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## The Israeli use of Economic Peace as a Peace Building Tool for the Occupied Palestinian Territories

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### Introduction

The aim of this paper is to assess how the Israeli government uses Economic Peace (EP) as a foundation for peace building between themselves and Palestine. I will do this by contesting the artificial division of economic development and political diplomacy in peace building as framed by Israel's EP policy. I will argue that despite EP providing some relief for the Palestinian population, economic pacification is not a viable means by which to build peace negotiations as economics and politics are not mutually exclusive in peace building efforts.

This paper is split into several sections. Firstly, I will define EP as it will be understood in this paper. Secondly, I will use the example of Northern Ireland as a means to show how it has been implemented and the potentially successful outcomes. Thirdly, I will look at how the Israeli government implemented EP between 1994 and 2000, its economic and political outcomes and how its continued use today is an attempt to frame peace building as a depoliticised endeavor. Finally I will look at what we can learn more generally about EP as a peace building tool in relation to its failure in the Israel-Palestine context.

### What is Economic Peace?

We find EP situated within the wider literature surrounding conflict and peace building as it follows the argument that economic factors play a significant role in the initiation and perpetuation of violent conflict. Collier and Hoeffler (2002) conceptualised the causes of civil conflict to include a combination of factors such as socio-economic inequalities, lack of political voice, lootable resources and the profitability of war economies. However, Bernal and Malone (2000) argue that the role played by economic causes of conflict are underrepresented and under-estimated in academic debate on civil conflicts. It is these economic causations of violence which EP counters as a means to encourage the peace building process.

EP as a concept in the peace building literature is defined by Bryne (et al 2007:7) as a means "to address structural inequality and economic deprivation, and thus assist in building the peace process in post-violent societies". Economic growth is achieved through funding from an external party or donors. Economic development is required in post violent societies as inequality is seen to cast a shadow over the potential for lasting peace building initiatives (*ibid*). Killick (et al 2005) subdivides the definition of EP into its macro and micro implementation and aims. On a macro level it involves structural reforms to ensure an "enabling environment" for peace building to flourish including low inflation and a low budget deficit (*ibid*:19). On a micro level private enterprise development is seen as a tool to encourage conflict resolution through collective action (*ibid*). However it is also a force that can perpetuate the conflict as some businesses work around the conflict and some directly profit from the war economy (*ibid*).

Both of these definitions are based on the assumption that EP is a means to create a foundation for peace building within post violent societies. Economic growth and reduced inequalities will not instantaneously encourage peace building or sustain peace itself. EP is a tool by which to facilitate peace by beginning to address some of the

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economic causations of tension and hostility. Both Bryne (et al 2007) and Killick (et al 2005) note that EP is not a magic remedy for peace building, but requires careful implementation and management at a macro and micro level.

## Peace building in Northern Ireland and the role of Economic Peace

Northern Ireland is highlighted as a story of success for the potential of EP to assist wider peace building efforts. It provides a useful comparison as Byrne and Irvin (2002) note that it was a protracted ethno-political conflict, similar to that between Israel and Palestine. Knox (et al 2000) while writing about the comparisons of peace building between Northern Ireland, South Africa and Israel noted that despite the clear social, economic and geo-political differences between the countries in question common themes can be identified thus facilitating more informed peace building policies. In this section I will discuss the use of EP and its 'success' in the Northern Ireland peace process. By looking at the successful use of EP in Northern Ireland we are able to further understand the reasons for its failure to build a platform for peace in Palestine between 1994 and 2000 despite the economic development that occurred as a direct result.

The initial stages of the peace building process in Northern Ireland received two major funds that can both be considered to fall under the definition of EP. Firstly, the International Fund for Ireland (IFI) in 1986 between the British and Irish governments set out economic assistance measures with two main objectives. Despite commencing before the 1994 ceasefire, the majority of progress was made after this time when Northern Ireland was in a post-conflict situation. The IFI aimed to encourage and assist social and economic advancement for Northern Ireland and to encourage contact and reconciliation between the unionists and nationalists throughout Ireland (Matic et al 2008). Three initiatives were set out to achieve these objectives, community capacity building, regeneration of deprived areas and economic development through encouraging investment in large, medium and small private enterprises (USAID 2006). The major focus of these policies was aimed at reducing economic deprivation faced by both sides through economic cooperation which was beneficial for both parties. The belief was that it would lead to cross-community dialogue and reconciliation in matters initially related to economic development but later to socio-political issues (DFA 2006).

