economic Development Under Occupation: the Palestinian Case

Suleiman M. Abbadi¹

Abstract

Most studies on the subject, if not all of them, indicated that development is impossible while Israel is still occupying the Palestinian territory. This is because Israel is still controlling more than 60% of the West Bank (Area c), and it is controlling the natural resources; as well as controlling the borders, ports and crossing points. It has built more than 150 Settlements in Palestinian areas, and settled about 670 thousand Jewish Settlers. Israel did not implement the agreements that were signed with the Palestinians. It has been violating all international and human rights laws. It has destroyed houses, burned mosques, and imprisoned thousands of youth, children, and women. For these reasons, several writers, speakers, and economists concluded that there is no development under occupation. This paper tries to find some ways to get out from this dilemma and to find some methods to increase income, employment and production, and decrease unemployment rate and poverty. This paper has reached some ways to make economic development through disintegrating the Palestinian economy from the Israeli economy, decreasing the dependence on strategic goods from Israel through producing commodities that can be produced locally, developing and supporting the Palestinian hospitals to decrease the remittances of Palestinian patients to Israeli hospitals, developing the productive sectors of the economy and providing a financial support to these sectors. Developing the industrial zones and increase the number of partnerships with the Palestinians living in Israel, encouraging foreign direct investment through developing the encouragement investment laws and finally through renegotiating the Paris accord with Israel.

Keywords: Development Challenges, Structural Imbalances, the Paris Accord, Natural Resources, Industrial Zones. Israeli Occupation

1. Introduction

Most countries make economic plans in order to improve the utilization of its resources so as to improve economic growth and thus decrease unemployment rate and poverty. Six economic plans have been made since 1982 in the Palestinian Territories. The last one was the 2007-2012 plan, which was called "development for building the state". Not all these plans were able to achieve tangible results, as the government was able to implement only a small part of them because of the occupation and the lack of foreign funds to finance these plans (Almasri-2013).

¹ Department of Banking and Finance, Faculty of Administrative and Financial Sciences, the Arab American University- Jenin/ Palestine. E-mail: Suleiman.abbadi@aaup.edu, Tel. 00970599260092/ fax 0097042510810

The Palestinian Authority has received billions of dollars in foreign aid during the last twenty years. However, most of this aid was to finance the budget deficit or the unproductive projects such as hospitals, schools and headquarters for security forces. Very little has been spent on development which caused the percapita income to remain as low as it was before the establishment of the Palestine National Authority (PNA) in 1994. On the contrary the level of unemployment has increased to more than 25%, poverty has increased among people and thus turned the Palestinians from producers to consumers and then to beggars depending on aid. (Gazgan-2013).

During the past 20 years many seminars, conferences and meetings were held to discuss the issue of development under many titles such as: sustainable development in Palestine, development under occupation, prospects for economic development, environment and sustainable development, occupation hampered economic development in Palestine, constraints achieving development in Palestine Etc. Several papers, reports, research, newsletters, seminars, radios and television reports these assured that no development is possible under occupation. The economic analyst Mazen Al-Ejleh assured that as long as the occupation continues to the Palestinian land, it is difficult for the Palestinians to make a sustainable development plan because the occupation is controlling most of the natural and economic resources of Palestine (Al-Ejleh -2015).

In this regard, Dr. Mohammad Megdad assured that it is difficult to make a plan for sustainable development in Palestine under occupation. He explained that preparing an economic plan is a complex and difficult issue because of national unity since these aspects decrease the ability for planning. He also mentioned that international aid has little effect on development because most of it was conditional. (Meqdad-2015).

The Palestinian minister for foreign affairs assured, in the United Nations conference (Rio 20) about sustainable development, that sustainable development in Palestine is impossible under the continuation of the Israeli occupation. He demanded to end the occupation of the Palestinian land (Al-Maliki- 2012). The governor of Jericho and Jordan Valley has said the same thing: "the Occupation impedes development and improvement of the living standards of the residents of Jericho's and Jordan Valley residents. The Occupation deliberately creates obstacles to implementing any plan or program for economic development in the Jordan Valley area. This area is considered a promising area for investment in agriculture and tourism" (Fetiani 2015).

