

**University of California, Berkeley**  
**Department of Economics**  
**Seminar in Economics 190 and**  
**Middle Eastern Studies 130**

**Israel and the Palestinian Economy in the West Bank and Gaza:  
Perceptions and Realities, 1967 – 2007**

**Prof. A. Arnon**  
**University of California, Berkeley**  
**Department of Economics**  
**Spring Semester, 2008**

**Office Hours: Wednesday, 1 - 3pm, Room 318, IRLE, Channing Way 2521**  
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**Overview:**

The seminar will focus on the Palestinian economy in the West Bank and Gaza since 1967. We will first discuss geographical and historical dimensions, briefly covering the British mandate (1919-1948) and the period of Egyptian and Jordanian rule (1948-1967). The main body of the course will then be devoted to the Israeli period.

We will cover political changes, demographic trends and in particular the economic links between the Palestinian and Israeli economies concerning trade, labor and finance. Discussion will address the Israeli policies that shaped those links and their impact on both the Israeli and Palestinian economies. We will analyze the 'adaptation process' (1967-1972), the period up to 1987 and then the first Intifada ('awakening' or 'revolt') of 1988-1993. The Oslo period, 1994 - 2000, will be discussed in depth and the Paris Protocol, which redefined the economic relations between the two sides in 1994, will be the focus of detailed examination.

The last section of the seminar will cover the second Intifada, starting in 2000; the economic crises that followed and the political changes. We will assess what options are open for structuring the relations between Palestinians and Israelis emphasizing the bilateral economic links, as well as the relations with the region and the Rest of the World.

**Requirements:**

- **You will benefit most from the class if you come prepared. You will be expected to read the required readings in advance of the weekly class meeting and hand in a brief written response to a question on the reading.**
- **Active participation in the weekly meetings.**
- **A mid term on key concepts covered in class and on the readings.**
- **A short presentation in class during the second part of the semester.**
- **A 10-15 pages seminar paper that may be based on the presentation.**

**Grade: 50% grade on seminar and presentation, 30% mid term exam, 20% active participation, including answers to the readings.**

## **Required and Recommended Readings:**

*Most readings are available in the packet. For those that are not available, I will make other arrangements. Required (\*); Highly Recommended (\*\*).*

### **Lecture 1:** Introduction – Geography, Demography and Economics: 1917 – 1948

Readings: Morris (1999): Introduction and Ch's 1 & 2 (\*\*)  
Said (1979): Introduction and part 1 (\*)  
Metzer (1998): Preface and Ch's 1 & 2 (\*)

### **Lecture 2:** Geography & Demography: 1948- 1967

Readings: Morris (1987/2004): Introduction, Background and Conclusion (\*)

### **Lecture 3:** The 1967 War: New Geo-Politics & The Economic Dimension

Readings: Morris (1999) Ch 7 (\*\*)  
Gazit (1985/1995): Ch 4 (\*)

### **Lecture 4:** Adaptation 1968-72 – Shaping the Economic Links

Readings: Arnon & Gottlieb (1995) (\*)  
Arnon et al. (1997): Introduction (\*), Ch 3 (\*)

### **Lecture 5:** From 1972 to the First Intifada: Labor, Trade, Capital and Growth

Readings: Arnon et al (1997) Ch's 4 (\*\*), 5(\*\*) and Epilogue (\*)  
Arnon and Spivak (1996)  
Schiff (2002) (\*)

### **Lecture 6:** The First Intifada: Economic and Political Aspects

Readings: Dessus and Ruppert-Bulmer (2003) (\*\*)  
World Bank (1993) vol. I: Introduction, Past developments & Prospects(\*)

### **Lecture 7:** The Oslo Process 1993-4 – The Paris Protocol

Readings: Declaration of Principles [DoP] (1993) (\*)  
Paris Protocol (1994) (\*)  
Elmusa and Jaafari (1995) (\*)

## **Mid Term**

**Lecture 8:** Missing the Permanent Agreement – Developments from 1993-2000

Readings: World Bank & MAS (1999) Ch's 1(\*) and 4 (\*)  
Symposium: Economic Aspects of the Israeli Palestinian Conflict:  
Cobham (2001), Fischer, Alonso-Gamo and von Allmen (2001),  
Arnon and Weinblat (2001) and Kanafani (2001) (\*\*).