The IFI was conceived as a short and long-term strategy for peace building. Their policies have adapted over time to address the economic issues that are most likely to impact the peace process. USAID (2006:2) states that:

“As a measure of the Fund's success, between 1986 and September 2004, about 5,236 Fund projects created the potential for 55,000 jobs. Over 800 organisations have been assisted to promote social and economic development, involving more than 9,000 community leaders”.

The perceived success of the IFI led, in 2006, to the IFI announcing its new five year strategy, entitled *Sharing this Space*, stating that they would move away from their traditional role of assisting economic development in favour of policies focusing on reconciliation between the communities (DFA 2006). EP was used by the IFI as a tool for reconciliation and cross-community relationship building when economic deprivation and inequality was seen to be hampering the initial peace process. Their shift in focus would seem to suggest that EP has been used successfully, initially building cooperation and dialogue allowing for a foundation on which the peace process could progress. Once EP had aided the foundations of peace the IFI redirected its attention to the reinforcement of these positive outcomes.

The second major example of EP policy was the European Union's Peace and Reconciliation Fund (EUPRF). European Union (EU) funding for Northern Ireland did not solely come about due to the ceasefire in 1994, however there was a significant economic aid increase once it became a post violent society, an example is the Community Support Framework whose budget nearly doubled to £940 million between 1994-1999 compared to the amount during 1983-1993 (Tonge 2002:82).

The EU Peace I Fund was established after the 1994 ceasefire agreed by the Provisional Irish Republican Army. The EUPRF had similar aims to that of the IFI in peace building through joint venture and economic projects at a grass roots level (Byrne et al 2007). The funding was directed at Northern Ireland and the six counties in the Republic of

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Ireland which share its borders (Fitzduff 2002). The EUPRF predicted that by focusing on economic development initiatives which involved cross-community and cross-border cooperation between local communities, the increased contact would have positive spill over effects into the political and cultural arenas (Byrne et al 2007). In 2001 Peace II came into effect which imposed new legal requirements on the relationship of dialogue and cooperation which had already been mainstreamed by most institutions due to the aforementioned EP policies (Fitzduff 2002). Once again we see a shift away from EP once the economic development and a platform for peace have been initiated.

EP however, was not implemented in Northern Ireland with the full support of all parties. The EUPRF, more specifically economic aid to encourage cross-border relations, was viewed with suspicion by the Unionists as an erosion of sovereignty (Tonge 2002). This highlights the fear of hidden political motives behind EP packages, a fear that is also reflected in the Israeli use of EP in Palestine

The outcome of EP policies in Northern Ireland is debated but generally EP is seen as having a positive influence on the peace process. Hughes (2009) notes that the EU believes that Northern Ireland is an example of the successful application of the EU post violent strategy and should be used as an example for other countries in the region. As the EU Commission President José Manuel Barroso (2008:3) stated:

“Northern Ireland has now emerged as an example to the world of how to succeed in promoting peace and reconciliation in a deeply divided community. Its political leaders have recognized the importance of economic success in this process and of the role of the European Union in the drive for growth and jobs”.

One such grass roots example of how EP has facilitated political and cultural dialogue is the increased willingness and confidence of community mediators on both sides to engage in discussions (Fitzduff 2002). This began with dialogue over economic issues such as potential village development, but soon moved onto socio-political issues including cultural celebrations and conflict related murders (*ibid*), thus initiating discussions surrounding peace building issues at a local level.

Both the EUPRF and the IFI applied EP with the intention of achieving socio-cultural and political cooperation and dialogue in the peace process using economic aid to initiate this dialogue. EP was used as a tool to encourage cross-community and cross-border cooperation which facilitated a space for peace negotiations. The use of EP in Northern Ireland was specifically targeted at economically deprived sections of society as there was a fear that if socio-economic marginalisation was not dealt with, initiating peace building may be unachievable. With the success of EP both the IFI and the EUPRF diverged from their use of EP to reinforce the platform for peace that had been created.