In a speech about economic development, Mr. Nabeel Al-Sahili said that Palestinians cannot achieve real development without dismantling the settlements of the occupation, and that we should have control over borders, crossing points, water and other economic resources. (Al-Sahili 2015). The assistant secretary of the Arab League, Dr. Faeqa Al-Saleh, also assured in a conference that the Israeli occupation is the main obstacle to development in Palestine. (Al-Saleh 2014). Two conferences were held for discussing economic development in the Palestinian territories, the first was held at Birzeit University and the second at Al-Quds Open University in Hebron. All speakers in both conferences assured that no development is possible under the occupation. (Melhem 2014).

In addition to what has been mentioned there are several articles that talked about this subject; All of them assured that occupation is the main obstacle to sustainable development in Palestine, and development cannot be achieved as long as the Israeli authorities control the land, water, and other economic resources, roads, crossing points, and borders; invade cities, arrest people with or without doing anything, demolish houses, farms and trees; control roads and setup checkpoints between cities, hindering the passage of cars and residents. In addition, they have built a wall around the West Bank, which confiscated large areas of the West Bank. The worst is the building of more than 160 illegal settlements, on confiscated land of the Palestinians and settled in them more than 640 thousand Israeli settlers. (Shaath 2015).

During 2014, Mr. John Kerry, the American Minister of foreign affairs, promoted the idea of restarting Palestinian-Israeli negotiations through economic support and achieving economic development while building settlements, this has continued for six months without achieving anything.

In fact, the number of settlements and settlers has increased without achieving any development or agreement. The question that poses itself now is: what should we do while looking at our economy deteriorating, unemployment rate and thus poverty are increasing, and the dependency on the Israeli economy is increasing. Is there anything that can be done even under the Israeli occupation and without their interference or obstruction? That is what the study is trying to answer.

1.1 Importance of the study:

In spite of the fact that many of the researchers acknowledge that achieving sustainable development under occupation is impossible due to the Israeli control over the land and economic resources, this research will try to find some methods and ways that enable the Palestinians to achieve economic development under the occupation and under constraints the Israel uses to obstruct sustainable development and retain Palestinian territories under their occupation. There are two kinds of obstacles that face sustainable development in Palestine: external obstacles that are caused by the occupation which are difficult to remove now and internal obstacles that are under our control and can be reduced substantially.

1.2 Objectives of the study:

This study aims at analyzing the Palestinian economic situation; it determines and identifies the challenges that it faces in the area of economic development: both political, social, and economic challenges. Then it tries to find ways and alternative methods that enable us to face these challenges and find methods that we can use to achieve economic development without interference from the occupation authorities and with least possible losses.

1.3 Methodology:

We will use descriptive analysis to analyze the subject using the information we will collect from primary sources such as books, research papers, references, and conferences proceedings. Experience of some countries and previous studies about the subject will be discussed. Interviewing some experts and officials from different directions is important for this kind of research. Secondary sources will also be used such as official statistics newsletters, TV interviews, newspapers and magazines related to the study. After that, we can determine the possible methods needed for achieving the aims of the study.

1.4 Study plan:

The study will be divided into five sections: after the introduction, the development of the Palestinian economy during the past twenty years will be discussed, from the arrival of the PNA until 2014. Section three will summarize some previous studies related to the subject. Section four will analyze the challenges facing Palestinian economic development. Section five will develop methods, means and alternatives to achieve economic development with the assumption of remaining under the Israeli control for a longer period of time and finally the summary, conclusion and recommendations will follow.

1.5 Study limitations:

The analysis of this study will be limited to the West Bank area due to the lack of references on the Gaza strip and East Jerusalem. However, there are some statistics, which will be included on both areas. In addition, the closure of the Gaza strip and the three wars made by the Israeli army on Gaza during the last six years makes it hard for the researchers to come to conclusion that applies to the three parts of the country. The research will also focus on the period between 2000-2015 despite the use of some statistics, which cover the period from 1994.

2. Development of the Palestinian Economy During the Past 15 Years:

This part will cover the development of the Palestinian economy during the past 20 years (1994-2014).

However, due to the lack of data in some years, the research will cover the period from only 2000 – 2014.

2.1 Gross Domestic Product (GDP).

GDP grew at an average annual rate of about 3.6% during 2000-2014, increasing from \$4.67bn to \$8.9bn. Taking into account the high population growth rate of 2.7%, the percapita income has increased by only 1% annually during the last 15 years increasing from \$1500 to \$1700 during the same period. (MAS-2015).

