

Palestine in the Middle East: Opposing Neoliberalism and US Power - Part 1

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Contents

- [Neoliberalism in Palestine](#)
- [A 'Culture of Entitlement'?](#)
- ['Development' and the Industri](#)
- [The May 'Palestine Investment](#)

Over the last six months, the Palestinian economy has been radically transformed under a new plan drawn up by the Palestinian Authority (PA) called the Palestinian Reform and Development Plan (PRDP). Developed in close collaboration with institutions such as the World Bank and the British Department for International Development (DFID), the PRDP is currently being implemented in the West Bank where the Abu Mazen-led PA has effective control. It embraces the fundamental precepts of neoliberalism: a private sector-driven economic strategy in which the aim is to attract foreign investment and reduce public spending to a minimum.

Understanding the logic of this economic framework is critical to assessing the current juncture of the Palestinian struggle. The neoliberal vision underpinning these policies is a central corollary to the political direction promoted by the Israeli government, the Palestinian Authority (PA) and their US and European Union (EU) supporters. The aim, as the first part of this article explains, is to formalize a truncated network of Palestinian-controlled cantons and associated industrial zones, dependent upon the Israeli occupation, and through which a pool of cheap Palestinian labour is exploited by Israeli, Palestinian and other regional capitalist groups. The evolving institutional framework for the Palestinian economy not only incorporates the Israeli occupation into the way 'development' is conceived, but also acts to foster the culpability of Palestinian political and economic elites for how these structures operate.

Such an analysis, however, is only part of the story. The second part of this article argues that these changes in the West Bank and Gaza Strip cannot be fully understood without an appreciation of the regional framework of the Middle East. Over the last two decades, and particularly accelerating under the Bush administration, the US has pursued a policy of integrating its bases of support in the region within a single, neoliberal economic zone tied to the US through a series of bilateral trade agreements. This vision is aimed at promoting the free flow of capital and goods (but not necessarily labour) throughout the Middle East region. The region's markets will be dominated by US imports, while cheap labour, concentrated in economic 'free' zones owned by regional and international capital, will manufacture low-cost exports destined for markets in the US, EU, Israel and the Gulf.

A central component of this vision is the normalization and integration of Israel into the Middle East. The US envisions a Middle East resting upon Israeli capital in the West and Gulf capital in the East, underpinning a low wage, neoliberal zone that spans the region. What this means is that Israel's historic destruction of Palestinian national rights must be accepted and blessed by all states in the region. In the place of real Palestinian self-determination (first and foremost the right of return of refugees), a nominal artificial state will be established in the dependent islands of territory across

the West Bank and Gaza Strip. This goal is an essential pre-requisite of US strategy in the region. Our political activities must be informed by this understanding if we are to successfully build effective solidarity movements to confront and turn back this project.

Neoliberalism in Palestine: The Reform and Development Plan

On 17 December 2007, at a one-day conference in Paris, over 90 international representatives from various countries and donor organizations gathered to pledge their support to the Palestinian Authority government headed by President Mahmoud Abbas (Abu Mazen) and Prime Minister Salam Fayyad. The conference was the largest of its kind since 1996, and was chaired by the French and Norwegian governments, Tony Blair (as representative of the Middle East Quartet), and the European Commission. Following speeches by various EU member states, the Palestinian Authority, the International Monetary Fund, and the Israeli government, attendees at the conference pledged over US\$7.7 billion to the PA.

The main impetus for this conference was an attempt to garner financial support for a new PA economic strategy called the Palestinian Reform and Development Plan for 2008-2010 (PRDP). Based upon a detailed series of proposals written by the World Bank and other international financial institutions, the broad outlines of the PRDP were first presented in November 2007. Since that time it has become the guiding framework for economic policy, particularly in the West Bank areas where the Abu Mazen-led PA has effective control.

The first thing to note about the PRDP is that the heavy hand of the World Bank, the International Monetary Fund and other neoliberal institutions such as the British Department for International Development (DFID) can be clearly seen in its policy recommendations and outlook. The argument behind the PRDP is explicitly neoliberal, calling on the PA to undertake a series of fiscal reforms in order to foster an “enabling environment for the private sector” as the “engine of sustainable economic growth”. Palestinian grassroots organizations have gone so far as to describe neoliberal financial institutions as “a de facto ‘shadow government’ in the West Bank, dictating the development programme of the Salam Fayyad government.” [1]

What does the PRDP actually mean for Palestinians on the ground? As the name suggests, there are two main policy components to the PRDP: ‘reform’ and ‘development’. The reform component commits the PA to a program of fiscal tightening that exceeds measures imposed by the IMF and World Bank on any other state in the region. There are three key elements to this program.