**Lecture 9:** Reassessing Camp David 2000: Political and Economic Aspects

Readings: Meital (2006)  
Cobham and Kanafani (2004) Introduction (\*)

**Spring Recess**

**Lecture 10:** The second Intifada: Economic Aspects

Readings: World Bank (2002) Introduction (\*) and Executive Summary (\*)  
Keating (2005) Introduction (\*\*)  
Astrup and Dessus (2001) (\*\*)

**Lecture 11:** Between One & Two: Trade, Labor

Readings:

**Lecture 12:** Sovereignty and Economic Development

Readings: Arnon & Weinblat (2001) (\*)  
World Bank (2002) Chapters 1 and 2 (\*\*)  
Aix Group (2004) (\*)  
Arnon and Bamyra (2007) [Aix Group]: Introduction (\*), Ch 2  
Jerusalem (\*\*)

**Lecture 13:** Between One and Two: The Refugees

Readings: Abu Libdeh in Brynen and Roula (2007) (\*\*)  
Segev (2007) (\*)  
Arnon and Kanafani (2004) (\*\*)  
Fischbach (2006) Ch's 1 (\*), 6 (\*)  
Arnon and Bamyra (2007) [Aix Group]: The Refugees (\*\*)

**Lecture 14:** What are the Alternatives?

Readings: Arnon (2007) (\*)  
Naqib (2003)

**Lecture 15:** An Attempt at Perspective: Geography and Demography Once Again.

## Selected Reading List:

1. Abed, G.T. (ed.) (1988), The Palestinian Economy: Studies in Development under Prolonged Occupation, London: Routledge.
2. Arnon, A. and Gottlieb, D. (1995), "A Macroeconomic Model of the Palestinian Economy: The West Bank and the Gaza Strip 1968-1991." Bank of Israel Review, vol. 69, pp. 49-73.
3. Arnon, A. with I. Luski, A. Spivak and J. Weinblatt (1997), The Palestinian Economy: Between Imposed Integration and Voluntary Separation, Leiden: Brill.
4. Arnon, A. and Spivak A. (1996), "Monetary Integration between the Israeli, Jordanian and Palestinian Economies," Weltwirtschaftliches Archiv, 132 (2) pp. 259-279.
5. Arnon, A., Spivak, A. and Weinblatt J. (1996), "The Potential for Trade between Israel, the Palestinians and Jordan." The World Economy, vol. 19, pp. 113-34.
6. Arnon A. and Weinblatt J. (2001), Sovereignty and Economic Development: The Case of Israel and Palestine, The Economic Journal, 111, F291-F308.
7. Arnon, A (2007), "Israeli Policy towards the Occupied Palestinian Territories: The Economic Dimension 1967-2007", The Middle East Journal, 61(4), pp. 573-595.
8. Arnon A. and Bamya, S. (eds) [The Aix Group] (2007) Economic Dimensions of a Two-State Agreement between Israel and Palestine. See: [www.aixgroup.org](http://www.aixgroup.org)
9. Cobham, D and Kanafani, N. (eds) (2004), The Economics of Palestine: Economic Policy and Institutional Reform for a Viable Palestinian State, London: Routledge.
10. Declaration of Principles on Interim Self-Government Arrangements (1993) [Oslo Agreement]
11. Elmusa, S. and El-Jaafari, M. (1995), "Power and Trade. The Israeli Palestinian Economic Protocol", Journal of Palestine Studies, vol 24, pp. 14-32.
12. Fischbach, R. M. (2006), The Peace Process and the Palestinian Refugee Claims: Addressing Claims for Property Compensation and Restitution, Washington, D.C.: United States Institute of Peace Press.
13. Fischer, S. et. al. (1993), The Economics of Peace in Middle East, Cambridge: M.I.T Press.
14. Fischer, S. Alonso-Gamo, P. and von Allmen, E. U. (2001), "Economic Development in the West Bank and Gaza since Oslo", Economic Journal, 111, pp. F254- F275.
15. Hamed, O. A. and R. A. and R. A. Shaban (1993), "One-Sided Customs and Monetary Union: The Case of the West Bank and Gaza Strip under Israeli Occupation" in Fischer et. al. (1993), pp. 117-148.