While analyzing the GDP, we found a big gap between consumption and production. Total consumption represent more than 120% of GDP, while investment expenditure is high representing about 18% of GDP. However, most of this investment goes to the construction sector. The real problem in the Palestinian economy is not only the high rate of consumption relative to GDP, but also the structural weakness in the productive sectors. Their share in GDP has decreased from 42% in 1987 to 18% in 2014. This was due to confiscating of arable land; destroying farms and trees, demolishing farmhouses and diverting water resources to the Israeli settlements. While the industrial sector has been suffering from the opening the doors for imports from both Israel and China which competed with the local products and caused several industries to shut down, such as footwear industry, textiles and others. It is also was affected by the decline of 5% in productivity of the industrial worker during 1996-99. The productivity rate remained at that level thereafter. This was due to the lack of investment in the industrial sector, escape of the trained workers to neighboring countries and lack of training. The service sector grew at higher rates due to the increase in employment in the public sector after the arrival of the PNA (PCBS-2014).

2.2 Labor Force:

Total labor forces in Palestine increased of an average announced rate of 2.7% during the period 2000-2014, increasing from 600 thousands workers to 917 thousands. This high rate of growth was faced by decreasing job opportunities, which caused an increase in unemployment rate during that period to more than 25%. This rate was 15-20 percentage points higher than developing countries, and it continued to rise for more than 15 years and so it caused an increase in poverty that has reached 40 %. Regarding the distribution of labor force among sectors, the productive sectors (agriculture and industry) employ only one fourth of the labor force, construction sector employ 15.3 % and the rest are employed in the services sector (PCBS 2014).

2.3 Public Finance:

The government budget still suffers from a permanent deficit during the last twenty years, which increased from \$260 million in 2000 to \$ 1500 million in 2008 before it declined to \$ 651 million in 2014. This deficit was partially financed by foreign aid and the rest was financed by loans. This deficit caused an increase in public debt to reach \$2 .5 billion by 2014 which represent 30% of GDP. About half of this debt is due to local banks while the other half is due to the foreign countries and international agencies (MAS- 2015)

2.4 External sector:

Even though exports have increased from \$339 million in 2000 to \$ 944 million in 2014, imports of goods and services have increased substantially from \$ 1980 to over \$7 billion during the same period. This caused an increase in the current account balance deficit to over \$ 5 billion in 2014 representing more than 40% of GDP. Most of the imports (70%) comes from Israel while the other 30 % passes through Israel via Israeli ports or through the bridge (boarders with Jordan) while in terms of the kind of imports, most of the imports are consumer goods representing more than 50% of total imports. (PCBS-2014 external trade).

2.5 Banking sector:

The number of banks has increased from two banks in 1994 to 18 banks in 2014. Their assets rose to \$11.8 billion while customer deposits increased to \$ 8.9 billion in 2014. Banks were able to increase their credit to the private sector to \$ 3.6 billion and \$ 1.2 billion to the government.

This caused total credit to total assets to increase to 40.7%. It was noted that most of the credit to private sector was to finance consumer commodities, houses and trade. The productive sector got only 8 % of these facilities, (PMA 2014).

From the previous review, we can conclude that the Palestinian economy suffers from a chronic budget deficit, a structural deficit in the balance of the payment, which implies that it is not expected to decrease the dependence on foreign aid in the near future. The economy also suffers from structural weaknesses in the productive sectors; an increase in the unemployment rate, which averaged over 25 % during the past 15 years, caused a decline in income and an increase in poverty among people. The economy increased its dependence on Israel for providing consumer commodities and other goods, as over 70% of our imports comes from Israel and the other 30% through it. Israel still controls most essential resources such as water, electricity, gas and other fuels. It also collects the VAT on imported commodities instead of the PNA. Israel takes the proceeds from the tax and deducts all its dues on the PNA and either transfers the rest when it wants or keeps it if necessary for some time.

