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Whither the State? The Oslo Peace Process and Neoliberal Configurations of Palestine

Suzanne Morrison
Zayed University, suzanne.morrison@zu.ac.ae

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Objective. This article considers the raison d'être of international institutions in the occupied Palestinian territories during the Oslo period (1993–2000) and discusses how these institutions have shaped the notion of a future Palestinian state through their policy recommendations and development projects. *Methods.* Drawing on neo-Gramscian concepts of hegemony and internationalization of the state this project analyzes the Oslo peace process through primary source data and information in the Oslo Accords as well as the official reports and publications of the major international development and financial organizations involved in the Palestinian territories. *Results.* Through policy recommendations, development projects, and donor funding and aid coordination, international institutions set in motion the neoliberal conceptualization and configuration of Palestine during the Oslo process. *Conclusion.* I conclude with a review of the findings, as illustrated throughout the article, and emphasize that Palestine's conceptualization will continue to be rooted in the development of the neoliberal condition as long as a political process that would lead to Palestinian self-determination and an end the conflict is not pursued.

International institutions greatly influence the political economy of states. Through international institutions the international community has played a major role in the occupied Palestinian territories, particularly since the Oslo Accords in 1993, in formulating a framework for political and economic development for a potential Palestinian state and economy. The main actors in this scheme include the major international development and financial organizations (United Nations Development Programme [UNDP], World Bank, International Monetary Fund [IMF], the Quartet [United Nations, United States, European Union, Russia], various U.N. agencies, the European Commission [EC], etc.) along with individual state-based international development agencies (U.S. Agency for International Development [USAID], Japan International Cooperation Agency [JICA], etc.). This article analyzes the role of international institutions in the concept and planning for a potential Palestinian state during the Oslo process (1993–2000).

Assessing the role of international institutions in shaping the concept of a Palestinian state is important for a number of reasons. First, international institutions have power in a dialectical relationship with nation-states. The current dynamic in international relations is one of interconnection and integration, particularly through finance, investment, trade, and communications. Economic relations are increasingly integrated, although regulated by the institutions that were established during uneven core-periphery capitalist development (Subacchi, 2008). Furthermore, integration through international and global institutional arrangements, such as the G-8 and WTO, are making an independent

Direct correspondence to Suzanne Morrison, Department of International Studies, College of Humanities and Social Sciences, Zayed University, Abu Dhabi, United Arab Emirates ⟨Suzanne.Morrison@zu.ac.ae⟩

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policy formulation very difficult on the national level. Because international institutions have power, they represent and serve the interests of dominant social and economic forces. In this arrangement, international institutions play a key role in representing and recreating dominant social forces, in terms of hegemonic nation-states (the United States) and internally on their own terms (Cox, 1987). In this way, international institutions play an active role in the creation and maintenance of international rules, norms, practices, etc. In their own right, as important actors in the world, international institutions require in-depth analysis from a range of perspectives.

Second, international institutions play a large role in developing states, particularly those that arise from conflict or are transitioning toward capitalist development from a former state-based mode of production. In the view of international institutions, developing, emerging, and/or transitional states and economies are in need of assistance to bring them in line with established international norms and practices. Although denied sovereignty to date, the Palestinian territories are not immune to the prescriptions and logic of international institutions. Quite uniquely, Palestinians have been subject to the recommendations and logic of international institutions *prior* to state formation. The case of Palestine is unique in the regard that Palestinians seek national liberation from a settler-colonial state and occupation during a historical moment that is different from most other national liberation movements (Hilal, 2003). It is a time when the politics of state formation and a potentially emerging state have been wrapped up in the purported innovations of neoliberal political economy. International institutions have been actively involved in this process and have had a direct role in the Palestinian state building project since the Oslo Accords. Although political and economic liberalism existed in the Palestinian territories prior to the 1990s, the framework was directly implemented during this time, when international institutions came *en masse* to the Palestinian territories to aid the Oslo process.

The scholarly literature on the Accords is robust, though has tended to focus on the problematic nature of the agreements and their associated process. Prominent Palestinian intellectual Edward Said (1995a, 1995b, 2000) was one of the first to criticize the imbalance of power of the Accords, while other scholars have emphasized the uneven economic relationship between Israel and the Palestinians that preceded the agreements and continued into their rationale (Farsakh, 2000, 2001, 2005; Roy, 1995, 2004a, 2004b, 2007). Another strain of work has focused on the controversial role of international assistance, which dramatically increased in the occupied territories during the Oslo period, and has accommodated Israeli occupation thereby ignoring the political context that makes aid necessary (Frisch and Hofnung, 1997; Barsalou, 2003; Hanafi and Tabar, 2003; Brynen, 2000; Le More, 2004, 2005, 2008; Keating, LeMore, and Lowe, 2005; Taghdisi-Rad, 2011; Tartir, 2011; Turner, 2014). Other studies have considered the role of neoliberalism in the Oslo process, particularly the role of elites in accumulating capital through peace dividends and/or neoliberal development (Beinin, 1998; Shafir and Peled, 2000, 2002; Samara, 2000; Lagerquist, 2003).

Despite the attention and positive contributions in the research on the problematic nature of the Oslo Accords, there lacks a comprehensive investigation into the relationship between international institutions and the neoliberal conceptualization of Palestine that was initiated during the Oslo process and has continued since that time. Haddad's (2016) recent work in this area is an exception and while my analysis contributes to a potential growing literature in this area, my argument is contrastingly informed by Cox's (1981, 1983) neo-Gramscian concepts of hegemony and internationalization of the state in analyzing this relationship. Since the 1970s, international social forces have created a hegemonic project around neoliberal political economy. While neoliberalism has been contested by the right and left, it has remained dominant in the absence of an alternative ideological framework that can consolidate hegemony. Although hegemony is not singularly expressed or created in international institutions, they are an important mechanism in the process of institutionalization that creates norms, values, and rules in the world.