I will use the example of EP in Northern Ireland to critique Israel's EP policies; however the context of the violence has to be considered when making such comparisons. Smooha (1980) notes the socio-economic gaps, the varying intensity of conflict and differing religious aspects of the violence have to be considered when making comparisons about peace building in Northern Ireland and Palestine.

## How Israel implemented Economic Peace between 1994 and 2000

The Israeli Ministry of Foreign Affairs (2009:1) claims that “Economic Peace is something that is alive and kicking” in Palestine. However, EP can only take place in post violent societies and as such one must divide the Israeli use of EP into two periods of time. The first period follows the Paris and Oslo Protocols and we can see EP taking place between 1994 and 2000. The outbreak of the second *intifada* halted EP policies, but they resumed around 2005 and continue to present. The continued blockade of the Gaza Strip means that EP in the later period was focused on the West Bank.

The Declaration of Principles signed in Oslo 1993 set out two economic annexes which outlined economic cooperation between Israel and Palestine. Following this initial step towards the use of EP in the peace process, the Protocol on Economic Relations between Israel and the Palestine Liberation Organisation (PLO) representing the Palestinian people, was signed in Paris in 1994. This protocol was not simply an economic agreement. It incorporated elements of EP alongside the political dimension, in the hope that these economic agreements would be

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a catalyst for peace (Kanafani 2001). The protocol had three basic principles which were aimed at establishing new trade relations based on a respect for both sides' economic interests (*ibid*). To achieve this the protocols principles included free access for West Bank and Gaza Strip (WBGS) agricultural and industrial products to the Israeli market (with the exception of five agricultural commodities), the right for the WBGS to undertake independent and direct trade with the outside world and changes in legislation on the reimbursement of import taxes (*ibid*).

The Paris, Oslo I and Oslo II protocols also saw the gradual transfer of power relating to economic policy to the Palestinian Authority (PA). These included the authority to impose direct and indirect taxes, set industrial policy, establish a monetary authority to regulate financial mediation and employ persons in the public sector. However, certain restrictions were reinforced such as the refusal to allow Palestine its own currency, which would have symbolised an element of sovereignty (Elmusa and El-Jaafari 1995). By not allowing Palestine its own currency the Israelis illustrate the political dimension that is present in their EP policies and economic decisions regarding Palestine more generally. As Arnon and Weinblatt (2001) argue, the currency would have been a symbol of independence for Palestine that would have undermined Israel's other political objectives of maintaining control over her neighbour.

The implementation of these aims was to be overseen by a Joint Economic Committee, which also acted as mediators in determining quotas and other issues (Elmusa and El-Jaafari 1995). It is interesting to note that these agreements included both economic and political dimensions. These two dimensions were not separated in the presentation of these protocols, yet as I will show in the following sections, Israel has continued to divide the two, despite the failure of EP to build a platform for peace negotiations.

## The failure of Economic Peace between 1994 and 2000

Put simply Israel's EP initiative failed to achieve its aims of facilitating a platform for peace as in September 2000 the second *intifada* began. Figure 1 shows the economic performance of the WBGS during the time when EP was being implemented and the start of the second *intifada*.