Israel used the Oslo Agreement and the negotiations with the Palestinians to build settlements. Before Oslo there were 160 thousand settlers living in the West Bank, after 20 years of negotiations, they became about 670 thousand (Shaath 2015). Israel also made several invasions to the Palestinian territories during 2002-2004 to zones A and B. It destroyed the infrastructure such as streets, schools, hospitals, government agencies, police headquarters, several industrial, agriculture complexes, placed restrictions on movement of Palestinians, confiscated several hectares of land in the Jordan valley area, and the settlers planted palm trees. Preventing the Palestinian farmers from planting their lands and from using the water to irrigate their plants, and polluting the water and soil from the waste of the nearby settlements. Finally, the Israeli army demolished more than 12000 houses during the past 15 years in the West Bank and Jerusalem. This is not to mention what happened to Gaza during the three wars against it since 2006. The destruction of houses and the suffering of the Palestinians in Gaza are still until now witnessing on the brutality of the occupation. All of the above have a negative effect on the Palestinian economy and put a large burden on the government budget and caused losses of billions of dollars and several thousands of displaced people whose houses were demolished. The lack of building materials due to the blockade imposed on Gaza during the past 10 years has increased their suffering.

3. Previous Studies:

There are several studies about the economic development of the West Bank in addition to the reports mentioned in the introduction. The most important studies are the following:

3.1 First National Report on Sustainable Development, which was prepared in 2003 to be delivered at international conferences (Rio10) about sustainable development held in Johannesburg in South Africa. The report summarized the actual economic and environmental development in Palestine and the accomplishments since the arrival of the PNA in 1994, until 2003 in the areas of health, industrial, legal and institutional building. Then the report moved to summarize the difficulties towards achieving sustainable development especially the Israeli occupation. Finally, the report summarized the requirements for achieving sustainable development over the economic, political, social and environmental areas; the most important is the removal of the occupation and the establishment of an independent Palestinian state. (PNA-2003).

3.2 Palestinian Report to the U.N. conference on sustainable development in 2012. The report covers the obstacles and challenges the Palestinians face from the Israeli occupation to make sustainable development; the report was written after consulting with the related parties such as government agencies, NGO's, private sector and independent experts. The report has reached to the conclusion that it is difficult to make sustainable development under the occupation. The Israeli military occupation of the Palestinian territories has prevented the Palestinians from developing themselves and deprived them from their basic human rights.

Sustainable development means firstly achieving freedom so the concentration is on the agreed principle in Rio de Janeiro regarding development and the environment in 1992, which stated that the occupation should protect the environment and the natural resources of the people under occupation, and this right is guaranteed by the international humanitarian law.

In addition, this has been assured in the Johannesburg meeting about sustainable development in 2002, which demanded to take effective measures to remove all obstacles that hinders the right of the people under occupation in deciding their faith especially those who are still under foreign occupation, which have a negative effect on economic and social development. The report divided the difficulties that faces our sustainable development into two: first, external difficulties resulting from the Israeli occupation and the second is internal difficulties resulting from the institutional and legal situation.

The external factors concentrated on the Israeli occupation and their adverse effect on the Palestinian economy during the past 50 years. About 250 thousand Palestinians lost their nationality. The Israelis have destroyed 12400 houses during the last 15 years and confiscated large areas of agricultural land for building settlements for the settlers and the army. The Israeli procedures also affected adversely the private sector and prevented the economy from creating new jobs, which caused an increasing unemployment rate and poverty (Ministry of Planning and Administrative Development 2012).

3.3 Environment and sustainable development in Palestine, a report published by the Palestinian Central Bureau of Statistics (PCBS) 2014. This department published three reports, the first in 2010, the second in 2012 and the third in 2014. All three were discussing the same subject, so we will concentrate on the third one, which describes the situation of sustainable development in Palestine, the challenges it faces and the requirements needed to achieve development in the coming period. The reports depend on the indicators of sustainable development of the U.N and their understanding of knowledge on sustainable development (ESCWA-2002). The report demanded the optimal use of the scarce resources and the necessity of integration between all kinds of operations and human activities to sustain the development and not oppress the future generation. The report comes in four chapters: after the introduction, the second chapter discusses the current Palestinian developmental situation in its three dimensions: environmental, social and economic. The third chapter discusses the challenges of sustainable development in terms of environmental, economical, foreign affairs and internal challenges, while the fourth chapter discussed the requirement for achieving a sustainable economic development in Palestine. The report concluded that the occupation should be removed in order to achieve sustainable development (PCBS-2014).