Neoliberal terminology such as "good governance," "private sector driven growth," "fiscal discipline," "export promotion," "poverty reduction," and "economic reform" have been promoted as innovative tools for creating efficient states that downsize the public sector and government provisioning of social welfare. Importantly, a neo-Gramscian approach does not argue that states are disappearing in the face of prescriptive efficiency. On the contrary, it argues that states have been and continue to be restructured in the dynamic process of internationalization. Internationalization of the state means that states have become more salient to international practices, rules, and norms (Cox, 1981). In this way, these neo-Gramscian concepts are useful for informing an analysis of the structures and agents that have established a conceptualization and configuration of Palestine that is neoliberal in nature since the Oslo process.

The conceptualization of a Palestinian state and a state formation process should not be misconstrued in conventional terms, meaning monopolization over the use of violence, institutions, and territory (Weber, 1918; Montevideo Convention, 1933). Rather the notions that surround Palestinian statehood and a formative process therein, as represented by dominant social forces (Israel, the United States, international institutions, and Palestinian elites) do not require the establishment of a Palestinian state per se. Importantly, this article uses the phrases "Palestinian state formation" and "Palestinian state" in a manner consistent with various international institutions, meaning that the neoliberal conceptualization of Palestinian state formation is far more important than actually creating a state. In fact, Palestine's internationalization may make a state—conceptualized in the traditional sense—unnecessary to the realization of the goals of Palestinian, Israeli, and global capital. A neoliberal conceptualization of Palestine means that no state is actually required to induce into existence the neoliberal condition in Palestine.

International institutions configure Palestine in two major ways toward the neoliberal condition. First, international institutions have played a major role in shaping the notion of Palestinian state formation through their relationship with Israel. Support for agreements that clearly favor the industrialized, sovereign state of Israel perpetuate the colonial relationship that Israel and its supporters bring to the conceptualization of Palestinian state formation. Second, international institutions have ensured a neoliberal project in the schema of Palestinian state formation through supposedly innovative policy prescriptions and development projects that guide the concept and planning for a potential Palestinian state toward the dominant neoliberal ideology. This logic is consequently embedded within Palestinian political economy and represented through official political and economic discourse. Elite Palestinian social forces agree to terms that are mutually agreeable because of their individual capital accumulation in this process. Elite Palestinian social forces comprise those built into the construction of the Palestinian National Authority (PNA or PA)[1] and other positions of political prominence along with the forces of Palestinian private capital, in the Palestinian territories and the diaspora (Dana, 2020). Terms that are mutually agreeable include the vision, recommendations, and implementation of the framework

[1]The new authority was a major political shift for Palestinians in that the Palestine Liberation Organization (PLO) was the legitimate and sole representative of the Palestinian people up to that point which included Palestinians in the diaspora, the occupied territories, and "1948 Palestinians" that reside in present day Israel. The PLO's importance was demoted to make way for the burgeoning PA, which then only came to represent Palestinians in the occupied West Bank and Gaza Strip. The PLO, however, remains the formal representative of the Palestinian people in negotiations with Israel.

through the conduit of international institutions and embedded within Palestinian political economy.

This article considers the *raison d'être* of international institutions in the Palestinian territories during the Oslo period and discusses how these institutions have shaped the notion of a future Palestinian state through their policy recommendations and development projects. This analysis draws on neo-Gramscian concepts of hegemony and internationalization of the state to argue that international institutions set in motion the neoliberal conceptualization and configuration of Palestine during the Oslo process. I conclude with a review of the findings, as illustrated throughout the article, and emphasize that Palestine's conceptualization will continue to be rooted in the development of the neoliberal condition as long as a political process that would lead to Palestinian self-determination and an end the conflict is not pursued.

The Oslo Context

The Oslo Accords were bilateral agreements between the Government of the State of Israel and the PLO that were brokered with the assistance of Norway. The Accords were based on United Nations Security Council (UNSC) resolution 242, the so-called land for peace formula, and UNSC resolution 338. The Oslo Accords consisted of the Declaration of Principles on Interim Self-Government Arrangements (1993), otherwise known as the Declaration of Principles (DOP) or Oslo I and the Israeli-Palestinian Interim Agreement on the West Bank and Gaza Strip (1995) or Oslo II. Oslo II superseded three prior agreements: the Gaza-Jericho Agreement (1994), the Agreement on the Preparatory Transfer of Power and Responsibilities (1994), and Protocol on Further Transfer of Powers and Responsibilities (1995) that supplemented Oslo I. Additionally, the Protocol Concerning the Redeployment in Hebron was signed in January, 1997 and in October 1998, The Wye River Memorandum (1998) was signed at the White House in Washington, DC, between Israel and the PLO. The Accords ended five years of the first Palestinian intifada (uprising) that represented many Palestinian frustrations as a result of Israeli military occupation and were cast as "interim" agreements that would eventually lead to a political settlement through final status negotiations. However, the Oslo Accords were agreements between two unequal parties, where one country was advanced, sovereign, and historically assisted in its development (Israel); the other was not sovereign or developed, and only recently financially assisted (the occupied Palestinian territories). Asymmetrical power dynamics and a number of design flaws prohibited the Oslo Accords from transforming the Israeli–Palestinian conflict into anything beyond interim agreements.

The Accords themselves represent an international institution in that both parties agreed to the terms and accepted them as binding (at least in theory) and were supported by the international community. However, international support for agreements that clearly favor an industrialized, sovereign state over stateless indigenous peoples perpetuates the colonial relationship that Israel and its supporters bring to the conceptualization of Palestinian state formation. Specifically, the structure and terms of the Accords, and the Oslo process more generally prevented the actual formation of a Palestinian state by focusing instead on conceptualizing state formation through a framework of neoliberal policy prescriptions and development projects. This obviated the context of Israeli occupation and allowed Israel to further institutionalize its occupation in the Palestinian territories (Roy, 2004b).