Figure 1: Palestine (WBGS) Key Economic Indicators

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	1995	1999	2000	2001	2002 <sup>Rev.</sup>	2003 <sup>Est.</sup>	2004 <sup>Est.</sup>
<b>Macroeconomic performance</b>							
Real GDP growth (%)	6.1	8.6	-5.6	-6.6	-3.8	4.5	-1.0
GDP (million US\$)	3225	4201	4108	3816	3484	3921	4011
GNI (million US\$)	3699	4932	4793	4143	3700	4204	4373
GDP per capita (US\$)	1380	1478	1386	1229	1073	1158	1146
GNI per capita (US\$)	1583	1736	1617	1335	1140	1242	1249
Real GNI per capita growth (%)	7.9	4.1	-10.7	-16.1	-9.8	2.8	-4.2
Domestic expenditure (% of GDP)	151.8	163.6	155.4	143.3	161.0	153.0	164.4
CPI inflation (%)	10.8	5.5	2.8	1.2	5.7	4.4	3.0
<b>Population and labour</b>							
Population (million)	2.34	2.84	2.96	3.10	3.25	3.39	3.50
Unemployment (% of labour force) <sup>b</sup>	26.6	21.7	24.6	36.2	41.2	33.4	32.6
Total employment (thousand)	417	588	597	508	486	591	607
In public sector	51	103	115	122	125	128	131
In Israel and settlements	50	127	110	66	47	53	48
<b>Fiscal balance (% of GDP)</b>							
Government revenue	13.2	23.8	23.1	7.1	8.3	19.5	23.3
Current expenditure	15.3	22.5	29.1	28.7	28.5	27.2	31.1
Total expenditure	25.5	29.8	34.9	34.3	34.9	34.7	31.9
Recurrent balance	-2.1	1.3	-5.9	-21.5	-20.2	-7.8	-7.9
Overall balance	-12.3	-6.0	-11.8	-27.1	-26.6	-15.2	-8.6
<b>External balance</b>							
Exports of goods and services (million US\$)	499	684	657	534	529	378	467
Imports of goods and services (million US\$)	2176	3353	2926	2336	2654	2456	3049
Trade balance (% of GDP)	-51.8	-63.6	-55.4	-43.3	-61.0	-53.0	-64.4
Current account balance (% of GNI)	-21.7	-31.7	-20.9	-13.0	-13.6	-8.9	-16.5
Trade balance with Israel (million US\$)	-1388	-1644	-1506	-1541	-1123	-1524	-1621
Trade balance with Israel (% of GDP)	-43.0	-39.1	-36.7	-40.4	-32.2	-38.9	-40.4
Current account balance with Israel (% of GNI)	-24.7	-18.5	-17.1	-29.3	-24.5	-29.5	-28.8
Imports from Israel /PA private consumption (%)	56.5	52.4	50.7	53.8	36.8	45.7	46.3
Total PA trade with Israel/total Israeli trade (%) <sup>c</sup>	3.7	3.6	2.8	2.7	2.0	2.4	2.3
PA trade with Israel/total PA trade (%) <sup>c</sup>	78.8	67.1	71.2	78.6	53.4	75.1	66.8

(Sourced from UNCAT 2006)

In the period following the 1994 Paris Protocol from 1995 to 1999 we can see an increase in Real GDP growth (%) of 2.5%, a 4.9% decrease in unemployment and an increase of 77,000 Palestinians being employed in Israel and the settlements. These figures in isolation highlight the improving economic situation of Palestinians and more importantly the increased 'economic cooperation' between Israel and Palestine. This is the initial stage of EP as seen in Northern Ireland; however, the outcome of EP by Israel in Palestine was significantly different to that in Northern Ireland. Despite the implementation of EP the second *intifada* broke out.

Shikaki (2002) notes that the violence broke out due to the frustration of the 'young guard' in the Palestinian nationalist movement regarding the stalled peace talks and the failure of the PLO to deliver independence and good governance. They demanded the retreat of Israeli troops from the WBGs and hoped to destabilize and displace the PLO (*ibid*). Farsakh (2000) argues that at the centre of the popular uprising was a rejection not only of the territorial and political compromises brought about by the Oslo agreement but also the economic premise and its results.

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Despite increasing GDP per capita and reduced unemployment as a result of EP, the protocols also lead to “fragmentation and *bantustanization* that further deprives Palestinians of their resources” (*ibid*:22). In Figure 1 we see a reduction of 0.1% in total trade between Israel and the WBGs between 1995 and 1999 and a continuation of the poor balance of trade in favour of the Israelis. We see that both the political and economic situation lead to the second *intifada*, despite EP being initiated and leading to some improvement in Palestine’s economic development.

## The continuation of Economic Peace after the second *intifada*

The poor socio-economic situation faced by Palestinians after the second *intifada* was caused by the bombardment, closures, instability and destruction of any previous efforts to rebuild the economy. Normand (2002:29) states that the causes of the economic collapse during the second *intifada* “are not in dispute”. Israel’s closure of Palestine’s borders and the fragmentation of Palestine due to Israeli check points, restricting the flow of people and goods, devastated economic prospects for Palestine leading to “economic clusters with increasingly less access to either the Israeli economy or each other” (More 2005:985). Roy (1999) notes how another major issue for future Palestinian economic development was the deficiencies in infrastructure due to Israel’s neglect of basic services. This infrastructure was further reduced by conflict which disrupts and destroys previous infrastructure development. With the failure of EP between 1994 and 2000 due to political and economic reasons and the destruction of Palestinian infrastructure and industry one would assume that alternative initial peace building strategies would be perused.

