

World Bank Report on Palestinian Economy May Contain More Assumptions Than Realities

A new World Bank report that blames Israel for shortcomings within the Palestinian economy may be based more on assumptions for the future than on current realities.

The 70-page study, entitled "Area C and the Future of the Palestinian Economy," was published Oct. 8. Conducted over a period of three years, it posits that Israeli restrictions on travel and access to resources in Israeli-controlled territories cost the Palestinian Authority an estimated \$3.4 billion.

Yet a close look at the report reveals it makes numerous assumptions about Palestinian aspirations and **behavior patterns**, establishes a series of questionable multipliers, and downplays the significance of complex political factors and security realities, according to Steven Plaut, professor of economics at the University of Haifa.

"I think the World Bank doesn't fully understand the Israeli economy or the Palestinian economy. What's worse, they have a political agenda. They produce findings to match their political agenda," Plaut told .

"I think they are making it up as it goes along," he said.

According to the report, "The total potential value added for alleviating today's restrictions on the access to and activity and production in Area C is likely to amount to \$ or thirty-five per cent of Palestinian GDP in 2011."

Area C represents areas that are under full Israeli military and municipal jurisdiction according to the internationally recognized Oslo Accords, signed in 1993 by Israel and the Palestinians.

“Unleashing the potential from that ‘restricted land’—access to which is currently constrained by layers of restrictions—and allowing Palestinians to put these resources to work would provide whole new areas of economic activity and set the economy on the path to sustainable growth,” says Mariam Sherman, who directed operations for the World Bank in the West Bank and Gaza.

The new World Bank findings strongly suggest Israel is to blame for Palestinian **economic failings**. The report focuses most heavily on three areas: agriculture in land Palestinians do not have access to, allocations of water resources and exploitable resources and tourism surrounding the Dead Sea.

The report postulates the Palestinian economy would grow if Palestinians had access to invest in Dead Sea mineral works and tourism, areas that are currently controlled by Israel and could potentially remain in Israel’s possession as part of any bilateral permanent peace agreement.

“Part of the problem is the starting assumption that in the near future, the Palestinians will have their own state,” Plaut told . “Economic reports that are meant to prepare the Palestinians for statehood, as opposed to current economic realities, are not helpful.”

The report also looks at agriculture in Israel’s Judea and Samaria communities as an indicator of loss and potential for the Palestinian economy. The report suggests that if Palestinians had access to the fertile ground of Israeli communities—no different than the adjacent grounds of Palestinian-controlled areas A and B—the Palestinians would be able to develop similar agricultural production.

Yet in 2005, Israel unilaterally withdrew residents from 21 Jewish communities in Gaza and turned over greenhouses that were producing millions of dollars in agricultural exports to local Palestinians. Rather than utilizing the existing infrastructure for economic output, Palestinians **destroyed** the greenhouses.

Today, the former Jewish communities of Gaza are known more for their use as launching pads for rockets against Israeli cities than for Palestinian agricultural output.

Many in Israel believe that should Israel withdraw from territories it controls in Judea and Samaria, those territories would suffer the same fate as the once-vibrant communities in Gaza.

Rather than holding Palestinians accountable for nontransparent governance, misappropriation of foreign donations and the consistent promotion of terror that has led Israel to taking severe security measures, the report blames Israel for the potential effect such measures might have on a Palestinian economy.

In response to the report, Israeli Foreign Ministry spokesperson Yigal Palmor states, "It postulates an abstract economy which is detached from all political and security aspects, unrelated to regional and global trends, and therefore totally unrealistic."

"Pretending that all these key factors do not exist, or do not influence heavily the Palestinian economy, makes for a particularly partial rendering of the actual situation," Palmor says.

One particular security measure that drew the attention of the report is checkpoints—barriers designed to curb the flow of terrorists and weapons from Palestinian communities into Israeli villages.

"It's not the checkpoints, it's the **terrorism**," Plaut told . "If somebody doesn't like the economic damage caused by checkpoints, then the first thing that should be done is to stop the terrorism."

In the same week the World Bank report was released, a Palestinian from the town of al-Bireh broke through security apparatus into the neighboring Jewish community of Psagot and shot a 9-year-old Israeli girl in the neck at point-blank range.

According to Plaut, Palestinians would be the first to benefit from a cessation of terror.

"If we talk strictly about economics, the policy that is best for Palestinians is free trade with Israel. Any barriers to economic trade hurt both sides. In the absence of terrorism, Israel has no reason to withhold the trading of resources or commodities," he says.

While the World Bank report attempts to calculate the effects that Israeli security arrangements have on the Palestinian economy, it fails to consider the economic impact that expensive round-the-clock security measures have on the Israeli **economy**, Plaut believes.

"The costs are probably higher to Israelis, but Israel can afford it. Israel is a well-developed, prosperous country, whereas the Palestinian economy is underdeveloped," he says.

In Plaut's estimation, the primary recipient of blame for Palestinian economic incompetence should be the Palestinian Authority itself.

"If you would take away the **foreign aid**, the standard of living for Palestinians would drop down to third-world levels, similar to what we currently see in Jordan," he says. "Palestinians in the West Bank, and particularly in Gaza, are living under a cleptocracy, governed by Fatah and

Hamas. Economic prosperity for Palestinians is not necessarily an Israeli issue.”