3.4 Studies about sustainable development in the Gulf Area: there are several studies prepared about sustainable development in the Gulf countries, the most important of which are four :

3.4.1 Bahrain Report on the development in the millennium (2015) . The report was prepared by the UN office of the program "development in Bahrain" and was delivered in the political forum about sustainable development. The report reached a conclusion that Bahrain implemented all the goals for sustained development and worked to guarantee the sustained development in terms of : Economical, Social, Environmental, Political and Cultural dimensions (Saleh -2015) .

3.4.2 A study prepared by the planning council in the State of Qatar (2006). The study put the indicators for sustainable development in the state of Qatar. Another study prepared by (Al Hitti and Al Muhanadi - 2008), which was prepared for the permanent commission on population about the sustainable development, they summarized the theoretical methods of sustainable development, then turned into the efforts of the state of Qatar to achieve sustainable development especially in the legislative and institutional framework. Finally, they explained the economic, social and environmental challenges that Qatar faces.

3.4.3 United Arab Emirates prepared a research on sustainable development in the United Arab Emirates by Al Hiti in which he prepared a model for sustainable development, which is close to the one they reached in the state of Qatar.

3.4.4 A study by the Gulf Cooperation Council about sustainable development. A strategy for comprehensive development was made for Gulf States until the year 2025 (Secretariat General of GCC 2005).

3.4.5 The Indian experiment during the British colonization was similar to the Palestinian case. An Indian Journalist and commentator assured that British occupation to India has connected the Indian economy to the British economy the same as what Israeli did in Palestine.

It was very difficult for the Indians to have economic development during that period, so the first thing they did was to boycott the British goods and try to separate their economy from the British one. He assured that it is impossible for the Palestinians to achieve economic development without dismantling the occupation because the lives of the Palestinians are subject to the Whims of the Israelis. He concluded that the problem is in the Israeli colonialism. (Prashad 2013).

This study differs from its predecessors in that it faces more challenges due to the occupation and the harassment it imposed on the Palestinians in the West Bank. While the other studies reached to a conclusion that is difficult to have development without dismantling the occupation and without the external effects on sustainable development. This study tries to find the methods to make development under the assumption of a continuous occupation and under all the external problems. We will try to work out on the internal problems and to decrease the external ones as much as possible.

4. Challenges that Faces Economic Development in Palestine

From the previous discussion, no one denies that the occupation is the most important obstacle that faces the Palestinian economic development. The Israeli authority controls crossing points, borders, and roads between the cities and thereby limit the movement of individuals. They also control the goods and incoming and outgoing of products. In addition, they control the water resources, ports, and airport and most commodities imported to Palestine. These commodities have to either be produced by Israel or have to pass through Israeli ports. This resulted in the great dependence of the Palestinian economy on Israeli economy. Since it came in 1994, the PNA was not able to separate the Palestinian economy from the Israeli one. On the contrary, the integration has deepened, and the power of the occupation over the Palestinian economy has substantially increased. There are still more than 100 thousand Palestinian workers working in Israel. The economy of Palestine is still 100% depending on Israel for electricity, water, gas, fuels, and many strategic commodities. The Israeli authorities also collect the VAT imposed on the Palestinian imports and deliver it to the PNA after taking their dues from electricity, water, and dues to hospitals while the PNA transfers many patients to Israeli hospitals and pays large amounts of money.

The Israeli authority has stopped transferring the money collected from VAT to the PNA several times during the past ten years, putting pressure on the PNA to achieve political concessions. Israeli authorities also have control over the land especially the one that is categorized "C" which represents more than 60% of the West Bank area. It prohibits investment or building in this area and at the same time has confiscated large parts from area "C" to build illegal settlements. Losses to the Palestinian economy due to occupation in estimates \$6.9 billion in 2010 that is nearly the same as the GDP in that year. The economy is losing the same amount every year. This amount consists of three parts: the first \$4.6 billion are due to difficult procedures imposed by the occupiers on exploiting natural resources including water. Some of these resources are used by the Israeli Authorities. The second portion is due to the siege imposed on Gaza and the third is due to the dependence on Israeli imported goods; in addition to the increase in transportation costs and the destruction of the infrastructure and several agricultural farms including burning and pulling down thousands of olive trees (ARIG 2011).

The internal challenges can be classified into three kinds: economic, political and legal challenges:

4.1 Economic Challenges:

The economic challenges are represented by the weak structure of the Palestinian economy. This can be witnessed by the growth of the service sector at the expense of the productive sectors (agricultural and industrial). Unemployment has reached unimaginable rate of more than 25 % during the past 15 years. This increased poverty and caused migration from rural areas to the cities looking for jobs in the government and some firms.