However in 2009 the Israeli Foreign Ministry stated:

“The Government of Israel considers Palestinian economic prosperity an important Israeli interest. This concept derives from the understanding that the peace process needs to be backed by economic arrangements that will result in improving the socio-economic situation of the region. In the nature of things, the Israeli economy and the Palestinian economy are closely interrelated; an increase in the standard of living of the Palestinians is therefore an important goal for the achievement of good neighbourly relations between the two peoples”.

Israeli Ministry of Foreign Affairs (2009:2)

Further to this EP has been increasingly supported by international institutions interested in Palestinian peace. Lunat (2010:1) notes “Economic Peace won broad backing from the UN, European leaders as well as the administration of US President Barack Obama, representatives of which form the self-appointed ‘Quartet’ that dictates terms for the peace process”. If we examine the Road Map to peace proposed by the UN in Phase III: the *Permanent Status Agreement and End of the Israeli Palestine Conflict* we see that, among other methods of facilitating peace once violence has ended, is the continuation of EP. “International efforts to facilitate reform and stabilize Palestinian institutions and the Palestinian economy, in preparation for final status agreement” (UN News Centre 2002:6). However, this policy did not specify differences in the use of EP between the Gaza Strip and the West Bank despite their very different political and economic situations.

## Economic Peace or Economic Pacification in Palestine?

EP I argue, has failed in part due to other Israeli policies that have kept the Palestinian economy in a subordinate position to their own for political reasons. Farsakh (2000) notes the devastation caused to the Palestinian economy when Israel conducts border closures due to perceived security threats from Palestinian violence. Noting that between 1994-1999 Israel imposed 443 days of closure having dire consequences for the stability and development of the Palestinian economy (*ibid*:23). Farsakh argues that through the high price of permits for Palestinians to export goods, the fragmentation of Palestine and closures, Israel shows its lack of realistic commitment to EP (*ibid*). Kanafani (2001:276) claims that when we analyse the measures for economic cooperation in the Paris protocol many of them do not even make sense economically “as it failed to create a level playing field” for their relationship. It is clear the “economic relations [between Israel and Palestine] cannot be detangled from the political process” (Arnon and Weinblatt 2001:301) and I argue that it is these political motives that undermine EP.

It has been well documented that political insecurity hampers economic development in Palestine (Kanafani 2001). One must question the true nature of Israeli commitment to EP as it would seem if they truly believed that it is a

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means upon which to build a platform for peace then closures, the continued economic and political fragmentation and bombardment of infrastructure would be done with great reluctance. Cobham (2001:252) argues that whereas the Israelis see closures as an unavoidable response to terrorism, Palestinians view them “more as political acts and forms of collective punishment”. Other Israeli political and economic policies, such as closures and settlement building, undermine EP to an extent where it fails to be a tool for peace building as a slight improvement in the socio-economic situation of Palestinians will not pacify their political claims.

There is a case for the argument that EP is a policy used by the Israelis to redirect attention away from the political issues surrounding the ‘Palestine Question’ and serve their own political interests. Bahour (2010:3) believes that EP is being used “to pull the wool over our eyes” regarding the reality of Palestinian Israeli relations and the continuation of the political stalemate between them. Kelman (2007:287) notes that the:

“breakdown of the [peace] process in 2000 produced clashing narratives, reflecting different anchors for judgment and classical mirror images. Public support for violence increased, even as public opinion continued to favour a negotiated two-state solution”.

I would argue that the Israelis hope these clashing narratives will be reduced by economic pacification of the Palestinian population, rather than using EP as a legitimate platform for peace building.

Portraying the Palestinian situation to international donors and the media as an ‘emergency’ further depoliticizes the Palestinian peace process and diverts attention away from the diplomatic challenges (More 2005). The method of overcompensating with finances for political inertia, chequebook diplomacy, has proved to be ineffective in this case (*ibid*) as we saw with the resurgence of violence of the second *intifada*. One could argue that these policies, despite being labeled under EP, are actually more similar to economic pacification. As EP is constantly undermined by Israel’s other policies, the economic benefits may only serve to pacify the Palestinian population with some benefits of economic development while simultaneously destroying any hope of effective peace negotiations.