As part of the Accords, the Palestinian territories were divided into three groups; Palestinians were allowed a limited amount of "self-rule" over a small percentage of territory in the occupied West Bank and Gaza Strip. In Area A, Palestinians were in control of civil administration and security, Area B was a mix of Palestinian civil administration and Israeli security control, while Israel retained full control of both civil administrative and security matters in Area C (Israeli–Palestinian Interim Agreement on the West Bank and Gaza Strip, 1995, Article XI, Article XII, Article XIII, 1995). Area C amounted to 59 percent of the West Bank, while Israel retained security control over an additional 23.8 percent in Area B. In total, Israel controlled 82.8 percent of the West Bank, while Palestinians were only in full control of the remaining 17.2 percent (Roy, 2004b). Areas A and B, of which Palestinians maintained minimal control, comprised the major Palestinian population centers in the occupied territories, but only formed a small percentage of surface land, while Area C comprised a majority of the territory, was contiguous, and surrounded Areas A and B x(Israeli–Palestinian Interim Agreement on the West Bank and the Gaza Strip, 1995, Article XI, Map No. 1, Appendix 6 to Annex I).

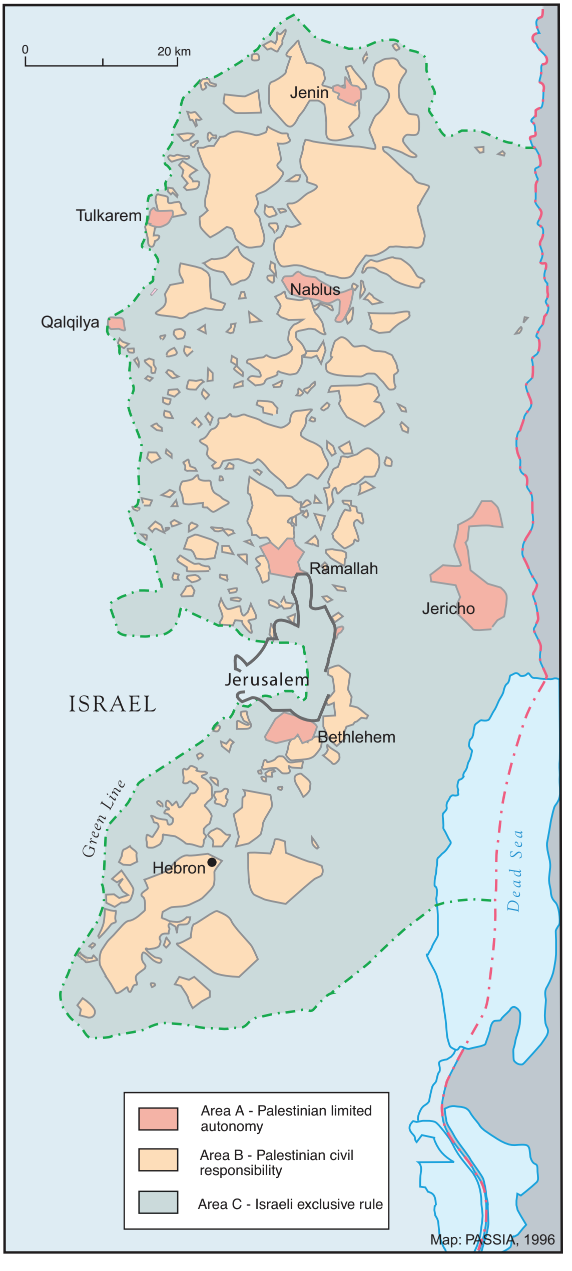
The Palestinian territories were further fragmented during the Oslo process by the rapid increase in the Israeli settler population. During the Oslo process, Israeli settlers in the Palestinian territories increased by over 50 percent from 240,000 in 1993 to 380,000 by 2000 (Amnesty International, 2003). The Accords were very clear on maintaining Israeli territorial integrity in Area C and protecting the private property rights of Israelis in Palestinian controlled areas, although made no similar protections for Palestinians (Gaza-Jericho Agreement, 1994, Article III in Annex III; Agreement on the Preparatory Transfer of Power and Responsibilities, 1994, Article IX; Israeli–Palestinian Interim Agreement on the West Bank and the Gaza Strip, 1995, Article XVII, Article XX, Map No. 2). The customs union (CU) formed under the "Protocol on Economic Relations" also known as the "Paris Protocol" in Annex V of Oslo II especially represented the larger dynamic of the agreements that ultimately gave Israel far more power and rights than those assigned to the PA (Israeli-Palestinian Interim Agreement, 1995, Annex V: Protocol on Economic Relations). The Paris Protocol reinstated a quasi-CU between Israel and the Palestinian territories that had been essentially in effect since Israel's occupation of the territories in 1967 (Gaza-Jericho Agreement, 1994, Annex IV: Protocol on Economic Relations between the Government of the State of Israel and the PLO; The Israeli–Palestinian Interim Agreement on the West Bank and Gaza Strip, 1995, Annex V: Protocol on Economic Relations). Because of structural constraints built into the CU, economic viability for a future Palestinian state was severely curtailed. Trade was liberalized by applying a common external tariff, which was structured according to the Israeli economy and Israeli trade policy. As a developed country with one of the highest VAT rates in the world, Israel protected its own industry by not exposing it to the competition a less developed country could offer in a global economy.

In addition, a revenue-clearance system was created as a part of the CU, whereby Israel collects taxes on behalf of the PA on goods imported through Israel whose final destination is the Palestinian territories. Israel charges the PA a 3 percent administrative fee and then remits these taxes back to the PA, which in turn represents the largest source of public revenue for the Authority (United Nations Conference on Trade and Development (UNCTAD), 2015:5). While a quasi-CU existed prior to the Oslo process, the revenue-clearance system was a specific feature of the Accords. Israel has periodically used its administrative role as transmitter of taxes for political and economic reasons. This occurs when Israel withholds VAT and customs duties or uses the revenue to pay for Israeli services provided to Palestinians.[2] Because the Paris Protocol institutionalized economic integration, the PA

[2]While neither of these practices is stipulated in the Oslo Accords, Israel has withheld clearance revenue numerous times since the Accords were signed. Examples during and after the Oslo period include (1) August

FIGURE 1

Oslo II Accord: Areas A, B, and C of the occupied West Bank



1997—two months for political and security conditions; (2) October 2000—two years for the second (al-Aqsa) intifada; (3) March 2006—1.5 years for the election results of Palestinian Legislative Council; (4) May 2011—one month for Palestinian national reconciliation efforts; (5) November 2012—four months for recognition of Palestine as a nonmember observer State by the U.N. General Assembly; (6) January 2015—four months for the PA joining the International Criminal Court. Between 1997 and 2015, the total amount had very limited space to create its own policies and was restricted primarily to expenditure allocation.

