

The Economics of Israeli Occupation: What is Colonial about it?

Leila Farsakh
University of Massachusetts Boston

The Palestinian economy of the West Bank and Gaza Strip is on the verge of collapse. During the five years of Al-Aqsa Intifada, per capita income fell by 35%, GDP shrank by 28%, unemployment touched 38% of the Gaza working population and 25% of the West Bank's, and poverty reached 60% of the population. The Palestinian economy lost potential income worth of \$6.3 billion dollars, the equivalent of twice the amount of its yearly GDP output. According to the World Bank (2004), the Palestinian economy would have been destroyed were it not for donors' aid, which amounted to yearly sums of \$800 million, or an average of US\$ 258 per Palestinian person. The Israeli unilateral disengagement from the Gaza Strip so far did not alter the oblique economic situation, even before the Hamas election and the Israeli decision to close borders and stop transfers of funds to the Palestinian authority.

The aim of this presentation is to discuss the economics of occupation and explore the underlying structural mechanisms that brought about such a catastrophic result. It seeks to be provocative by asking what is colonial about Israeli occupation. The literature that has focused on Israeli-Palestinian economic relations in the West Bank and Gaza Strip avoids describing the occupied territories as living under a colonial regime. Except for some leftist economists in the 1970s in the 1980s, the literature prefers to describe the Palestinian economy as distorted, stalled, skewed, under-developed or de-developed. There has been an underlying assumption that the occupation, albeit a relation of domination and even of exploitation at times, is somewhat ephemeral, that it will go one day as the Palestinians can take control over their economy and build a viable independent state. The Oslo process and the establishment of an elected autonomous Palestinian authority brought hopes to that effect which were only shattered. Many argued that the failure of economic growth in the Oslo years stems from the Oslo's refusal to give the Palestinian viable territorial independence. Yet, very few studies have looked at the economics of occupation as a structural relation that is not, or will not be,

undone, irrespective of Palestinian political objectives. While studies documenting the deterioration of economic conditions have only increased, be it by independent scholars, international agencies or local institutions, most assume that once the political problem is resolved the economic hardships will be reversed. The political problem has often been defined as the lack of Palestinian sovereignty and the solution the establishment of a viable independent Palestinian state in the WBGS.

This paper argues that the economics of Israeli occupation is not ephemeral, nor simply tied to clear political objectives, or lack thereof. It is rather a structural relation of domination that transformed the prospects for a future political solution. Israel's economic management of the West Bank and Gaza Strip was colonial in so far as it expropriated Palestinian land and disarticulated the Palestinian economy, making it fully dependent on Israeli economy, even after Oslo. It is different from other colonial experience in so far as it did not seek economic exploitation *per se*. It rather sought to appropriate the land without the people. However, the structure of Israeli occupation went through a major transformation with the Oslo process, a process that did not end the occupation but redefined it structurally. The Oslo agreements, and the process of their implementation, made the concept of Israeli security - and *not* its illegal occupation- the defining element of Palestinian economic life. The Al-Aqsa Intifada years further consolidated the dominance of Israeli security considerations. The interesting, if depressing, question from a research point of view is to explore how the concept of Israeli security was institutionalized in every political and economic domain. By analyzing how the Oslo process dealt with the question of Palestinian economic management, territorial control, and labor mobility, the paper shows how a new colonial relation has been created, one that is more analogous to an apartheid scenario than to a post-colonial reality.