First, in probably the harshest attack on any public sector in the Middle East in recent history, the PA has committed to cut 21% of jobs in the public sector workforce by 2010. Nearly 40,000 people will lose their jobs through this mass layoff. [2]

Second, the PA has pledged not to increase any public sector salaries over the next three years. In an environment of very high levels of inflation (11% in the year to March 2008) and rapidly rising food and energy prices, this wage freeze is a recipe for disaster for the average person in the West Bank and Gaza Strip.

Finally, a further key component of the PRDP is the requirement that citizens present a ‘certificate of payment’ of utility bills in order to receive any municipal or government services. This measure will have a dramatic impact on the poor, as the subsidization of electricity and water bills (i.e. allowing these services to continue despite the non-payment of bills) was a central means of survival for millions of people in an environment of rapidly spiraling poverty levels. This new measure means that individuals applying for various services – including requests for ID cards, car licenses, building

permits etc – will be denied if these debts are outstanding. Public sector employees will have utility debts docked from their salaries.

International financial institutions place such a high priority on the PRDP that virtually all donor support to the Palestinian Authority – including the \$7.7 billion earmarked at the Paris Conference – is contingent on its implementation. To ensure this compliance, a new bank account called the PRDP Trust Fund has been established through which international support to the PA will flow. This account is headquartered in Washington D.C. and managed by the World Bank. The Bank has explicitly stated that disbursements through this account are based upon “assessment of the progress of implementation of the PRDP.” [3]

A ‘Culture of Entitlement’?

To fully comprehend the impact of the PRDP measures they need to be placed in the context of the existing economic situation in the West Bank and Gaza Strip (WB/GS). During the period 1999-2007, Palestinian GDP per capita declined by approximately two-thirds and personal savings were wiped out as a result of Israeli attacks on Palestinian areas. These are the worst levels of poverty ever witnessed: around three-quarters of households in Gaza and well over half in the West Bank now live in poverty. [4]

In addition, over the last 15 years there has been a significant shift in the structure of the Palestinian labour force that further compounds the effect of these policies. Israel has reduced its reliance on Palestinian labour in areas such as construction and agriculture, replacing these workers with migrant labour from regions such as Asia and Eastern Europe. As a result, employment by the PA has become a key means of survival for Palestinians in the WB/GS. Around 1/5 of Palestinian workers in the West Bank and Gaza Strip are employed by the PA in sectors such as education, health, security, and municipal affairs. In an environment of increasingly high dependency ratios (an average of 5.3 people were dependent on each employed person in 2007), nearly 1 million people rely upon wages garnered from public sector employment. [5]

On 5 February 2008, soon after the announcement of the PRDP fiscal measures, public sector workers launched a strike. In addition to protesting the wage cuts and the ‘certificate of payment’, workers called for an increase in the ‘travel expenses’ component of their salaries because of rising costs of travel (a result of Israeli military checkpoints and fuel price increases). [6]

The strike was largely unsuccessful, however, in turning back implementation of the PRDP. One of the main reasons for this is the fact that public sector workers in the West Bank (and their trade union representatives) are traditionally tied to Fatah, the ruling party that dominates the Palestinian Authority and is responsible for the PRDP. Because of this relationship, strikes and other labour actions tend to be curtailed in the name of political expediency. [7]

Nevertheless, the strike did indicate the widening chasm between the Palestinian Authority’s neoliberal trajectory and its ever-weakening claim to national liberation. One of the starkest indications of this was the language employed by the PA leadership in reference to the PRDP’s proposed ‘certificate of payment’. Repeatedly throughout the strike, prominent PA representatives took to condemning public sector workers and the poor for their supposed “culture of non-payment” and “sense of entitlement.”

It needs to be clearly understood that the Palestinian population in the WB/GS has no control over basic services such as water, electricity and telephone access. As a result of the system of control established by Israel in these areas, all of these utilities are supplied by Israeli companies through

Palestinian interlocutors. The bill a customer receives for electricity may be written in Arabic, but the service is ultimately sourced from an Israeli company (with the exception of a small amount of electricity generated in the Gaza Strip).