A large portion of the educated and trained staff immigrated outside due to the lack of job opportunities at home. The weakness of local and foreign investment is one of the most important challenges to the Palestinian economy. This weakness is due to the inability of the PNA to control its borders, crossing points and the free movements of goods and people.

In addition to the challenge of the weaknesses of the laws that encourage foreign investment.

The lack of exports, increase in imports and the rise in dependence on foreign assistance to finance both budget deficit and the balance of payment deficit and have turned the people from producers to beggars looking for assistance from several areas and mainly from Arab countries, the USA and the European Union. Much of this assistance is given in exchange for political concessions. Some studies showed about 72 % of the foreign assistance to the PNA goes at the end at the Israeli economy. The study showed that 78 % of assistance goes to imports from Israel. This policy caused dumping the Palestinian markets with Israeli commodities and the competition with Israeli industries caused several Palestinian industries to shut down which made the Palestinian economy dependent on the Israeli economy (Maan News 2015, and Hever 2015).

In another study, Abdel Kareem economic analyst, assured that two thirds of each dollar we spend from the donors go back to feed the Israeli economy (Abdel Kareem -2014).

4.2 Political Challenges:

Political challenges include all restrictions placed in the economic and political agreements signed with Israel. This is noticeable in the Paris Accord which prevented the PNA from freely import some strategic commodities such as petroleum , electricity or generating electricity building dams and freely extract water, it also determined the commodities that can be bought from outside with a prior approval from Israeli authorities . It also restricted the arrival of imported commodities to be only through Israeli ports which are usually subject to delay fines in Israeli ports leading to higher costs. In addition, the Oslo Agreement which divided the Palestinian land into three areas A,B, and C was supposed to be temporarily for 5 years until 1999 after which a Palestinian state should be established on all the Palestinian land occupied in 1967. Until now, the area still divided and the Palestinian State did not see the light and Palestinians have no control over the area C which represents more than 60% of the West Bank.

Another political challenge that is facing economic development in Palestine is the political split between Gaza and the West Bank since 2007. This is a major challenge for economic development as the Gaza strip represents 50% of the population and has an airport and a sea port and witnessed three wars since then with large destruction and losses.

4.3 Legal Challenges:

There are several laws that have not been issued until now in addition to the ones that need to be renewed such as the encouragement of investment law. The legislative council has ceased to function as the legislature of the PNA since the separation in 2006 (Neither they made new elections nor let the old parliament do its functions). This caused a lack of laws needed to issue or change and thus a weak judiciary system and lack of transparency which caused an increase in corruption which effected the foreign investment in Palestine, reduced foreign aid, and decreased transparency. In addition, governance has caused an increase in tax evasion and financial corruption. The legislative council and the President's terms were expired more than 5 years ago and there is no election is expected in the near future.

5. Methods and Alternatives to Achieve Economic Development Under Occupation:

Almost all previous studies and researches assured that no development can be achieved under occupation due to the obstacles Israel has imposed on the Palestinian investors, such as the closures and control of the crossing points and borders and their control over ports and customs that affect imports and exports of goods. However, there are some areas and gaps that we can go around to decrease the effect of occupation. We can also overcome the internal challenges that mostly lies in our hands. We can divide these methods into three areas:

5.1 Political Area :

In the political area the following can be done:

5.1.1 Redrafting the agreements with Israel especially those that increased the integration of the

Palestinian economy with the Israeli economy and mainly the Paris Accord and Oslo agreement. Those have been signed more than 20 years ago and Israel itself provoked it several times and applied only the items of their interest and their obligations towards the PNA have not been applied. A separate Palestinian state should have been created by 1999 but until now (2016) nothing has been done.

5.1.2 The Oslo accords emphasized and classified the Palestinian territories into three areas: A, B, C in which A is under Palestinian control (administratively and military), B is under Palestinian control administratively, and military controlled by Israel, while area C is under the Israeli control administratively and militarily (this area represents more than 60 % of the West Bank). It is prohibited for the Palestinians to make projects or to build in this area. This classification according to the agreement is for a limited period (5 years). After that, all B and C should be transferred to the PNA and a Palestinian state should be established by 1999. Israel until now is still using this classification and refuse to transfer them into area A.