Terms of the Accords permitted Israel to consolidate its control over its external borders and those within the West Bank. The DOP maintained Israel's control of internal and external security and delegated Palestinian foreign relations to final status negotiations (Declaration of Principles on Interim Self-Government Arrangements, 1993: Article V). This allowed Israel to implement closure within and from the Palestinian territories, justified by Israel for security reasons and authorized by the international community. Closure, or the restriction of movement and access, has become a permanent fixture in the occupied Palestinian territories since the Oslo process. It began as an elaborate permit and license plate system that dictated who could travel in and between certain areas and has expanded since Oslo to include other facets such as the separation wall that Israel began constructing in 2002.

Closure over the Palestinian territories works internally and externally by preventing movement of goods and people. It can be partial with some movement disrupted or total, where all movement and access is completely halted. Internal closure prevents movement within the West Bank through an extensive system of checkpoints, roadblocks, earth mounds, and other barriers to free movement. External closure prevents movement to and from Israel from the Palestinian territories or between the Gaza Strip and West Bank (The Israeli–Palestinian Interim Agreement on the West Bank and Gaza Strip, 1995, Annex I: Protocol Concerning Redeployment and Security Arrangements, Article IX). Finally, external closure prevents movement or access to the outside world from the West Bank to Jordan or from the Gaza Strip to Egypt. Between 1993 and 1996, closure and permits cost an estimated $2.8 billion, which was double the amount of aid disbursed to the Palestinians during this time (Diwan and Shaban, 1999:7). In addition, Israel imposed 443 days of closure, averaging 90 days per year between 1994 and 1999 (Farsakh, 2000). Since the status of East Jerusalem was put off for final status negotiations, it remained closed to Palestinians in other parts of the occupied West Bank and Gaza Strip.

The economic integration structured into the Paris Protocol made the Palestinian economy even more vulnerable to closure as Palestinian goods and labor waited for checkpoints to open at the discretion of Israel. Trade and regular employment were frequently disrupted and thus unemployment increased. The nature of the Accords provided very little space for Palestinians to create independent policy and created a pseudo-legal rubric for segmenting Palestinian territory and dislocating communities into semiautonomous cantons, which prevented a uniform base for Palestinian political and economic relations. This led to redundant political institutions and segmented economic activity. Implementing the Oslo Accords led to the de facto fragmentation of Palestinian territories, thereby preventing economic viability in the areas under limited Palestinian self-rule and the prospect for an economically viable Palestinian state in the future. In this way, the Oslo Accords institutionalized Israeli occupation, which further dismembered Palestine and imprinted an Israeli-colonial vision for a potential state. International institutions supported these processes and ignored the context of Israeli occupation, focusing instead on configuring a neoliberal notion of state formation by ideologically ensuring neoliberal values through policy recommendations and development projects in the Palestinian territories.

withheld amounted to $2.4 billion. These withholdings exclude "off-the-top" deductions that are used to pay for Palestinian imports of Israeli electricity and water, and medical bills. Each of these practices violates terms of agreement in the Paris Protocol (see World Bank, 2008a:11; UNCTAD, 2015: 6,2016:5; U.N. General Assembly, 2019:14–15).

International Institutions and Palestinian State Formation During the Oslo Process

The Oslo Accords became a juncture for international institutions to promote a neoliberal framework for political and economic development in conceptualizing a Palestinian state. With the signing of the Oslo Accords, a large influx of international organizations came to the Palestinian territories for the first time. The organizations ranged from state-based development agencies to international development and financial institutions. The number of international organizations and range of activities they were involved in was unprecedented for the Palestinian territories and a major indication of wide-ranging support for the internationally brokered Accords. Major international financial institutions such as the IMF and World Bank came for the first time to the occupied Palestinian territories, creating country offices, allocating budgets for country-specific research and development projects, and employing local and foreign employees. Importantly, Palestine is not a formal member of most international organizations that are state-based in their membership given that Palestine as a sovereign state does not exist. As such, the willingness of international organizations to come to the territories despite this actuality is unique and indicative of their desire to be involved in configuring neoliberal conditions in the Palestinian territories.

The World Bank in particular has played an important role in the Palestinian territories since negotiations between Israel and PLO began in the early 1990s. The United States and Russia asked the Bank to participate in the Madrid conference in 1991, as assistant to the chair in three multilateral working groups (Kanafani and Cobham, 2007). When the Oslo Accords were signed, the Bank took on an extensive role in the occupied territories, with some of its activities in line with its traditional role in other developing countries, and a number of activities outside its established purview. As in other developing countries, the Bank finances development projects and seeks to harmonize domestic policies with established rules, norms, and practices in a global neoliberal framework.

This is done primarily through monitoring and prioritizing macroeconomic domestic policies and supporting domestic social forces whose ideological leanings are mutually agreeable to consolidate national hegemony. The IMF also has an important, albeit slightly different role, in the Palestinian territories. Since the IMF became involved in the territories in the early 1990s it has worked closely with the PA, the Palestinian Central Bureau of Statistics, and the Palestine Monetary Authority, mainly on public sector institutional development, management, and reform. Through technical assistance, economic analysis, and policy advice, the IMF has provided the PA with part of the means for creating a neoliberal policy framework and good governance practices in PA institutions.

International institutions viewed a political settlement as necessary but not required for economic development in the Palestinian territories (World Bank, 1993). Efforts to separate political and economic variables, particularly through the Bank's attempt to create "closure-proof trade routes" around industrial estates and free zones are one such example (Kanafani and Cobham, 2007:69). International institutions tried to deemphasize Israeli occupation and depoliticize the realities of the Oslo process by focusing on neoliberal policy recommendations and donor-funded development projects. This was frustrating for international institutions such as the World Bank as they were given a mandate to enable an investor-friendly environment, yet had no institutional or political capabilities to work on the structural features that created the conditions for an unfriendly investment environment in the occupied Palestinian territories (Kanafani and Cobham, 2007:69).