Because of this relationship, the PRDP 'certificate of payment' essentially means that the PA has taken on the role of debt collector for Israeli companies, choosing to target the poorest layers of the community in order to sustain the structures of occupation. Even worse, the neoliberal language adopted by the PA blames millions of people living under never-before seen conditions of poverty for attempting to find ways to survive.

South African activist, Salim Vally, has recently noted that neoliberal municipal governments in South Africa use the same language of a "culture of entitlement" to describe the failure of poor township residents to pay new user-fees. Indeed, in a striking confirmation of the similar trends at play in both countries, Vally reveals that a few years ago, officials from the South African Cape Town municipal government awarded a visiting Palestinian delegation (including chief PA negotiator Saeb Erekat), a supply of pre-paid water meters as part of the drive to encourage the imposition of user fees. The PA has pledged to install these types of meters as part of the PRDP. [8]

By gutting 1/5 of the labour force, imposing a wage freeze as prices skyrocket, and compelling the poor to immediately pay millions of dollars in debt, the PRDP will have a savage and unparalleled impact on the population. These neoliberal measures will undoubtedly open significant fissures within the different political forces and social movements over the coming period. But key to any effective response is an understanding that the PRDP is not solely a deliberate attempt to impoverish the population. Rather, it aims at complementing the second component of the PRDP: its particular model of 'development.'

'Development' and the Industrial Zone Model

Alongside the fiscal measures discussed above, the PRDP promotes a series of development projects that have been heavily backed by the US, EU and the Israeli government. An essential pre-condition of this development model is a large pool of desperate, poverty-struck Palestinian workers, who are willing to accept the jobs envisaged under this type of development. This is the intersection between the 'reform' and 'development' components of the PRDP.

The PRDP development model aims at utilizing cheap Palestinian labour in industrial zones and parks, located at the edges of the patchwork of Palestinian territories in the West Bank. Under this vision, Israeli, Palestinian and regional capital will cooperate (under the banner of 'peace') within these industrial zones to take advantage of very low Palestinian relative wage costs. While some of this production will involve traditional low value-added sectors such as textiles, some zones will focus on complementing high tech sectors of the Israeli economy where a well-educated Palestinian labour force can offer low-wage alternatives. The goods produced will be exported to the US, the EU and the Gulf states. The Palestinian Authority will play the role of policing the several million-strong reserve army of labour locked behind the walls and checkpoints of the Palestinian territories. In return, the PA leadership will wield the trappings of a state, obtain for itself the privileges to travel and move freely, and earn a stake in the profits that flow from the zones.

The first stage in this scheme focuses on the West Bank where the government of Abu Mazen and Salam Fayyad wields power and is able to implement this vision with the support of the Israel. A series of industrial zones are planned for areas near Jenin, Nablus and Tarqumiya (near Hebron). Although the exact details of these zones have been kept under wraps, institutions involved claim that the initial phase is expected to directly employ around 40,000 workers with a similar number of

jobs created 'indirectly' outside the zones. [9] If these plans come to fruition they will have a major impact on the structure of Palestinian labour in the West Bank: just under 20% of jobs in the West Bank will be tied in some way to these industrial zones.

Inside these zones, Palestinian and Israeli labour laws, wage levels, environmental regulations, or other workplace conditions will not apply. Movement in and out of the areas will be controlled by the Israeli military and Palestinian security forces. Presumably, if Israel's typical pattern of movement control applies, workers will need to pass stringent security checks in order to obtain necessary work permissions. In this way, the ability to work becomes dependent upon complying with Israeli military orders (over 11,000 Palestinians are currently held as political prisoners for violating these military orders). The main trade union body in the West Bank and Gaza Strip, the Palestinian General Federation of Trade Unions (PGFTU), has not been given the right to represent workers in the industrial zones.

