

A costly divide: Economic repercussions of separating Gaza and the West Bank

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Gaza's economic recovery is not feasible without opening access routes between the two major territorial parts of the Palestinian economy. Any reconstruction talk that leaves out this connection is unrealistic.

The separation policy

- Israel's separation policy is a series of decisions intended to **institutionalize a split between the two parts of the Palestinian territory** – the Gaza Strip and the West Bank, as well as isolate Gaza from the rest of the world.
- Israel's separation policy and access restrictions between Gaza and the West Bank have a strongly negative impact on the Palestinian economy and on Gaza's economic recovery. The **separation policy stifles and undermines Gaza's prospects of economic recovery, growth and development.**

The need for recovery

- At this time, **Gaza's economic recovery is of paramount importance.** During Operation Protective Edge, 100,000 of Gaza residents were made homeless or displaced; 20,000 housing units were destroyed or severely damaged; the power station and its fuel reserve were hit; water and sewage infrastructure were badly damaged, as were 174 schools and 67 clinics and hospitals. A total of 360 factories, workshops and businesses were damaged, 126 of them completely destroyed. Trade and industry were also hit hard.
- Following the operation, Israel expanded access criteria slightly, but **the principles restricting most Palestinian travel remained intact**, and directly relate to the high unemployment rate (45% in the second quarter of 2014; 63% among people under 29) and the weak economy in the Strip.
- **The closure all but paralyzed Gaza's trade with Israel and the West Bank**, where 85% of Gaza goods had been sold previously. Through most of 2014, the monthly average of trucks exiting the Gaza Strip was less than 1% of the volume pre-closure.
- Economic sectors in Gaza have all been impacted by the isolation from the West Bank to some degree, with the sectors most reliant on trade hit the hardest:
 - The **agricultural sector** heavily relies on exporting produce to the West Bank. Additionally, both Gaza and the West Bank would stand to benefit from joint research and development projects and a joint water allocation policy.
 - The **education sector** in Gaza suffers from lack of access to the educational and vocational opportunities available only in the West Bank. This creates excessive homogeneity in training and education among the Gaza labor force, as well as lack of appropriately trained professionals to keep up with technological advancements and seize economic opportunities.
 - Gaza's **energy sector** would greatly benefit from renewed connection with the West Bank, whose demand for natural gas would ensure a market for Gaza's unused gas reserves. Gaza's natural gas could also eventually resolve the oPt's energy dependency on Israel.
 - Gaza's **textile sector** used to employ 25,000 workers, mostly women, until the closure was tightened in 2007. Gaza-made textile was in high demand in the West Bank, yet the market share for Gaza-produced textiles in the West Bank collapsed following the closure.

- Gaza's **fishing industry** lost its Israeli and West Bank markets due to the closure, as well as Israel's restrictions on the permitted fishing zones. The sector went from providing livelihoods to some 10,000 fishermen in 2000 down to about 3,000 in 2011.

Benefit of size

- The connection and free access between the West Bank and the Gaza Strip is **a necessary condition for the viability of the Palestinian economy as a whole**. This is especially true considering the disadvantageously small size of the Palestinian economy.
- High levels of economic development are possible in smaller size economies. Examples of this are Singapore and Oman, which are often referenced when discussing the potential of the Palestinian economy. **Yet this potential is discussed in terms of the unified Palestinian economy of the West Bank and the Gaza Strip, rather than two separate economies.**
- The forced separation between the West Bank and the Gaza Strip compounds the problem of size and makes a small economy even smaller. **While Gaza bears more of the harm caused by this fragmentation, both parts of the oPt suffer from the lack of free access between them.**
- The Gaza Strip and the West Bank have distinct economic features, the combination of which would enable the Palestinian economy to overcome the limitations of its size and realize its economic potential. Gaza has access to different natural resources than the West Bank and its labor force has different qualifications and skills. The short distance between the two, the shared history and common language all contribute to the conclusion that **trade between businesses in the Gaza Strip and the West Bank would be a natural and important component of the Palestinian economy.**

Policy recommendations

- Economic development will bring hope and relief. Freedom of movement will create education and business opportunities. These are not just the needs of Gaza residents, but **necessary conditions for regional stability**. Since the ceasefire agreement of August 2014, **Israel's top security officials have acknowledged the need to reconstruct Gaza** and build an economic future by creating commercial, professional and employment opportunities for its residents.
- It is too early to know if these statements and some gestures implemented since the ceasefire indicate Israel's intention of retreating from the concept of closure or if this is just a softer version of the same closure. **A real change would require reversing the system of prohibitions that has stifled the Palestinian economy, particularly in the Gaza Strip.**
- In view of the separation policy's stifling effects on Gaza's economic recovery and in light of Israel's obligation to do everything in its power to ensure normal life in the Palestinian territory and to enable its residents to live in dignity, **Israel must immediately cancel the separation policy.**
- Rather than restricting movement between Gaza and the West Bank to the minimum necessary, Israel must **allow the maximum movement possible subject only to restrictions that are necessary for security and which satisfy the requirements of proportionality.**