During this time, development discourse began to play a much larger role in Palestinian political economy. The basic vision for political and economic neoliberal development purported that market-driven private sector growth and government downsizing were the driving forces in transforming underdeveloped states. At the time, a "laundry list" of ostensibly innovative recommendations was supported in vastly different parts of the world to allegedly bring the world's poorest nations to a state of development reached by advanced, wealthy states. As such, attempts to consolidate a neoliberal notion of Palestinian state formation during the Oslo process were "conducted under the hegemony of the ideology of economic liberalization, privatization, and 'structural adjustment'…with effective powerful global institutions (economic, communicational, and financial) demanding a redefinition of state sovereignty that facilitates the free flow of capital and commodities on a world scale…" (Hilal, 2003:165). Although Palestinian statehood was put off until a later date pending final status agreements, the participation of the international community played a vital role in promoting political and economic neoliberalism during the Oslo process. International institutions ideologically ensured neoliberal values in conceptualizing Palestinian state formation through policy recommendations and development projects.

Policy Recommendations

Policy recommendations to Palestinians during the Oslo process were consistent with those recommended in other parts of the world at that time. The ideological discourse of neoliberalism in general called for governance in the Palestinian territories through institutional capacity building, fiscal discipline, and the encouragement of policies that support trade and private investment. According to international financial and development organizations, any potential Palestinian state should have an open economy that is driven by private sector growth and integrated into regional and global markets through competitive goods and services (World Bank, 2004, 2007a, 2007b, 2007c, 2008a, 2008b, 2008c, 2008d, 2008e; UNCTAD, 2006; IMF, 2007; UNDP/PAPP, 2008). According to this approach, prolonged conflict has created structural impairments such as persistent unemployment, dependency on Israel and international aid, political instability, and lacking legal protection for private property that are in need of adjustment for Palestine to economically recover and become a (neoliberal) state (see the previous citation). In the case of trade, international institutions disagreed on the exact shape of the preferable trade regime in the occupied territories (whether it should be a CU, free trade, or nondiscriminatory trade agreement), although there was a consensus surrounding the importance of trade liberalization and expansion in harmonizing Palestinian trade policies with existing norms and practices (Arnon and Bamtya, 2007).

The World Bank focused on three major policy areas during the Oslo process. These included the benefits of private sector investment, economic liberalization, and independent macroeconomic policy, especially the possibility of a Palestinian currency (Kanafani and Cobham, 2007). Two weeks after the Oslo Accords were signed by Israel and the PLO the World Bank (1993) issued a comprehensive six volume report titled, "Developing the Occupied Palestinian Territories: An investment in Peace." The study emphasized the structural dislocations in the Palestinian economy and called for policies that would support private sector growth, export promotion, improvement of infrastructure and service delivery, and diversification of future trade relations (World Bank, 1993). The extensive nature of the volume and speed of its production raised some suspicion about the policy agendas of international institutions, and the Bank in particular. According to one of its own evaluation reports, the Bank noted, "The concomitant timing of publication of the report led some observers to wonder at the amazing speed and efficiency of the Bank, and other observers with a more conspiratorial turn of mind to infer that the Bank had somehow been appraised of the secret Oslo negotiations" (Schiavo-Campo, 2003:4). From the perspective of international organizations, the report became the blueprint for policy prescriptions and development in the Palestinian territories during the Oslo process (Brynen, 2000; Kanafani and Cobham, 2007).

Good governance was encouraged through public management, fiscal discipline, and a policy framework that supported trade and investment. According to the World Bank (1993), developing the private sector in Palestine "requires the creation of a legal and regulatory environment that supports private sector initiative. The legal system should provide a set of rules that govern property rights, their exchange and settlement of disputes…" (17). The IMF primarily assisted in formulating fiscal, banking, trade, and potential monetary policies for the PA. Similar to the World Bank, they emphasized in 1995 "the need for a strategy which is outward looking, led by the private sector, and able to promote sizeable nondebt credit private capital inflows for investment in productive, labor-intensive activities" (IMF, 1995:28).

During the Oslo process, the PLO did sign several trade agreements in an effort to bolster the PA and show the international community its readiness to be good trading partner in the world economy. This allowed Palestinian exports duty-free access to the United States, Canada, European Union, the European Free Trade Association, the Arab Free Trade Association, and Turkey (Trade Agreement with Jordan, 1995; Free Trade Agreement with the USA, 1996; Interim Association Agreement with European Communities, 1997; Trade Agreement with Egypt, 1997; Joint Canadian–Palestinian Framework for Economic Cooperation and Trade, 1998; Economic and Trade Cooperation with EFTA Countries, 1998). However, the agreements were only effective for Palestinian economic development insofar as Israel allowed goods to pass through its borders or the borders it controlled in the occupied Palestinian territories to reach the outside world. Without this vital component in the process, Palestinian goods remained uncompetitive in regional and global markets as their stock and transit times continued to be unpredictable.

Development Projects

International organizations began to fund and plan for the future Palestinian state through development projects in the Palestinian territories during the Oslo process. In general, development projects worked in tandem with policy prescriptions to create an enabling environment for the configuration of international and domestic social forces to negotiate and consolidate neoliberal values domestically and ensure those values in conceptualizing Palestinian state formation. Development projects focused on sectors such as education, healthcare, and infrastructure so that a stable environment would be created for investment and production. The major actors involved in development projects included the major international development and financial organizations such as the World Bank, IMF, various U.N. agencies, the EC, etc. along with individual state-based international development agencies (USAID, JICA, etc.).

While the activities of each organization took on different sectoral priorities, all development projects supported a Palestinian state building project that coincided with the rules, norms, and practices of a global neoliberal-influenced framework. The construction of PA institutions was the focus of development during the Oslo process, as institutional development was seen as a vital component in creating the legal and regulatory environment necessary for this framework. At the time, the PA provided a governance structure for limited Palestinian self-rule over Areas A and B in West Bank and Gaza Strip. Similar to the larger thrust of the agreements, the PA was intended to be a transitional institution with restricted power. As such, the authority had limited policy instruments at its disposal since in had no control over its borders or natural resources. The Paris Protocol further reinforced these structural limitations by integrating the Palestinian economy more into the Israeli economy than in the past by institutionalizing single monetary and trade policies between the Palestinian and Israeli economies.