Palestine’s poor political development, similar to its lack of economic development, can be partly attributed to its disjointed political clusters that have come about due to Israel’s fragmentation of the Occupied Territories (More 2005). These are increasingly localized with small political powers “competing against each other for narrow political interests” (*ibid*:987). This helps Israel frame peace building efforts away from dialogue between two ‘legitimate’ parties towards the aforementioned economic pacification which I believe is a more appropriate description of the motives behind Israel’s EP policies in Palestine. By framing peace building away from political discussion and shifting it towards aiding a socio-economically deprived population the Israelis can avoid legitimising the PA political claims, whether these discussions are based on a one or two state solution. Oren & Bar-Tal (2007:111) argue that:

“Delegitimation of the adversary, among psychological factors, is one of the major detrimental forces to peaceful resolution of any conflict. In the present context of violence between Palestinians and Israeli Jews, it is probably the major obstacle to the realization of the readiness in both societies to make major concessions in the final settlement of the conflict”.

Oren and Bar-Tal suggest that beyond ‘psychological’ factors Israel might be interested in a proper peace deal. Yet I take a more cynical view, as my argument that Israel uses economic pacification disguised as EP suggests. It is not until peace negotiations are perceived as having to integrate political and economic dimensions that EP can play a role in facilitating peace building. This is because any positive outcomes of EP policies are severely hampered by the economic and political fragmentation of Palestine, the destruction of infrastructure, its economic dependence on Israel and Palestine’s inability to trade with other neighboring countries. Cobham (2001) argues that these tie into political issues such as the motives behind continued occupation and closure of Palestine and the building of new Israeli settlements. The economic deprivation of Palestinians is an issue of concern for the peace building process, but the political elements play a much larger role in the current stalemate in peace talks.

Finally it is important to elucidate how Israel’s aforementioned alternative political motives for conducting EP have led to its failure to build a platform for peace building, unlike in Northern Ireland. Roy (1995 cited in Normand



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2002:27) refers to Israel's policies as 'de-development', defined as the "deliberate and systematic deconstruction of an indigenous economy by a dominant power", a policy that was highly successful for the Israelis between 1967 and 1993 (*ibid*). I believe that the Israelis are trying to rectify the issue of 'de-development' through economic pacification under the name of EP. With regard to Northern Ireland's EP model facilitating peace negotiations, Hutton (1994:24) notes that "the key to long-term social and economic success is incorporating commitment and co-operation into the system". The Israel Palestine example of EP shows little commitment on the part of the Israelis who are aware that they are the cause of economic failure and even less cooperation, especially at a political level. Interestingly Hutton notes there is an underlying reason for the success of peace building in Northern Ireland, namely the British desire to make it work:

"The combination of economic and security spending around which the region has revolved is becoming unsustainable for the British state – and explains why John Major made his peace initiative such a high priority. The security commitment to Northern Ireland is beginning to curtail other military obligations, as the Foreign Secretary Douglas Hurd, recently acknowledged"

(Hutton 1994:22)

With the desire to make peace building work EP was used without being undermined by other British policies. EP cannot work at its most basic level unless the dominant state that provides the assistance also addresses other causes of disagreement and tension and does not undermine EP by neglecting them in the initial peace building process.

The 'de-development' of Palestine claimed by Roy (1999) is one possible explanation of why Israel's EP initiative failed to work. As Roy (1999) believes the Israelis see economic policies, alongside military intervention, as a means of achieving their political aims, namely keeping the Palestinian population in a politically and economically subordinate position. Another similar explanation presented by Normand (2002:26) is that Israel's current military action, being a war on terror, is not a new concept but an extension of their past economic warfare where they aimed to retain control over Palestine's people.

However, I believe EP, as it is used by Israel, is more than this. With the failure of EP between 1994 and 2000, despite some improvements in Palestine's economic development, political disagreement should have been placed at the centre of the peace building agenda. This has failed to happen as we can see with the continued use of EP, now with the international community's backing. EP by Israel, I believe to be more closely likened to economic pacification as the continued de-legitimisation of Palestinian political claims shows that far from EP being used as a platform for peace building it simply provides some level of economic relief for the Palestinian population in the hope that this will reduce political tension, and enable, meanwhile, colonisation to continue.

