



Brandeis University

Crown Center
for Middle East Studies

Mailstop 010
Waltham, Massachusetts
02454-9110

781-736-5320
781-736-5324 Fax
www.brandeis.edu/centers/crown/

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Middle East Brief

Gaza Economic Predicament One Year After Disengagement: What Went Wrong?

Dr. Mohammed Samhoury

A little over a year ago, the Israeli government evacuated 8,000 Jewish settlers from the Gaza Strip, dismantled 21 settlements, and, in the early morning hours of September 12, 2005, ended its 38-year-long military presence in Gaza and said *Adios*. Less than 10 months later, however, the Israeli army was back, and Gaza, warned the UN Emergency Relief Coordinator Jan Egeland at a donor conference in Stockholm last month, has become “a ticking time bomb.”¹ Life in Gaza one year after disengagement is “miserable and dangerous,”² “intolerable, appalling and tragic,”³ where many Palestinians, as U.S. Secretary of State Condoleezza Rice observed in a recent visit to Ramallah, “are deprived of basic human needs.”⁴ Gaza, lamented UNRWA’s Director of Operations in Gaza John Ging, “is heading down the tubes.”⁵

Although no one expected miracles to happen within the year after Israel unilaterally pulled its settlers and troops out of Gaza, the speed at which economic and humanitarian conditions have deteriorated in the teeming 360-sq-km Palestinian enclave was not foreseen either—nor was the scope and intensity of the decline in such a short period of time.

This unfortunate turn of events following the Israeli evacuation of Gaza last year raises a whole host of questions as to what exactly happened there. The first and most obvious question, of course, is: What went wrong? Is it that Gaza’s rapid economic decline was inevitable, or could it have been avoided? What factors account for this dramatic free fall in conditions? To what extent does Gaza’s post-disengagement economic predicament have to do with the Israeli one-sided move itself? And to what degree is the sudden change in the Palestinian political terrain responsible for Gaza’s economic plight? Was disengagement a missed opportunity that could have been used to rebuild Gaza

Mohammed Samhoury is an Assistant Professor of economics, a former Senior Economic Adviser in the Palestinian Authority and a Senior Fellow at the Crown Center for Middle East Studies, Brandeis University.

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and jump-start its moribund economy, or was it bound to be a disaster? Finally, and probably most importantly, what lessons can be learned from this sad episode?

The objective of this Brief is to reflect on this short period in Gaza's recent history, address some of the above questions, and draw some relevant conclusions—all from an economic standpoint. The main goal here is to provide an objective analysis of what exactly happened in Gaza and why. The Brief begins with a review of the conditions that preceded disengagement, continues with an overview of the economic conditions in Gaza in the year following the Israeli pullout, and concludes with some final thoughts.

Preparations for the Day After

On December 18, 2003, when then Israeli prime minister Ariel Sharon first declared his government's intention to disengage from Gaza, the unexpected announcement generated mixed reactions; but on the whole it raised new hopes for a better future amid an atmosphere ridden with political stalemate and violence.⁶ The move, although unilateral, was hailed as "a rare moment of opportunity in the search for peace in the Middle East,"⁷ a "tipping point"⁸ that could usher in a whole new dynamic on the Palestinian-Israeli front; and a chance to transform the largely destitute Gaza Strip into a beacon of prosperity and stability, "a Dubai on the Mediterranean" of some sort.⁹

From the very outset, there was a shared understanding among all concerned parties that if the Gaza disengagement plan was to work, it had to deliver tangible economic benefits to the Palestinians. Building on this conviction, efforts to capitalize on the Israeli surprise decision soon followed. The World Bank, supported by the donor community, led a team of international experts which, after close but separate consultations with government officials from Israel and representatives from the Palestinian Authority (PA), prepared a set of "technical papers" on how Gaza border crossings with Israel could be modernized to allow for more trade activity by using advanced technology and state-of-the-art cargo management systems; how industrial parks could be established and develop into flourishing export zones under a more relaxed and secure border trade regime; and how the Palestinian economy could be made competitive. The goal of the studies was to generate badly needed jobs and incomes for the impoverished Palestinians of Gaza, in the presumed context of a future enabling environment sustained by political stability, enhanced security, and serious Palestinian reform efforts.¹⁰