Aiding the development of the PA has played a dual role for donors. First, supporting the creation of the PA and its constant reform and (re)structuring through good governance principles has ensured a Palestinian negotiating partner for Israel on terms agreed by the international community. Second, most donors believed that institutional development of the PA apparatus to be a foundational and innovative step in building a neoliberal environment for the ideological consolidation of social forces in the Palestinian state formation process. Even toward the end of the decade, World Bank staff were still saying "…more attention should be given to building competence within the PA, thus ensuring a capable system of governance that fosters and complements private-sector driven growth" (Khadr, 1999:153).

Donors, Funding, and Aid Coordination

Coordination, management, and implementation of donor funds occurred through several complex mechanisms that were set up following the signing of the Oslo Accords. The international community donated over $3.4 billion to Palestinians during the Oslo process, with a ratio of 7:1 in favor of development aid to humanitarian assistance (Diwan and Shaban, 1999:143; Alpher, 2005:155; World Bank, 2003:51). Main donors included the EC, United States, World Bank, various E.U. countries, Japan, and Arab states (MIFTAH, 2006). The architecture of international aid during the Oslo process comprised over 40 countries, numerous U.N. agencies, local and international NGOs, Palestinian ministries, and the World Bank. At the Washington Conference for multilateral talks on peace in the Middle East in October 1993, the Multilateral Steering Group created the Ad Hoc Liaison Committee (AHLC). The AHLC consisted of 12 members and was the main body for developing a strategic vision and policy framework for international aid in the occupied territories. Also at the capital level, a Consultative Group (CG) was established by the World Bank, which as in other recipient countries served as a forum to mobilize donor pledges and discuss policy issues.

At the local level, two main bodies were initially established for coordinating international aid: the Joint Liaison Committee (JLC) and the Local Aid Coordination Committee (LACC). The JLC was set up to encourage policy coordination among major donors, Israel, and the PA, while the LACC served as a forum for all donors and coordinated international funds on the ground. The LACC also liaised between the AHLC and Sector Working Groups. Sector Working Groups were set up in 1995 as a local forum for sector-based coordination and implementation of development projects. As the Oslo process progressed, Israeli imposed restrictions on movement and access increased, posing major impediments to donor-funded development project implementation. In 1997, the JLC specially created the Task Force on Project Implementation (TFPI) to determine ways to work around those constraints. The AHLC, CG, JLC, LACC, TFPI, and the Sector Working Groups were all co-chaired by international institutions (World Bank, United

Nations Special Coordinator [UNSCO],[3] European Union/EC, US/USAID, Japan/JICA, Norway) and sometimes a PA representative.

The international institutional architecture and corresponding configurations of international and domestic elite social forces represented the penetration of international institutions and deeply embedded nature of international intervention in Palestine's development and conceptualization. The complex and extensive structures devised by the international community to fund, coordinate, and manage neoliberal development projects ensured Palestine's continued and deepening internationalization. Furthermore, the international institutional architecture setup after Oslo became a space for international and domestic elite social forces to congregate and consolidate neoliberal hegemony in conceptualizing Palestinian state formation and development.

In addition, the World Bank and leading Palestinian actors created the Palestinian Economic Council for Development and Reconstruction (PECDAR) in 1993 as a mechanism for managing aid and investments, along with drafting economic policies (Kanafani and Cobham, 2007). PECDAR was created because there were no public financial institutions in the Palestinian territories that could manage and implement the development projects funded by donor aid. The transitional rubric that Oslo operated under applied to PECDAR as well in that its mandate was originally supposed to expire in 1996, yet still remains today. Several PA ministries emerged from PECDAR program offices such as the office of program formulation became the Ministry of Finance and the economic analysis office became the Ministry of Planning (Schiavo-Campo, 2003).

Trust funds were also an important mechanism for channeling donor funds to the PA, but more importantly represented the unprecedented and innovative role the World Bank was willing to play in setting up neoliberal conditions in the occupied Palestinian territories. Since the Palestinian territories are not a member country of the Bank, the Bank devised new institutional mechanisms that were extraordinary at the time and allowed the Bank to pursue neoliberal development projects on the ground. While numerous funds have been created since the Oslo process, the most important during that time was the Holst Fund (1994–2001), as it was the main way to channel funds to the development of PA institutions. The Holst Fund provided financing for three components of PA institutional development: (1) recurrent budget support (initially only for a couple ministries but by 1995 had broadened to include financing for almost all PA central administration salaries, operations and maintenance expenses), (2) job creation, and (3) microprojects. The purpose of the Fund exemplified the way international donors were willing to fund institutional development to create an environment for capital accumulation and institutionalize a neoliberal conception of Palestine.

Through these various funding and implementation mechanisms, the PA was a product of international institutionalization of the neoliberal project in Palestinian governance and institution building. Prior to the Oslo process, public Palestinian institutions did not exist in the Palestinian territories, and during the Oslo process, Israel would only allow Palestinian institutional development within the context of a peace process (i.e., with international oversight and consent given by Israel) (Schiavo-Campo, 2003). Separation between the Gaza Strip and West Bank led to inefficiency and duplication of institutions and the

[3]In 1999, UNSCO became the Office of the Special Coordinator for the Middle East Peace Process, though retained its original acronym. Since that time, "UNSCO represents the Secretary-General and leads the UN system in all political and diplomatic efforts related to the peace process, including in the Middle East Quartet. UNSCO also coordinates the humanitarian and development work of UN agencies and programs in the occupied Palestinian territory, in support of the Palestinian Authority and the Palestinian people" (UNSCO, ⟨https://unsco.unmissions.org/about⟩).

complete disconnect from East Jerusalem prevented any cohesion in Palestinian national institutions. Because the PA was a construction of international institutions and was limited by external constraints of occupation, the authority had limited policy-making capacity. As the PA was a creation of the international community, it expectedly was dependent on international institutions for policy formulation. Particularly, the PA was dependent on economic policies that would guide the pseudo-state apparatus toward the domestic consolidation of hegemony with neoliberal values ensured by the social forces that were brought into the construction of the PA.