16. Harris, L. (1988), "Money and Finance with Undeveloped Banking in the Occupied Territories", in G. Abed (ed.) The Palestinian Economy, London: Routledge.
17. Hausman, L.J. et. al. (1993), "Securing Peace in the Middle East, Project on Economic Transition", [The Harvard Report].
18. Fischbach, M. R. (2006), The Peace Process and Palestinian Refugee Claims: Addressing Claims for Property Compensation and Restitution, Washington D. C.: US Institute of Peace Press.
19. Gazit, S. (1985) The Carrot and the Stick: Israel's Policy in Judea and Samaria, 1967-1968, Tel Aviv, Zmora-Bitan. (English version, 1995, Washington DC: B'nai B'rith Books).
20. Jordan-PLO Economic Agreement, 7 January 1994, Journal of Palestinian Studies, vol. 23, pp. 135-137.
21. Keating, M, Le More, A. and Lowe, R (2005) Aid, Diplomacy and Facts on the Ground, London: Chatham House.
22. Kleiman, E. (1999), "Fiscal Separation without Economic Integration: Israel and the Palestinian Authority", in Razin, A and Sadka E. (eds) Economics of Globalization: Policy Perspectives from Public Economics, Cambridge: Cambridge University Press.
23. Metzger, J. (1998), The Divided Economy of Mandatory Palestine, Cambridge: Cambridge University Press.
24. Morris, B. (1987/2004) The Birth of the Palestinian Refugee Problem Revisited, Cambridge: Cambridge University Press.
25. Morris, B. (1999) Righteous Victims: A History of the Zionist-Arab Conflict, 1881-1999, New York: Alfred A. Knopf
26. [Paris Protocol] Protocol on Economic Relations between the State of Israel and the P.L.O. representing the Palestinian People, Paris, April 29, 1994 ( Appendix, Gaza-Jericho Agreement, Annex IV)
27. Said, E. (1979), The Question of Palestine, New York: Vintage Books.
28. Schiff, M. (2002), "Trade Policy and Labor Services: Final Status Options for the West Bank and Gaza", Development research Group, World Bank.
29. Segev, T. (2007), "The June 1967 War and the Palestinian Refugees Problem", Journal of Palestinian Studies, 143, pp. 6-22.
30. The Aix Group (2004) Economic Road Map, See: [www.aixgroup.org](http://www.aixgroup.org).

31. The Aix Group (2005) Israel and Palestine: Between Disengagement and the Economic Road Map, See: [www.aixgroup.org](http://www.aixgroup.org) .
32. World Bank (1993), Developing the Occupied Territories: An Investment in Peace", six volumes, Washington: The World Bank.
33. World Bank (1994), Emergency Assistance Program for the Occupied Territories", Washington, May 1994.
34. World Bank and MAS (1999), Development Under Adversity? The Palestinian Economy in Transition, I. Diwan and R. Shaban (eds), Washington: The World Bank.
35. World Bank (2002) Long Term Policy Options for the Palestinian Economy, Washington: The World Bank.
36. World Bank (2004) Disengagement, the Palestinian Economy and the Settlements (June).
37. World Bank (2004) Stagnation or Revival? Israeli Disengagement and Palestinian Economic Prospects (December) (Overview).
38. World Bank, (2005) The Palestinian Economy and the Prospects for its Recovery, Economic Monitoring Report to the Ad Hoc Liaison Committee, Number 1 (December).