On April 14, 2005, as the Israeli departure date from Gaza drew closer, U.S. Secretary of State Condoleezza Rice announced the appointment of former World Bank chief James Wolfensohn as the Middle East Quartet Special Envoy for Gaza Disengagement, with a mandate to oversee the revival of the Palestinian economy in the wake of the Israeli withdrawal. A month after Wolfensohn officially started his mission on June 1, the leaders of the industrialized world, in the G-8 summit in Gleneagles, Scotland, pledged their support for financial assistance of up to \$3 billion a year in public and private funds to help the Special Envoy carry out his assignment. A package of so-called "Quick-Impact Economic Program" was soon put together in close consultation with the PA, which included projects estimated at \$750 million of donor funds to be disbursed between July and December 2005.¹¹

Attracted by perceived economic opportunities in the newly freed Palestinian territory, international private interests did not lag behind, and various efforts to bring foreign investment into post-disengagement Gaza followed suit. Among them were a Turkish business interest in renovating the evacuated Erez Industrial Estate (EIE)—100 acres of developed land located inside Gaza on the northern Gaza-Israeli border¹²—with the aim of transforming it into an export-based duty-free area;¹³ a donation of \$14 million by several private donors to enable the purchase from Israeli settlers of some 3,200 greenhouses in Gaza, for future use by Palestinians as an export-oriented agribusiness enterprise;¹⁴ and an international private sector initiative, known as the "Gaza Project," designed to promote business opportunities

in Gaza, including the creation of a new free trade zone area where international businesses from all over the world could come and invest.¹⁵

Israeli and Palestinian technical experts, with active help from the World Bank, the Wolfensohn team, and other donors, met in the months preceding disengagement to coordinate the transfer of settlement assets to the Palestinian side, and to search for a mutually acceptable formula that would ease the decade-long Israeli restrictions on the free movement of Palestinian people and trade without endangering Israel's security.¹⁶ Their joint work, which continued after the pullout in an effort to reform the Israeli closure regime,¹⁷ was unprecedented in terms of the level of technical cooperation between the two sides on border-related trade issues. The exercise eventually led to the signing of the *Agreement on Movement and Access (AMA)* that was reached on November 15, 2005, after a last-minute personal intervention by Secretary of State Rice.¹⁸

All this was done in an effort to make disengagement work, and to ensure its economic success on the Palestinian side. This part of disengagement history, which is often overlooked or forgotten in the discourse on the Gaza pullout, makes one wonder why the outcome today, a year after disengagement, is in such sharp contrast with the efforts that were undertaken to capitalize on the Israeli decision to leave Gaza.

In retrospect, however, it must be noted that these efforts were in large part externally driven, whereas the immediate parties—that is, the Palestinians and the Israelis—seemed largely unable or unwilling to take full advantage of the momentum created by the pullout plan. This was quite evident, for example, from James Wolfensohn's critical reaction to both the Israeli and Palestinian sides regarding their slow response to his efforts to resolve sticking points related to constraints on Palestinian movement. Four months into his assignment, "[t]he Special Envoy was disappointed that none of the key movement issues [outlined in his "six plus three" agenda, which had been communicated to Israeli and Palestinian leaders on June 20] [had] been resolved."¹⁹ This statement by Wolfensohn's office, which was widely quoted in the media at the time, gives us the first clue toward answering the question of what went wrong.

Within this context—the apparent indecisiveness of the immediate parties to disengagement; the distinct geography and demography of the Gaza Strip, as a small territory with rapidly growing population, stressful socio-economic conditions, and festering internal security problems on the eve of Israeli withdrawal; and the very restrictive terms of the Israeli disengagement plan itself, as will be explained below—the potential positive economic impact of disengagement, and the fate of the international efforts exerted to make it work, were, at best, questionable.