Plans for the Tarqumiya zone would appear to confirm this prognosis. Turkey will be the major partner and financier of factories in the zone and will control internal security. The PA and Israel will control external security from their respective sides. Turkish sources expect around 200 factories to be established in the zone, employing around 10,000 Palestinians. Turkish business representatives explicitly note that in a global environment of low-cost Chinese goods, zones such as Tarqumiya will assist the relocation of Turkish industry across the region to take advantage of cheap labour. They also intend that the goods produced in the zone would be exported to the US, EU and the Gulf states. [10]

In addition to the exploitation of cheap labour, these zones serve to normalize and legitimate the existing structures of the occupation. A clear example of this is shown by the case of the Jenin Industrial Estate (JIE). The land for the JIE has twice been confiscated from Palestinian farmers: in 1998 when the PA first mooted the idea for the industrial zone, and then once again in 2003, when the Israeli military confiscated the land as part of construction for the Apartheid Wall 'buffer-zone.' [11] Indeed, in a striking example of how this model of development is integrated with the structures of the occupation, the Wall will form the northern border of the JIE.

The centrality of the industrial zone 'development' model to the US, Israel and the PA was confirmed at the end of March 2008 during a visit of US Secretary of State Condoleezza Rice to the region. On 30 March, at a meeting convened between Rice, Israeli Defence Minister Ehud Barak, and PA Prime Minister Salam Fayyad in Jerusalem, the establishment of industrial zones was a major topic of discussion. At the meeting, Israel agreed to facilitate the establishment of Tarqumiya and presented it as a 'confidence building' measure. The Tarqumiya project has also been heavily promoted by Quartet Representative Tony Blair as one of the four so-called 'Quick Impact' projects tied to the implementation of the PRDP.

The May 'Palestine Investment Conference'

As the March meeting between Rice, Barak and Fayyad indicated, the construction of zones such as Tarqumiya and the JIE is a high priority of current political negotiations. Another component of the tripartite meeting was a discussion of how Israel would help to facilitate a 'Palestine Investment Conference', convened in Bethlehem from 21-23rd May. This conference unquestionably confirmed the neoliberal trajectory of the Palestinian Authority and the integration of the Israeli military occupation into its development model.

Over 1000 delegates attended the conference, including all of the key figures in the Palestinian Authority (Abu Mazen, Salam Fayyad and other key ministers were present). [12] It brought together

the wealthiest Palestinian capitalists from outside the country (particularly North America and Europe) as well as regional Arab capital groups from Jordan, the Gulf and elsewhere. The conference was sponsored by the main Palestinian business groups active in the West Bank and Gaza (including the Arab Bank, Bank of Palestine, Paltel, Consolidated Contractors Company, Arab Palestinian Investment Company); large foreign capital (CISCO, Intel, Coca Cola, Marriott Hotels, Booz Allen Hamilton); and US and European governmental organizations (USAID, DFID, and the French Development Agency).

The main aim of the conference was to showcase the neoliberal attacks on the public sector implemented by the PA under the PRDP, holding these up as 'good for business' and an attractive reason to invest in Palestinian areas. In addition to the industrial zones discussed above, several projects were promoted throughout the conference that aimed at bringing together Arab and Israeli capital in joint investments. Israeli businesspeople were encouraged to attend, although this fact was not widely publicized due to the opposition of the Palestinian public to these types of joint projects.

One of the projects highlighted during the conference was the 'Corridor for Peace and Prosperity' (CPP), which aims to create an agro-industrial zone in the fertile areas of the Jordan Valley. For centuries the Jordan Valley has been a key agricultural area for Palestinian farmers in the West Bank. But following the occupation of the area in 1967, the Israeli military proceeded to evict many of these farmers, confiscate land, and establish Israeli settlements (first as military-agricultural settlements and then as Israeli agribusiness and civilian settlements). By controlling water, access routes and other resources, the land essentially became an Israeli military zone although scattered Palestinian villages remained in the area.

The CPP aims to establish a free trade agricultural zone in the area that will turn the small-scale Palestinian farmers into day-labourers and sub-contractors to large agro-industry controlled by Israeli and regional capital. [13] In other words, not only does the CPP consent to the occupation and expropriation of land that has taken place over the last 40 years in the Jordan Valley, it actually aims to integrate this occupation into the project itself. The agricultural produce grown as part of the CPP will do nothing to alleviate concerns of food security in the area: the produce is intended for export to Israel and the Gulf states.