5.1.3 Returning the water resources that fall in area C to the PNA and developing new water resources such as dams and improving irrigation system in agriculture especially in the areas that need water such as the Jordan valley which was considered a food basket for Palestinians especially in winter.

5.1.4 Ending the siege on Gaza, opening the airport and building the port which Israel accepted in the ceasefire agreement between Gaza and Israel. It is an agreement that was sponsored by Egypt, negotiated by the PNA and agreed by Israel in the summer of 2014. According to this agreement, ports should be built, airport should be rehabilitated and the siege should be removed to rebuild houses, which were destroyed by the Israeli army. This agreement has not been implemented yet.

5.1.5 Reuniting the two parts of the Palestinian State (The West Bank and Gaza) based on what has been agreed upon between Fateh and Hamas, especially uniting the government, making presidential and legislative elections and reforming the PLO on the bases that were agreed upon in Cairo 2011.

5.2 Legal Area:

There are several areas that are concerned with the legislation and judiciary system. The most important are the following:

5.2.1 Renewing the encouragement investment law that has been applied more than 10 years ago. This is important to attract foreign investment which helps increasing production and decrease unemployment.

5.2.2. Issuing the commercial law (company law) as we are still applying the 1964 Jordanian law. The law that was prepared 10 years ago and has not been issued yet due to the absence of the legislative council.

5.2.3 Activating the current legislative council or electing a new one; in addition to have a Presidential election that was supposed to happen five years ago. The Cairo agreement signed in 2011, between Fateh and Hamas stated that a new presidential and legislative election should be done and all parties should accept the results.

5.2.4 Activating the Judiciary system in a proper way to match the latest legislative system and to implement the provisions issued by the courts against offenders. Because investment needs fast and just judgment to protect the investors rights, and prevent corruption and misuse of authority.

5.3 Economic Area:

There are several things that can be done economically to help economic development such as:

5.3.1 Separating the Palestinian economy from that of Israel through finding substitutes to Israeli goods from either Arab or other countries or produce these goods locally.

5.3.2 Applying the import substitution policy: Imported goods can be classified into ones that can be produced locally or those, which should be imported.

Then we should encourage the private sector to produce the products that can be produced locally, especially the commodities whose raw materials are available such as food stuff industries, several fruits and vegetables, juices, etc.

5.3.3 Applying the partnership policy with Arab Partners from Israel so that they both share the capital. The issues regarding exports and imports will be made through the Arab Partner, which decrease or eliminates the Israeli dominance on raw materials and decreases the restrictions made by Israelis on the exports of the Palestinian goods, and the imports of raw materials.

5.3.4 Preparing and executing an economic development plan to help some sectors in the West Bank. This plan should take into consideration the rural areas, the poor regions and the areas with high rate of unemployment. This will help in decreasing the migration from rural areas to the cities, reducing unemployment rate and increasing income in poor regions.

5.3.5 Establishing Industrial Zones to encourage the industrial sector and to promote foreign direct investment. These zones help in reducing the costs of production, help exports and reduce unemployment. There are many industrial zones that have been under study for more than 15 years, and until now have not start such as Jenin Industrial Zone.

5.3.6 Supporting the production sectors (the Industrial and Agricultural) through increasing credit and helping these sectors to raise capital from the private sector, the NGO's, small credit agencies, and specialized banks.

5.3.7 Encouraging the establishment of small businesses through new credits and though the investment encouragement law.

5.3.8 Improving the healthcare system through providing hospitals with experts and necessary equipment to make operations in the Palestinian hospitals and thus save large amount of money, which the government pays for transferring patients abroad.

5.3.9 Establishing an electricity generating company to produce electricity for the West Bank to save millions of dollars paid to the Israeli company. Dr. Nabeel Shaath estimated the PNA pays more than 700 million dollars annually for Israeli Hospitals and Israeli Electric Co. (Al-Qutrieb).

5.3.10 Searching for Oil and Gas in the West Bank and Gaza or trying to import oil and fuel directly from Arab countries.

6. Summary and Conclusion:

The researcher has reached to the following conclusions that represent not only the current economic conditions but also the challenges that face economic development in Palestine, and methods to overcome such challenges.