Gaza on the Eve of the Pullout

On the eve of disengagement, Gaza was a battered economy with 65 percent of its population living under the poverty line—subsisting on less than \$2 per capita per day²⁰—and with 35 percent of its workforce unemployed.²¹ Five years of continued violence and armed confrontation that began in September 2000 have intensified Gaza's pre-Intifada problems and resulted in a badly damaged physical infrastructure, further tightening of Israeli restrictions on Palestinian movement, depressed domestic private investment, and a stressed social fabric with increasing signs of fragmentation.²² For its part, the Palestinian Authority was weak and inefficient, suffering from dysfunctional administration and excessive dependence on foreign aid for its fiscal survival. Worse still, the PA, at the time of disengagement, was gradually losing its grip on power, and its ability to govern was slowly eroding. Meanwhile, Islamic militants were gaining ground among Gaza's largely impoverished population, and internal disorder and lawlessness were alarmingly on the rise.

By all measures, then—economically, socially, and politically—Gaza, on the eve of the Israeli withdrawal on September 12, 2005, was almost a failed entity. Under these extremely harsh realities, and for a small tattered economy like Gaza to have any realistic chance to both recover from its precipitous five-year decline and then attempt a sustained march on the road to growth, two conditions were absolutely crucial: (1) an atmosphere of political stability and enhanced security, and (2) unimpeded access to the West Bank, Israeli, regional, and world markets. Both these requirements were indispensable for private investment to rebound, for international aid to have a tangible impact on the economy, and for trade to flourish and act as an engine of economic growth. Although alone not sufficient²³—these were the critical conditions for both rescuing Gaza and securing its overall economic viability in the post-disengagement era.

As it happened, neither the internal political and security situation in Gaza nor the terms of the "modified" disengagement plan as approved by the Israeli government on June 6, 2004, provided these necessary preconditions for post-pullout economic regeneration. The combination of internal instability and continued border restrictions, in conjunction with the continued state of violence and armed confrontation between the Palestinians and Israel, soon proved to be deadly for the economic future of Gaza.

The Restrictive Terms of Disengagement

Unilaterally conceived and implemented, as a plan rather than an agreement²⁴ and without any assurances to address Israel's security concerns, either from the Palestinian side or through a third-party involvement,²⁵ the Israeli disengagement plan came with terms that continued to give Israel overall control over the outer land, sea, and air envelope of the Gaza Strip,²⁶ implying no change to the existing, security-based border trade regime. The pullout plan was ultimately carried out in an environment fraught

with heightened political tension, despite the temporary relative respite that prevailed at the time of the evacuation.

Israel did, however, propose some measures aimed at enhancing border cargo management. These included the upgrading of terminal infrastructure and the introduction of new equipment and service standards, all to be funded by a \$50 million grant from USAID. According to a World Bank analysis published in 2004, these measures would not be enough to trigger a Palestinian economic recovery, since they “would be undercut . . . by several key constraining factors—maintenance of the back-to-back cargo handling system,²⁷ continued internal closure in the central and southern West Bank, completion of the Separation Barrier, continued poor access between Gaza and the West Bank, the [planned] termination of [Palestinian] work permits by end-2008 and the [possible] abrogation of the quasi-Customs Union in Gaza. The collective weight of these factors would overwhelm other positive developments.”²⁸

Based on the above analysis of both Gaza pre-pullout conditions and the terms of the Israeli disengagement plan, a second clue can be found in the search for an answer to the “What went wrong?” question: that disengagement in and of itself could not have provided the environment that was needed to redress Gaza’s economic and social difficulties. At the end of the day, and apart from the restoration of their internal mobility, the freeing up of some 20 percent of Palestinian land, and the short-lived joy of seeing the Israeli settlers and army leave, the 1.4 million Palestinians calling Gaza home were not, in reality, offered a significant change to their economic condition.