**On-line resources and more links can be found at:**

World Bank site:

<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/MENAEXT/WESTBANKGAZ/AEXTN/0,,menuPK:294370~pagePK:141159~piPK:141110~theSitePK:294365,00.html>

The Israeli ministry of Foreign Affairs:

<http://www.mfa.gov.il/mfa/peace%20process/reference%20documents/>

The Palestinian NSU (Negotiations Support Unit):

<http://www.nad-plo.org/>

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**Packet Readings: in Replica Copy, 2138 Oxford St**

1. Metzer, J. (1998), The Divided Economy of Mandatory Palestine, Cambridge: Cambridge University Press, Ch's 1 and 2.
2. Said, E. (1979), The Question of Palestine, New York: Vintage Books, Introduction and Part 1.
3. Morris, B. (1999) Righteous Victims: A History of the Zionist-Arab Conflict, 1881-1999, New York: Alfred A. Knopf, Ch's 1, 2 and 7.
4. Morris, B. (1987/2004) The Birth of the Palestinian Refugee Problem Revisited, Cambridge: Cambridge University Press, Introduction, Background and Conclusion.
5. Gazit, S. (1985) The Carrot and the Stick: Israel's Policy in Judea and Samaria, 1967-1968, Tel Aviv, Zmora-Bitan. (English version, 1995, Washington DC: B'nai B'rith Books), Ch 3.
6. Arnon, A. and Gottlieb, D. (1995), "A Macroeconomic Model of the Palestinian Economy: The West Bank and the Gaza Strip 1968-1991." Bank of Israel Review, vol. 69, pp. 49-73.
7. Arnon, A. with I. Luski, A. Spivak and J. Weinblatt (1997), The Palestinian Economy: Between Imposed Integration and Voluntary Separation, Leiden: Brill, Introduction, Ch's 3, 4, 5, 6 and Epilogue.
8. World Bank (1993), Developing the Occupied Territories: An Investment in Peace", six volumes, Washington: The World Bank, Vol. I: Overview, Introduction, Past developments & Prospects.
9. Declaration of Principles on Interim Self-Government Arrangements (1993) [Oslo Agreement].
10. [Paris Protocol] Protocol on Economic Relations between the State of Israel and the P.L.O. representing the Palestinian People, Paris, April 29, 1994 ( Appendix, Gaza-Jericho Agreement, Annex IV).
11. Elmusa, S. and El-Jaafari, M. (1995), "Power and Trade. The Israeli Palestinian Economic Protocol", Journal of Palestine Studies, vol 24, pp. 14-32.
12. World Bank and MAS (1999), Development Under Adversity? The Palestinian Economy in Transition, I. Diwan and R. Shaban (eds), Washington: The World Bank, Ch's 1 and 4.
13. Cobham, D and Kanafani, N. (eds) (2004), The Economics of Palestine: Economic Policy and Institutional Reform for a Viable Palestinian State, London: Routledge, Introduction + Ch 2 Cobham & Bulmer-Ruppert.
14. Schiff, M. (2002), "Trade Policy and Labor Services: Final Status Options for the West Bank and Gaza", Development research Group, World Bank.
15. World Bank (2002) Long Term Policy Options for the Palestinian Economy, Washington: The World Bank, Executive Summary.

16. Arnon A. and Weinblatt J. (2001) Sovereignty and Economic Development: The Case of Israel and Palestine, The Economic Journal, 111, F291-F308.
17. Fischbach, R. M. (2006), The Peace Process and the Palestinian Refugee Claims: Addressing Claims for Property Compensation and Restitution, Washington, D.C.: United States Institute of Peace Press, Ch's 1 and 6.
18. Keating, M, Le More, A. and Lowe, R (2005) Aid, Diplomacy and Facts on the Ground, London: Chatham House, Introduction.
19. Arnon, A (2007), "Israeli Policy towards the Occupied Palestinian Territories: The Economic Dimension 1967-2007", *The Middle East Journal*, 61(4), pp. 573-595.
20. Segev, T. (2007), "The June 1967 War and the Palestinian Refugees Problem", Journal of Palestinian Studies, 143, pp. 6-22.