

The Economic Costs of the Israeli Occupation for the Palestinian People: The Cost of Restrictions in Area C Viewed from Above



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Note

This study was prepared by the UNCTAD secretariat, drawing on research prepared by UNCTAD consultants Mr. Jean-Louis Arcand, Professor, International Economics, Graduate Institute of International and Development Studies, Geneva, and Ms. Pinyi Chen, Researcher, Development Economics, Graduate Institute of International and Development Studies, Geneva. The study seeks to stimulate debate on the research topic.

The term “dollars” (\$) refers to United States dollars.

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Abbreviations

GDP	gross domestic product
NASA	National Aeronautics and Space Administration
NTL	night-time luminosity
OCHA	Office for the Coordination of Humanitarian Affairs

Executive summary

Throughout the West Bank, the occupying Power deploys a system of administrative and physical impediments that control the movements of the Palestinian people and limit their access to their productive resources. The resulting multilayered control system includes the division of the West Bank into different administrative areas, the application of a stringent permit regime, bureaucratic controls and hundreds of permanent and flying checkpoints, gates, earth mounds, roadblocks and trenches, in addition to the wall and settlements. The system has turned the West Bank into an archipelago of scattered, disconnected islands. Elements of the complex matrix of control put in place reinforce one another and underpin a de facto annexation of large swaths of the West Bank by the occupying Power. The control mechanism divides Areas A and B into 166 islands, with boundaries drawn so as to incorporate all Israeli settlements. Further, Area C, which accounts for about 60 per cent of the area of the West Bank, incorporates Israeli settlements and is fully under civil and security control by Israel, although it contains the most valuable natural resources in the West Bank.

With the onset of occupation in 1967, Israel implemented a long-term policy for the establishment of settlements in Area C of the occupied West Bank and in occupied East Jerusalem. To facilitate the expansion of settlements, Israel imposed strict restrictions on Palestinian economic activities in Area C, over and above those imposed in Areas A and B of the West Bank. The occupying Power includes 70 per cent of Area C within the boundaries of settlement regional councils, rendering the area off limits for Palestinian development. Further, Palestinian access to the remainder of Area C remains heavily restricted.

A variety of controls imposed under occupation constrain economic development in Areas A and B of the West Bank. These include the ban on the importation of certain technology and inputs under the dual-use list system and a myriad of mobility and other restrictions that inflate the cost of production and undermine the competitiveness of Palestinian producers in domestic and foreign markets.

This study estimates the economic cost of the additional restrictions on Palestinian economic activity in the remainder of Area C of the West Bank, that is, the 30 per cent of Area C available for Palestinian development. The annual cost of these restrictions is estimated at 25.3 per cent of West Bank gross domestic product (GDP) and the cumulative GDP loss in 2000–2020 is estimated at \$50 billion (\$45 billion in constant 2015 dollars), which is about three times the West Bank GDP and over 2.5 times the Palestinian GDP in 2020. The cost is estimated based on an innovative, well-established methodology that uses night-time luminosity (NTL) captured by satellite sensors over a span of time.

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