This conclusion was also arrived at by the World Bank in its first report on disengagement (June 2004). According to the Bank analysis, given the lack of change in Gaza underlying conditions, “the probability of further Palestinian economic decline does not change. The differences between the *disengagement* and *status quo* [i.e., no disengagement] scenarios are negligible. ...High population growth and the reduction in work in Israel would result in a cumulative real GDP per capita decline of about 12% by 2006; real GDI per capita would drop by some 22%. At 56% and 34% respectively, poverty and unemployment levels would essentially remain the same as under the status quo scenario”²⁹ This outcome was expected even with a continued disbursement of about \$1 billion in foreign aid annually, as assumed in the World Bank analysis.

All Pain, No Gain

With Gaza’s underlying conditions practically unchanged, and the requirements essential for its economic revival virtually nonexistent, all preparations for the day after disengagement never had a chance to get off the ground. The World Bank’s work on reviving Gaza’s economy was shelved; the Quartet Special Envoy, Wolfensohn, was frustrated and, on April 1, 2006, closed down his office and left; the U.S.-brokered agreement on movement and

access went largely unimplemented;³⁰ the export-oriented greenhouse project in the former settlements area, which could have otherwise been a success story,³¹ ended up a dismal failure, owing to the frequent and prolonged closure of Gaza borders; and the remnants of Erez Industrial Estate that were supposed to be redeveloped and renovated, were ransacked by Palestinian looters and a large number of its buildings were razed by the Israeli army during the latest military incursion into the area.³² As the situation in Gaza continued to worsen in the months following disengagement, the only people who increasingly found themselves with more work than they could handle were the staff of international humanitarian agencies.

The work of these agencies became even more demanding as a result of two major, and totally unforeseen, developments on the Palestinian front: the victory of the Islamic Resistance Movement, Hamas, in the parliamentary elections of January 25, 2006, and its subsequent formation of the Palestinian government; and the abduction of an Israeli soldier five months later, on June 25, by a group of Hamas-linked militants who tunneled into an Israeli military post across Gaza’s southern border with Israel. Both developments led Western donors and Israel to undertake a number of measures that ultimately set the stage for what has become an economic and humanitarian crisis of major proportions, unmatched in Gaza’s recent history.

Post-Disengagement: Sudden Economic Free Fall

In the first few months that followed the Israeli pullout, the security situation in Gaza quickly deteriorated, owing to an upsurge in internal strife, continued firing of homemade rockets into Israel by Palestinian militants, and continued Israeli air strikes and artillery shelling into the Gaza Strip. Israeli restrictions on Gaza border crossings also continued, with the daily number of workers and business people crossing into Israel dropping to one-third of the pre-disengagement average, while Gaza exports through the Karni cargo terminal did not show any improvement even after the signing of the November 15, 2005, agreement on movement and access.³³ Such an environment of instability and border constraints following the Israeli withdrawal from Gaza failed to provide the conditions necessary to lift post-disengagement Gaza from its economic stagnation.

On January 25, 2006, an already precarious economic situation in Gaza took a sharp turn for the worse following the sudden change in the Palestinian political landscape that brought Hamas to the helm of power after its victory in the parliamentary elections. The combination of Western donors’ suspension of direct budgetary support to the PA, Israel’s freezing of Palestinian VAT and customs revenue transfers, and the tightening of border restrictions—measures taken in response to Hamas’s refusal to change its stance on Israel, violence, and past Israeli-Palestinian agreements—has resulted in a fiscal

crisis that has virtually paralyzed the new Hamas-led government and limited its ability to pay salaries and provide basic services to its constituents. This situation has ultimately resulted in a humanitarian and economic crisis that continues to devastate post-disengagement Gaza.