One final indication of the relationship between the structures of occupation and the neoliberal development model was the support given by the Israeli military to the conference itself. While everyday residents of Bethlehem are unable to move without elaborate security procedures, special colored ID cards and dedicated checkpoints, conference attendees entered the country and were granted the right to travel without harassment or any security checks at Israeli borders. Despite the fact that over 200 Palestinians in the Gaza Strip have died in the last year due to the Israeli-imposed siege and inability to travel for urgent medical treatment, Israeli authorities permitted Gazan businessman to attend the conference. A sign erected by the Israeli military at the entrance to Bethlehem welcomed people to the conference. The sign was written in Arabic, Hebrew and English and was emblazoned with the logos of the Israeli military occupation.

It should be stressed that the conference did not pass without strong opposition from grassroots forces within the West Bank and Gaza Strip. A statement put out by the Boycott, Divestment and Sanctions National Committee, and endorsed by a wide array of political forces, stated:

"Economic and social development in Palestine is crucial, and it is imperative that we should take steps to improve the current economic and political situation. However, despite the ongoing national and international conferences designed to bring together the national efforts and resources; and despite the support of international solidarity, we believe that the economic conference that will

be held in Bethlehem over the next few days, with the attendance of official and non-official Israeli representatives, has a serious political implications that cannot be ignored.... The proposed projects take as their starting point Israeli participation in decision-making, and Israeli control over their legal status... [they] are designed to meet the economic demands of the Israeli administration, not those of the Palestinian people.... These are not the development projects we want or need. What we require is a national Palestinian conference with Arab and international support for strengthening Palestinian steadfastness and as a step toward ending the dependency on the occupation and its economy." [14]

In sum, the PRDP fiscal measures and their allied development projects will in no way contribute to ending the Israeli occupation of the West Bank and Gaza Strip. In reality, these measures will only act to strengthen that occupation by conferring it the supposed legitimacy and blessing of the Palestinian Authority leadership. The vast majority of the population in these areas will find their living conditions worsen as a direct result of these plans. But while the PRDP and events such as the Investment Conference stand as a damning indictment of the trajectory of the Palestinian Authority, the forces driving this type of neoliberal vision do not simply result from corruption, infighting, or mistaken strategic choices. Rather, they are embedded within the overall US-led economic reconfiguration of the Middle East. The second part of this article explores this critical regional process and the place of Palestine within it.

Adam Hanieh

Notes

1. Stop the Wall, "National BDS Steering Committee: Bethlehem investment conference: development or normalization," at www.stophthewall.org.
2. The PA attempts to obfuscate this mass layoff by claiming that those losing their jobs were not 'legally appointed.' Regardless of the hiring procedures, this will have an enormous impact on those relying upon this employment for survival. See Palestinian National Authority, "Building a Palestinian State: Towards peace and prosperity," p.14, www.imeu.net/engine/uploads/pna-full-report.pdf.
3. World Bank, Trust Fund Details - as of June 2008, www.worldbank.org.
4. Karen Laub, "IMF: Palestinian Reform Plan Doable", Associated Press, 11 December 2007.
5. Statistics on labour force and dependency ratios available from Palestinian Central Bureau of Statistics, at www.pcbs.gov.ps.
6. Amira Hass, "Democratic Suspicion", Haaretz, 6 February 2008.
7. A similar dynamic was revealed during the last significant strike over 10 years ago, when Palestinian teachers sought to win higher wage levels. This 1997 strike was initiated and led by a grassroots committee of teachers who bypassed the traditional union structures allied to Fatah. It was met with severe repression that saw dozens of teachers arrested by the Palestinian Authority. Industrial action by teachers continued off and on until 2000, when the onset of the Palestinian uprising ended organizing attempts in the name of "national unity."
8. Salim Vally, "From South Africa to Palestine: Lessons for the New Anti-Apartheid Movement," Left Turn Magazine.
9. See the Palestinian Industrial Estates and Free Zones Authority, www.piefza.org.

10. Guven Sak, "The Challenge of Developing the Private Sector in the Middle East," The Economic Policy Research Foundation of Turkey, May 2, 2008.
 11. Stop the Wall, "Development or normalization? A critique of West Bank development approaches and projects", at www.stophewall.org.
 12. See the conference website at www.pic-palestine.ps for the conference attendees, press coverage, and presentations.
 13. See "Development or normalization?", op cit, for a full critique of this project
 14. Stop the Wall, "National BDS Steering Committee: Bethlehem investment conference: development or normalization", www.stophewall.org.
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Continue to part 2 [Palestine in the Middle East: Opposing Neoliberalism and US Power - Part 2](#)

P.S.

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