Industrial Estates

All projects through international institutions have enabled an environment for neoliberal development in some fashion; however, the most glaring reflection during the Oslo process was the creation of a free zones and industrial estates program. Industrial estates and free zones are specially designated customs and duty-free, export-processing zones that aim to attract foreign investment and facilitate joint ventures. They facilitate capital accumulation by creating enclaves of small-scale investor-friendly environments (low-cost labor, tax exemptions, few environmental regulations, advanced infrastructure, etc.) that guarantee few protections for local workers and the environment, but promise profits for international and domestic elite social forces. In the occupied territories, the industrial estates program represented a larger dynamic in the relationship between international institutions and Palestinian state formation during the Oslo process. The industrial estates were important development projects for international institutions that tried to isolate political variables from economic variables because they were an attempt to create "closure-free zones." The idea that development could proceed in isolated enclaves, while ignoring the larger political context of military occupation mimicked the larger thrust of international support for the Oslo process that ignored the necessity of a political process that would lead to a political settlement and a Palestinian state.

The economic justification for the development of industrial estates in the Palestinian territories was that they would solve the persistent problem of Palestinian unemployment, build confidence and mutual trust through economic linkages with Israeli businesses, and integrate the Palestinian economy into global markets. The "Law for Industrial Estates and Free Zones" and the "Law on the Encouragement of Investment" provided the main legal framework for establishing industrial estates and made clear that all incentives, exemptions, and privileges were offered to investors regardless of nationality (PNA, Palestinian Industrial Estates and Free Zones Authority, Law No. 10/1998; State of Palestine, Palestinian Investment Promotion Agency, Law No. 1/1998). The industrial estates encouraged foreign direct investment by offering financial incentives and exemptions such as goods imported and exported, profits earned, and buildings constructed were all exempted from customs duties and taxes. Capital invested, income generated, and foreign currencies could all be freely transferred and repatriated to home countries (PNA, Law No. 10/1998 Regarding Industrial Estates and Free Zones).

With the assistance of international institutions, particularly the World Bank, the Palestinian Industrial Estates and Free Zones Authority (PIEFZA) was created during the Oslo process, which allowed for a legal rubric for implementing industrial estates and free zones. PIEFZA managed the industrial estates and free zones program and provided "one stop shop" services for investors by coordinating all permits and licenses needed with relevant government agencies to begin production in the industrial estates. The entire concept of industrial estates and free zones in the occupied Palestinian territories—where neoliberal policies and purported economic development could flourish in isolated enclaves permitted by Israel—further institutionalized the very nature of the Oslo Accords and the subsequent process that became infamous for cantonizaton and foreign control.

Before the Oslo process, Israel had established one industrial estate—the Erez Industrial Estate, which was slightly north of the Gaza Strip. After the Oslo Accords were signed, the Israeli Minister of Industry and Trade, Natan Sharansky, and World Bank President, James Wolfensohn, sought to revive and expand the industrial estates program (Harris, 1996). The Gaza Industrial Estate (GIE) was developed during the Oslo process and was equipped with advanced infrastructure and service centers for conducting business.[4] Not coincidentally, the industrial estate was ceremonially opened in December 1998 when U.S. President Bill Clinton visited the Gaza Strip. President Clinton cut the ribbon at the then standing Gaza Airport and U.S. Commerce secretary, William Daley, did the same at the GIE site (Sandler and Maurer, 1998). The primary investors (elite social forces) in the GIE were the World Bank, USAID, European Investment Bank, Palestine Development and Investment Ltd. (PADICO), and the government of Israel. USAID, whose main function is a procurement agency for U.S. firms in the Palestinian territories, contracted a number of companies such as The Services Group, which has since been acquired by AECOM, Berger Group (now part of WSP), and Chemonics to design and build infrastructure and install high-tech scanners so that Israel would accept the goods as safe for export. Each of these private international development firms has development projects such as the construction of export-processing zones in other "emerging markets."

Industrial estates were an important mechanism for merging local social and economic forces led by the private sector in the Palestinian territories and Israel with the neoliberal ideological logic and international social forces of international institutions. PADICO (among others) became representative of the new Palestinian elite social forces that were arranging themselves in the contested neoliberal process of conceptualizing Palestinian state formation (Lagerquist, 2003). International estates also became "vehicles for transmitting the global market discipline to the domestic economy" and a space for international institutions to have influence over Palestinian economic relations with Israel and the rest of the world (Hoogvelt, 1997:134). They were packaged as an innovative model for economic development and a conduit for Palestinian economic integration into the global economy, similar to export-processing zones in other developing countries. Seen as "closure-proof," the industrial estates and free zone program not only attempted to ignore the context of Israeli occupation but further refashioned the impediments of economic development as an opportunity to globalize (Lagerquist, 2003:14). However, production in industrial estates was not for domestic consumption and as such has had few linkages with the rest of the economy. They have not proven to be effective engines of economic growth as there have been few "spillover" effects into the domestic Palestinian economy. Finally, industrial estates were quickly relegated from any notion of "closure proof" as the IDF frequently interfered with site development and imposed closure when the al-Aqsa intifada began in 2000.

[4]Current industrial estates include the GIE, the Jenin Industrial Free Zone, the Jericho Agro-Industrial Park, and the Bethlehem Industrial Estate. The development of the Tarqumiya Industrial Estate has been delayed numerous times and is still under construction; see Etyani (2018), Palestinian Industrial Estates and Free Zones Authority, "Industrial Cities," and Office of the Quartet (2018).