Four consecutive reports issued by the United Nations and the World Bank in the first half of 2006 warn of the potentially grave consequences of the emerging grim realities in Gaza. Projections for 2006 alone were bleak: a 30 percent drop in real income, with unemployment and poverty reaching 40 percent and 67 percent, respectively. There were also warnings of irreversible institutional decay, with a likely negative impact on security that could eventually make Gaza ungovernable.³⁴ As crisis conditions deepened, the UN agencies and NGOs operating in the PA areas launched an emergency appeal for additional funds amounting to 80 percent above the amount that was previously estimated to meet their budgetary needs for 2006.³⁵

The final chapter in the first year of post-disengagement Gaza came on June 28, when the Israeli army reentered Gaza three days after a group of Palestinian militants abducted an Israeli soldier in a cross-border raid. The full economic impact of this still ongoing Israeli military operation inside Gaza, which has so far caused a tragic loss of human life, massive deterioration in humanitarian conditions and extensive damage to public infrastructure and private properties,³⁶ is yet to be measured. But the available statistics on, inter alia, personal income, poverty, unemployment, and businesses, along with their future projections presuming continued worsening conditions, are staggering, to say the least, with dreadful short- and long-term consequences.³⁷

Gaza today is nowhere near where most hoped it would be a year after disengagement.

So... What Went Wrong?

Based on the above analysis, three factors can be identified to explain what went wrong with the post-disengagement Gaza economy. These factors are related to the *timing* of disengagement, the *terms* of disengagement, and the purely *technical* nature of the international efforts made to make disengagement work. One year after disengagement, the combination of these three factors, in various degrees and in a mutually reinforcing manner, has contributed to the disengagement's dismal failure to produce any tangible economic benefits for Gaza.

The Timing of Disengagement

The Israeli disengagement plan was introduced and implemented at a time when Palestinian-Israeli relations were at a very low point. The plan, after all, was a unilateral move, not a product of bilateral negotiations. This aspect of disengagement made it extremely difficult to maximize whatever potential the plan might have had with respect to the Gaza economy. As the experience of all those who were

involved in the exercise of coordinating disengagement has shown, continued confrontation and violence, along with a gross lack of mutual trust on the part of the immediate parties to disengagement, have constrained both sides from taking advantage of the potential presented by the evacuation of Gaza. Under these circumstances, the Israeli side seemed unwilling to improve on the terms of its plan, while the Palestinian side was perceived to be too weak to provide assurances on issues related to Israeli security. Whether the Israeli departure from the Strip could have produced a different outcome vis-à-vis the debilitated economy of Gaza had it been carried out in a different context is a question that is open to debate, but what is clear now is that the Israeli withdrawal, occurring as it did in an atmosphere of instability and violence, could not have yielded much in the way of economic returns.

The Terms of Disengagement

It has always been argued that Gaza's economic recovery depends, first and foremost, on its unfettered access to markets, including those of Israel and the West Bank, and on the continued flow of Gaza workers to Israel, at least for the foreseeable future. This free mobility of Gaza labor and goods required a relaxation of Israeli constraints on border crossings—something Israel was not willing to do in an environment of continued instability and violence. The Israeli disengagement plan, which was conceived and carried out at a time of turmoil, accordingly came with rigid terms that were in sharp contrast to what was needed for the revival of Gaza economy. The likely results of that discrepancy—between what was offered and what was required—were apparent from the outset.

Soon after the disengagement plan was made public, its shortcomings, its inherent inconsistency (e.g., the plan called for separation from Gaza yet maintained Israeli control over its borders), and the predictably limited positive impact of disengagement on the Palestinian economy were all made clear. Two publications devoted to disengagement can be cited here.