6.1 The researcher agrees with all those who argued that the occupation is the main obstacle that faces sustainable development in Palestine. Because the Israeli Authorities are still controlling more than 60% of the land, main roads, ports, airport and the crossing points to the outside. They are continuously confiscating Palestinian lands to build illegal settlements, destroying trees and farmhouses as well as demolishing more than 12 thousand houses since 2000. They are controlling the water resources, the electricity, gas, other fuels as well as most strategic commodities. They have built a racial Wall around the West Bank, similar to Berlin Wall. Every day, they make several provocations towards young people and kill many without any threat to the soldiers' lives. They jail many people everyday as the total number of Palestinians in Israeli jails is currently more than 8000. They punish them with hard sentences and several years in jails for doing civilian resistance, or they jail them without doing anything.

6.2 The Palestinian economy is suffering from structural imbalances in production, the government budget and the balance of payments. This made the government depending on foreign aid and foreign loans which caused an increase in public debt to more than \$2 bn .

6.3 There are difficulties in attracting foreign capital as well as Palestinian capital due to unstable economic and political conditions, weakness in laws and jurisdiction system, the absence of the legislative council, increase in the financial and administrative corruption and lack of transparency.

6.4 The Palestinian economy depends heavily on the Israeli economy especially in providing the essential goods for the population such as water, electricity, fuels, building materials, fruits and some vegetables, hospitals, and providing employment for more than 100 thousand Palestinian workers.

6.5 The PNA suffers from Israeli blackmailing that was created by the Oslo Agreement and the Paris Accord. These agreements give the Israeli Authorities the power to collect the VAT on imports on behalf of the Palestinians. They deduct 3% for service fees and then they deduct any amount due on the Palestinians resulted from electricity, water or hospitals. They transfer the rest of the amount at the time they choose, and sometimes they hold them for several months in order to put pressure on the PNA.

7. Recommendations:

Despite the above challenges that face the Palestinian economy there are many things that can be done to improve and develop the economy and decrease unemployment and poverty. The following are examples of things that can be done.

- 7.1 Gradual separation between the Palestinian and Israeli economy, which can be done through finding substitutes for Israeli commodities and trying to produce many of them locally or to buy them from Arab and other countries.
- 7.2 Gradual decrease in the use of Israeli electricity and water through developing new electrical company and the use of renewable alternative energy sources. This could reduce the electricity bill by 50%; in addition to using more the water extracted from area A than area C, building dams and using desalinated water for irrigation could decrease the water bill by 50%.
- 7.3 Searching for oil and gas in the West Bank or direct imports of gas and fuels from Arab countries instead of buying them from Israeli companies. This will decrease the cost by more than 20%.
- 7.4 Renegotiating the Paris Accord in such a way to allow the Palestinians to import goods directly and collect their taxes on imports without Israeli intervention. The new accord should allow us to issue our currency instead of using foreign currencies, which caused us to lose more than \$50 million annually.
- 7.5 Developing the Palestinian hospitals and providing them with equipment and specialists in all areas to be able to do necessary operations and decrease or eliminate the transference of patients abroad. This will save the government more than \$100 million annually.
- 7.6 Developing the productive sectors (Industrial and Agricultural), restricting the imports of commodities that can be produced locally, and using the import substitution policy as a major pillar for sustainable development. This will decrease the imports bill, create new jobs and thus reduce unemployment rate and decrease poverty.
- 7.7 Establishing industrial zones to encourage the industrial sector, providing necessary services for this sector especially the infrastructure that facilitates the arrival of raw materials, encouraging exports as well as providing this sector with the necessary requirements such as water, electricity, telecommunications, waste management and several others.
- 7.8 Promoting the small business sector and providing it with the necessary funds and facilities.
- 7.9 Increasing the partnership between the Palestinians (from the West Bank and from the 1948 area). This partnership is intended to make projects in the West Bank, to create new jobs, to facilitate the imports of raw materials, and to export some outputs if possible, and decrease the Israeli harassment to Palestinian traders.
- 7.10 Renewing and developing the old laws that encourage the foreign direct investment in Palestine from both foreigners and Palestinians abroad.
- 7.11 In order to achieve all that above, there should be a method to reunite the two parts of the country (the West Bank and Gaza) through what has been agreed upon in the Cairo agreement, especially activating the PLO to include all political parties, and the presidential and legislative elections, which were expired more than 5 years ago.

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