Conclusion

The terms and structure of the Oslo Accords clearly favored Israel and its state expansionist goals through various mechanisms such as its unilateral right to impose closure over discontinuous Palestinian enclaves while simultaneously expanding its population in the occupied Palestinian territories. Israel defends its right to prevent movement and access through the use of checkpoints or closure more generally in the name of temporary security measures, however, the regularity and extent of these restrictions represents an institutionalized policy of closure since that time. Designating certain "Areas" in Palestinian territories to be controlled by varying degrees of Palestinians *and* Israelis while concomitantly providing a pseudo-legal classification for Israeli settlements and their so-called natural growth in Palestinian territories implicitly showed international acceptance for Israeli occupation of Palestinian land, which has continued de facto fragmentation and deepening of Palestinian dislocation. Furthermore, the CU and revenue-clearance system as part of the Paris Protocol in the Accords privileged Israel's already industrialized economy and made PA funding partly dependent on Israel's willingness to remit money back to the Palestinians.

While international institutions had been involved in the Palestinian territories prior to the 1990s, most significantly the United Nations and its related agencies, the Oslo process opened the door for international intervention into the occupied territories and internationalization of a potential Palestinian state. During the Oslo process, international institutions tried to separate political and economic variables in hopes that economic development and a burgeoning PA apparatus would downplay the political and economic realities of Israeli occupation. Institutional development, particularly of the PA, and corresponding policies provided a legal and regulatory context for tangible development projects on the ground in the Palestinian territories. Trade liberalization, private sector investment, and public sector management through good governance principals were major areas of policy emphasis for international institutions during the Oslo period. Development projects during that time worked in collaboration with policy prescriptions to structure the conditions in Palestine along neoliberal lines and were a mechanism for domestic and international social forces to consolidate neoliberal hegemony. The compilation and complexity of aid coordination mechanisms to manage and implement donor funds has ensured a place for international institutions in defining Palestine and its development.

There is a consensus among international institutions and other international social forces about the conceptualization of a Palestinian state. Within this scheme, the political and economic structures and processes should be congruent with international norms toward neoliberalism. The recommendations and logic embodied in international institutions are guided by principles that are engineered within the capitalist development framework as designed by advanced, wealthy states and nonstate elite social forces. To this end, the proposed Palestinian state is supported, at least in theory, by every international organization working in the Palestinian territories. This should not be confused with the necessary negotiating of a political settlement between Israel and the Palestinians. Instead, what has clearly been implemented in the Palestinian territories is an ideology surrounding the "proper" way an emerging state should politically and economically develop. Because the political and economic architecture created under the auspices of Oslo granted very little space for Palestinians to develop independently and instead pointed toward a neoliberal hegemony in the conceptualization and configuration of Palestine, the process institutionalized the context from which the current inevitability of a potential Palestinian state derives.

Any hope surrounding the Oslo process, no matter how false it may have been, clearly had ended by the end of the decade. Negotiations between Israel and the Palestinians failed in 2000 at Camp David, Ariel Sharon was elected prime minister in Israel, and Palestinians commenced the al-Aqsa intifada in rejection of the configuration of Palestine that favored Israeli state expansionism and neoliberal global integration. Palestinians were reminded how salient their governance structures were to international intervention when Hamas democratically won a majority of seats in the Palestinian Legislative Council (PLC) elections in January 2006. The international community halted all aid and diplomatic contacts and Israel withheld clearance revenues that it was supposed to remit back to the PA as part of the Paris Protocol. The PLC elections in 2006 were the last to take place and since 2007, PLC activities have been suspended. Since that time, Palestinian President Mahmoud Abbas has been issuing laws by presidential decree. International donor funding did resume albeit in ways that has bypassed Hamas and rather has supported Palestinian social forces that have been agreeable to establishing the neoliberal condition in Palestine and any conceptualization of state formation.

International institutions have succeeded and failed, each in two ways, in fostering the neoliberal condition in Palestinian state formation. First, as argued in this article, international institutions have successfully entrenched the conceptualization of the neoliberal framework within Palestinian political economy through policies, projects, and funding. This occurs within sections of the private sector it benefits and through aid conditioning of aid-dependent sectors such as the public sector and civil society. Second, international institutions have been successful in garnering support for the idea of the status quo—refraining from violent confrontation with Israel and continuing donor aid, particularly in the form of salaries to underwrite consumer purchasing of services and goods (e.g., homes and automobiles). Although it is difficult to estimate this success, it is particularly evident in Palestinian urban areas such as Ramallah. In these ways, Israel *and* neoliberalism occupy Palestine.

However, while international institutions have been successful at entrenching the conceptualization of the neoliberal model into Palestinian political economy, they have not been successful at completely implementing the model. No matter how many policy reforms Palestinians carry out, the Israeli–Palestinian conflict is ongoing with Israel maintaining its military occupation over the Palestinian territories. At a minimum, this means that the Palestinian territories remain geographically fragmented and Israel maintains its complex and extensive system of closure through checkpoints, the separation wall, permits, etc. This leads to an instability in the abilities of Palestinian governance and market conditions, which contradicts the neoliberal model's own minimum standards for success. Even the World Bank (2007b) has repeatedly stated that Israeli imposed movement and access restrictions "…go beyond concrete and checkpoints to [form] a complex matrix of restrictive policies and administrative procedures that combine to stunt Palestinian economic growth" (4). Finally, while there is a segment of the population that acquiesces to the status quo, particularly for employment and income purposes, there is no evidence that Palestinian society overall accepts neoliberal state formation in Palestine. The al-Aqsa intifada, the results of the 2006 PLC elections, and ongoing everyday resistance are stark reminders of this reality.

The neoliberal values that international institutions have encouraged through policy recommendations and development projects do not create a Palestinian state, rather they are mechanisms for promoting the ideological route for Palestine, whatever the shape. In this way, international institutions have supported agreements, policies, and development projects that all have been counterproductive to the necessary political engagement that is needed to form a Palestinian state. Aid and neoliberal values cannot substitute for the political process necessary to bring an end to the conflict and justice to Palestinians. Even if Palestinians were granted a state to the ends promoted by international institutions and other social forces that celebrate neoliberal development, it is clear this process would be problematic in the least and would certainly not amount to the liberation Palestinians are seeking after decades of occupation. Supporting Palestinian self-determination requires a political process that results in a political settlement for Palestinians. Until that time comes, Palestine's internationalization will likely continue to intensify by international and domestic elite social forces configuring the neoliberal condition into the conceptualization of Palestine.

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