The World Bank, in its first report on the subject and using different quantitative scenarios to examine the potential of disengagement, concluded that “[o]f itself, Israel’s Disengagement Plan of June 6 will have very little impact on the Palestinian economy and Palestinian livelihoods, since it only proposes a limited easing of closure.”³⁸

The Aix Group, a working group of Palestinian, Israeli, and international economic experts, presented an even more pessimistic view. “From an economic point of view, unless the plan is reformed, the result will be that the Gaza Strip will have very restricted economic links to the Israeli market, the West Bank, Egypt and other foreign markets. Furthermore, if an extreme version of the plan is implemented, including closed external borders of the Gaza Strip, it will turn it into an isolated and economically weak region.”³⁹

The “Technical” Nature of the International Efforts

To a large extent, the current Palestinian economic crisis is the product of an extremely unfavorable political environment with built-in constraints that is making the economy function way below its potential. In such an environment, technical remedial measures, by themselves and absent any positive changes on the political front, will not be sufficient to produce sustained economic gains. Such measures would have a better chance of success, and hence be more effective, if implemented in the context of an active drive to bring an end to the ongoing political conflict that brought the Palestinian economic crisis into existence in the first place.

This perspective has recently been emphasized by the World Bank. “While prospects for economic revival are doomed to failure without considerable relaxation of the Israeli security regime, the steps that need to be taken do not belong to economics, although easing of tension between the Palestinian Authority and Israel would yield substantial economic gains.”⁴⁰

This growing realization of the importance of the political dimension of the current Palestinian economic situation should help explain why all the international efforts made in the context of disengagement in an attempt to revive the Palestinian economy have not been successful. Mostly technical in nature and not part of a comprehensive package designed to address the root causes of the Palestinian economic crisis, such endeavors, along with the optimism they generated, were bound to be short-lived. In fact, given the *timing* of the disengagement enterprise and the restrictive *terms* of the disengagement plan, a purely *technical* approach to Gaza’s economic difficulties could not have been expected to produce a different outcome.

Concluding Thoughts

The implications of the above analysis should be clear by now. Any future attempts to revive the hard-hit Palestinian economy, including that of Gaza, require an approach that is comprehensive in nature, tools that transcend traditional technical fixes and generous financial packages, and policies that go beyond what has been tried so far and failed to produce a sustained, long-term transition to stability and growth. The experience of post-disengagement Gaza has also proven not only that one-sided measures, in and of themselves, are grossly inadequate, but that once implemented on the ground, they tend to have a life of their own and have the potential and the power to produce disastrous unforeseen outcomes. And in this context, although it might be somewhat difficult to establish a direct link between disengagement and the devastating economic and humanitarian crisis currently unfolding in Gaza (and in the West Bank as well), an argument can still be made that the Israeli departure from Gaza, in the way it was implemented and in the manner it was perceived by Palestinian militants, has helped to create the environment that made a worsening of conditions possible.

By the same logic, Gaza’s economic crisis, one year after disengagement, should also suggest one additional lesson: that unilateral actions to fix what one-sided policies have helped to create are ultimately bound to complicate the situation further, and to make conditions even worse.

Endnotes

I would like to thank Benjamin Rostoker for his assistance on this paper.

1 Agence France Presse (AFP), Sept. 6, 2006.

2 Interview with John Ging, UNRWA’s Director of Operations in Gaza, AFP, Sept. 6, 2006.

3 John Dugard, UN Special Rapporteur on the situation of human rights in the Palestinian territories, *Ha’aretz*, Sept. 26, 2006.

4 *Washington Post*, “Rice Cites Concerns for Palestinians, But Low Expectations Mark Visit,” Oct. 5, 2006.

5 *Washington Post*, “Israeli Siege Leaves Gaza Isolated and Desperate,” Aug. 28, 2006.

6 [Israel Ministry of Foreign Affairs, “The Disengagement Plan—General Outline” April 18, 2004](#), * followed by a modified version that was approved by the Israeli government, [Israel Ministry of Foreign Affairs “The Cabinet Resolution Regarding the Disengagement Plan,” June 6, 2004](#). * The Israeli Knesset later endorsed the plan on October 25, 2004. The disengagement plan also provided for the evacuation of four small settlements in the northern West Bank that were evacuated a week after Israel pulled out of Gaza, but were not handed over to the Palestinians.