## What can be learnt about Economic Peace from the Israel-Palestine example?

From the previous discussion we can deduce several points about EP as used by Israel on the Palestinians. Israel uses EP to frame peace building away from political diplomacy that is so crucial in peace building. Foundations for peace building require political engagement on both sides and cannot be framed, as the Israelis have done, to be dealt with by EP in isolation. Economic deprivation, as has been argued by many scholars, plays a role in the perpetuation and resurgence of violent conflict. However if we focus too heavily on the economic causes of conflict and subsequently frame our peace building around it we neglect other crucial determinants such as socio-political and religious influences. In Northern Ireland EP was used in conjunction with social and political policies. Instead of de-legitimising the opposition political parties, the British government worked with them and negotiated a peace settlement on more equal terms. The success of sustained peace in Northern Ireland is the result of a plethora of peace building policies all working in unison, with the ultimate aim of facilitating peace negotiations.

EP also requires some basic foundations as well as careful management to secure its successful outcomes of facilitating a platform for peace. These include infrastructure, some level of investment and the ability for small and medium business to operate in a relatively free manner. For Palestine we see that the destruction of what little



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infrastructure they had and Israel's neglect of replacing and expanding it has had a detrimental effect on economic development. Further to this, businesses have restricted operations due to the fragmented nature of the country and economy and the need for permission and permits from Israel for most of their activities. However, the most important fundamental requirement is that the state in conflict with those receiving the EP aid must not undermine the initial peace building process with its other policies. Without other policies working with rather than against EP it will fail to achieve its potential as its impact is completely diluted. In addition there is a real danger, as shown by the Israeli use of EP, that it can be used as a means of framing peace building as a depoliticised endeavour, while simultaneously sustaining the conflict through actions such as settlement building, abusing Palestinians' basic human rights and the exploitation of Palestinian resources including water supplies. EP in this case is used as a facade of peace building while the Israelis continue to exploit their military and economic dominance over Palestine hoping that economic pacification will reduce the political tension.

Finally we must consider how the occupation of Palestine by Israeli troops has influenced the failure of EP. The definition of EP at the beginning of the paper states it is a means to build a platform for peace in 'post conflict societies'. Palestine however, is in a state of occupation with the population facing heavy restrictions on their daily lives. The legitimacy of British troops' involvement in the conflict in Northern Ireland can be seen as more of a peace keeping force in a troubled region of its own state. The Israeli occupation of Palestine is an overt indication of the repression of the freedom of Palestinians by a foreign power with little, if any, legitimacy to do so.

## Concluding remarks

EP as a successful peace building tool is highly dependent on the local context in which it is pursued. It is not an approach that can be put in place and will achieve results without a more holistic peace building approach. EP can cushion the impact of previous conflict and can assist the initial peace building phase. However, there is a real danger, as we have seen from its manipulation by the Israelis, that EP can be used to frame peace building away from political diplomacy. Without this political aspect in peace building EP will fail and worse, can be used to divert attention away from a nations' real aims, achieving these aims may be reliant on the perpetuation of the conflict.

Northern Ireland is an example of the potential of EP. This was achieved as there was a holistic peace building approach from the British incorporating a multitude of economic social and political initiatives.

We need to look more critically at Israel's use of EP in conjunction with its other policies that systematically undermine any real economic development in Palestine. They claim that EP "is something that is alive and kicking" (Israeli Ministry of Foreign Affairs 2009:1). However the poor economic development in Palestine and the stalemate in peace talks would suggest that EP is not in fact 'alive and kicking', but the policies that perpetuate the subordinate position of Palestine in political and economic terms are most definitely impacting. Simultaneously any upsurges in parts of the Palestinian economy are used by Israel to claim international credit for their implementation of EP.

Israel's pursuit of EP I believe, is in reality a policy of economic pacification. The danger is that even the improvement of the economic situation in Palestine has been shown in the past, by the second *intifada*, to have little impact on facilitating peace negotiations. The Palestinians are resisting their subordinate economic position to Israel, but they are also resisting the political situation. Neglecting the political aspects of peace building and favouring economic pacification will, I believe, only lead to a resurgence of violence in the future.

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