7 See [Middle East Quartet Communiqué - New York, May 4, 2004](#). *

8 Thomas L. Friedman, “The Tipping Points,” *New York Times*, Feb. 27, 2005.

9 Ibid.

10 See [World Bank, *Stagnation or Revival? Israeli Disengagement and Palestinian Economic Prospects* \(Dec. 2, 2004\)](#). * Four technical reports were attached to this study: (1) “Borders and Trade Logistics,” (2) “Industrial Estates,” (3) “Export Possibilities under a Reformed Border Regime,” and (4) “Settlements.”

11 For details of this program, see [Office of the Special Envoy for Disengagement, *Periodic Report, 17 October 2005*](#). *

12 The revival of the EIE was also addressed by two excellent studies by the New York-based EastWest Institute: [The Erez and Gaza Industrial Estates: Catalysts for Development \(May 2005\)](#) and [Erez Industrial Estate Pilot Study: An Implementation Plan \(August 2005\)](#). *

13 An agreement between the PA and Turkey was signed on Jan. 4, 2006, and included an investment of \$50 million by Turkey and a plan to open EIE to international investors, with exports destined for U.S. and EU markets. See [U.S. State Department, *2006 Investment Climate Statement: West Bank and Gaza*](#). *

14 Jim Wolfensohn, the Quartet Special Envoy, played a leading role in raising these funds and donated \$500,000 of his own money.

15 The initiative was jointly proposed by the EastWest Institute of New York, The Chicago Council on Foreign Relations, and “The Chicago Ten,” a group of prominent Chicago business, civic, and legal leaders from the Jewish, Muslim, and Christian communities. Source: The Chicago Ten, “Can Free Trade, Prosperity, and the Seeds of Peace Be Found in Gaza?” (unpublished paper, no date).

16 A complete listing of all technical studies on improving Palestinian trade movement across borders with Israel is posted

on the World Bank website under the title [“Papers on Movement and Access: Contributions to a Negotiated Solution”](#).*

17 The “closure regime” is a comprehensive, multifaceted system of permits and checkpoint restrictions, imposed by Israel on security grounds, that impedes the free movement of Palestinian people and goods.

18 [“Agreement on Movement and Access,” November 15, 2005](#).*

The main goal behind this donor-supported Israeli-Palestinian technical exercise was to reform the existing border trade regime from a *security-based* system, in which border operating procedures were dictated by Israeli security considerations, to a *market-based* trade regime, in which Palestinian exports and imports would be determined by economic considerations, but without risking Israeli security interests in the process.

19 Office of the Special Envoy for Disengagement, *Periodic Report*, 17 October 2005. The “six plus three” agenda refers to areas of focus identified by Wolfensohn as most critical for Gaza economic revival. The six issues were related to Palestinian movement (border crossings, Gaza/West Bank link, movement within the West Bank, settlements houses, greenhouses, and Gaza seaport and airport), while the other three issues were related to internal Palestinian reform. In a letter sent by Wolfensohn to Quartet members on Oct. 16, 2005, Israel was criticized for acting almost as if disengagement had never happened, while the PA was faulted for the salary hike it gave its employees despite worsening economic conditions, and for continued internal anarchy. See “Quartet Envoy: Israel Acting as if Disengagement Never Happened,” *Ha’aretz*, Oct. 24, 2005.

20 In 2004, one-fourth of all Gazans lived in “absolute” poverty and were unable to feed themselves adequately even with food aid. See World Bank, *Disengagement, the Palestinian Economy and the Settlements* (June 23, 2004), p. 2.

21 Unemployment among males aged 15–24 years of age was estimated at 51%. *Ibid.*, p. 3.

22 The statistics on the Palestinian economic decline are staggering. Over a five-year period and by the end of 2005, the Palestinian GDP lost one-third of its pre-2000 value, per capita income declined by 40%, the unemployment rate more than doubled, poverty tripled, and domestic private investment plunged to one-third of its 2000 level. See World Bank, *The Palestinian Economy and the Prospects for Its Recovery: Economic Monitoring Report to the Ad Hoc Liaison Committee*, No. 1 (December 2005).

23 Other conditions included serious efforts by the Palestinian Authority to establish a business-friendly environment through economic and judicial reforms, the promotion of transparency and accountability in PA governance, and the reforming and consolidation of the PA security apparatus.

24 Sara Roy, “Praying with Their Eyes Closed: Reflections on the Disengagement from Gaza,” *Journal of Palestine Studies* 34, no. 4 (Summer 2005), 64–74.

25 For a brief discussion of the nature of the relevant Israeli security concerns and how they could have been addressed in the context of disengagement, see [“Making Gaza Disengagement Work: Israeli, Palestinian, and International Requirements,” Saban Center for Middle East Policy at the Brookings Institution, Proceedings, no. 2 \(June 2004\)](#).*

26 See the first paragraph of section (3) of the revised disengagement plan.

27 “Back-to-back” cargo handling refers to the system whereby goods entering or exiting Gaza are subject to laborious security inspections by Israel. Trucks arriving to either side of the Karni terminal, the main commercial border crossing between Gaza and Israel, are off-loaded and reloaded in a process that usually

entails delays, possible damages, and extra cost to Palestinian traders.

28 World Bank, *Stagnation or Revival?*, “Overview,” p. 25.

29 World Bank, *Disengagement, the Palestinian Economy and the Settlements*, p. 5. This conclusion was emphasized again, using the same scenario analysis, in a second report on disengagement issued by the World Bank six months later. World Bank, *Stagnation or Revival?*, “Overview,” p. 33.

30 On the state of AMA implementation, see [Wolfensohn’s final report, Office of the Special Envoy for Disengagement, Periodic Report, April 2006](#). Continued biweekly progress reporting on AMA is now provided by the Office of the United Nations Coordinator of Humanitarian Affairs (OCHA). For the latest report see [OCHA, Implementation of the Agreement on Movement and Access, 20 September–3 October 2006](#).*

31 The greenhouse project was expected to generate revenues of over \$50 million a year, and to create over 3,000 new jobs. See Office of the Special Envoy for Disengagement, *Periodic Report*, 17 October 2005.

32 [Haaretz, “Security cabinet meets to discuss expanding Gaza operation,” November 1, 2006](#).

33 [OCHA, Special Focus: The Gaza Strip after Disengagement, November-December 2005](#)

34 [OCHA, Special Focus: Emerging Humanitarian Risks, January 2006](#)*; [World Bank, West Bank and Gaza: Economic Update and Potential Outlook \(March 15, 2006\)](#)*; [United Nations, Assessment of the Future Humanitarian Risks in the Occupied Palestinian Territory \(April 11, 2006\)](#)*; [World Bank, The Impending Palestinian Financial Crisis: Potential Remedies \(May 7, 2006\)](#).*

35 [OCHA, Consolidated Appeals Process \(CAP\): Revised Emergency Appeal 2006 for the oPt \(May 31, 2006\)](#).*

36 For continued reporting and updates on humanitarian conditions in the Gaza Strip, see OCHA’s monthly publication [The Humanitarian Monitor](#).*

37 Raja Khalidi, “Palestinian Collapse Hurts All,” *Ha’aretz*, Sept. 9, 2006.

38 World Bank, *Disengagement, the Palestinian Economy and the Settlements*, p. 4 (Summary).

39 [The Aix Group, Israel and Palestine: Between Disengagement and the Economic Road Map \(May 2005\), p. 14](#).*

40 World Bank, *West Bank and Gaza, Country Economic Memorandum, Growth in West Bank and Gaza: Opportunities and Constraints*, (vol. 1: Main Volume, September 2006).

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