



The Economy of the Occupation

Parts 4 & 5

The Gaza Withdrawal - Winners and Losers

Shir Hever



The Alternative Information Center

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The Alternative Information Center (AIC)

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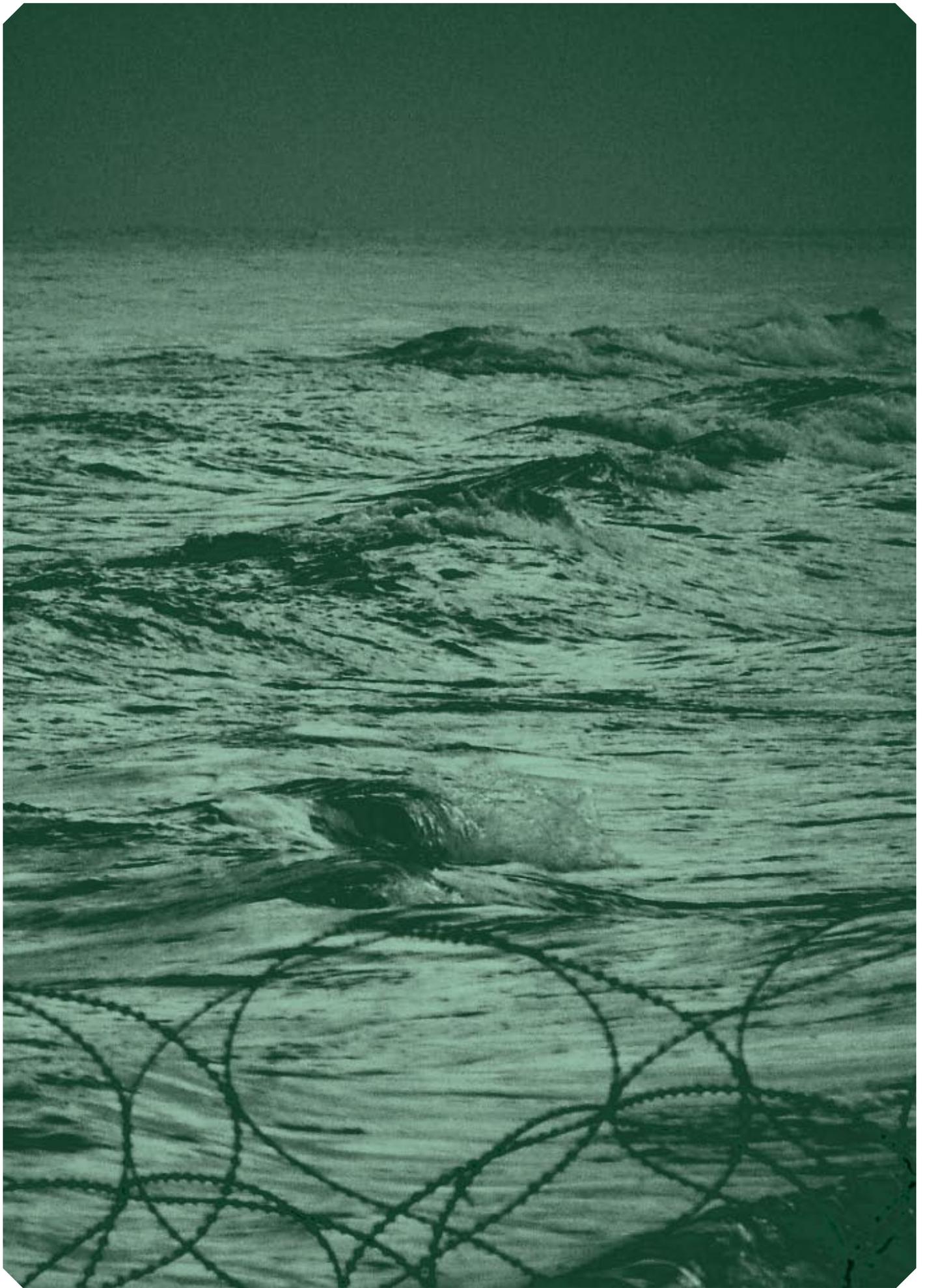
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The sea shore in Gaza, Photograph by Sergio Yahni (2005)

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“ WE ARE DISENGAGING, BUT NOT SEPARATING. WE ARE BOUND TO LIVE TOGETHER ON ONE LAND AS NEIGHBORS, AND THEREFORE WE MUST COOPERATE ”

– Abu Mazen¹

In August-September 2005, Israel unilaterally withdrew its forces from the Gaza Strip and evacuated the settlements it had built there. A great deal has been written on this move from many angles. This bulletin will attempt to discuss the economic implications of the withdrawal, and to point out who benefited from it and who was harmed. The analysis is based mainly on sources from the Israeli media.

1. Historical Background

a. History of the Gazan Settlements

The settlements in Gaza were built in violation of the Geneva Convention. Shortly after the occupation of 1967, Israel acknowledged that the Fourth Geneva Convention applied in the OPT (Occupied Palestinian Territories), yet it chose to disregard Chapter Forty-Nine of the convention, which clearly states that an occupying country may not settle its own citizens in occupied territory.²

Graph 1 shows that the settler population increased dramatically between 1983

and 1992 – the years of the right-wing governments of Menachem Begin and Yitzhak Shamir³ and continued to rise until 2002. While the government did not force Israelis to move into Gaza, for decades Israel gave special incentives to settlers in the Gaza Strip (see below). Although many of the Jewish settlers came from peripheral towns in Israel where poverty and unemployment ran rampant, their standard of living quickly improved after moving to the settlements. This resulted from the accumulation of property through government aid and the opportunity to exploit cheap Palestinian labor.⁴³

The settlements were built in strategic locations to ensure Israeli control over the largest possible area. The best agricultural land and many water sources were confiscated. The settlers comprised about 0.5% of the total population in Gaza, yet they controlled 20% of the land and all of the water in the Gaza Strip.⁵

For the Palestinians, the settlements became a source of suffering. Since the first Intifada, over 300 Palestinians died in the area of the isolated settlement of Natzarim

alone, which was built in the middle of a refugee camp populated by some 200,000 refugees. These refugees were constantly harassed and persecuted by the settlers and the army. Overall, some 2,600 Palestinians and 230 Israelis were killed in the Gaza Strip since its occupation.⁶

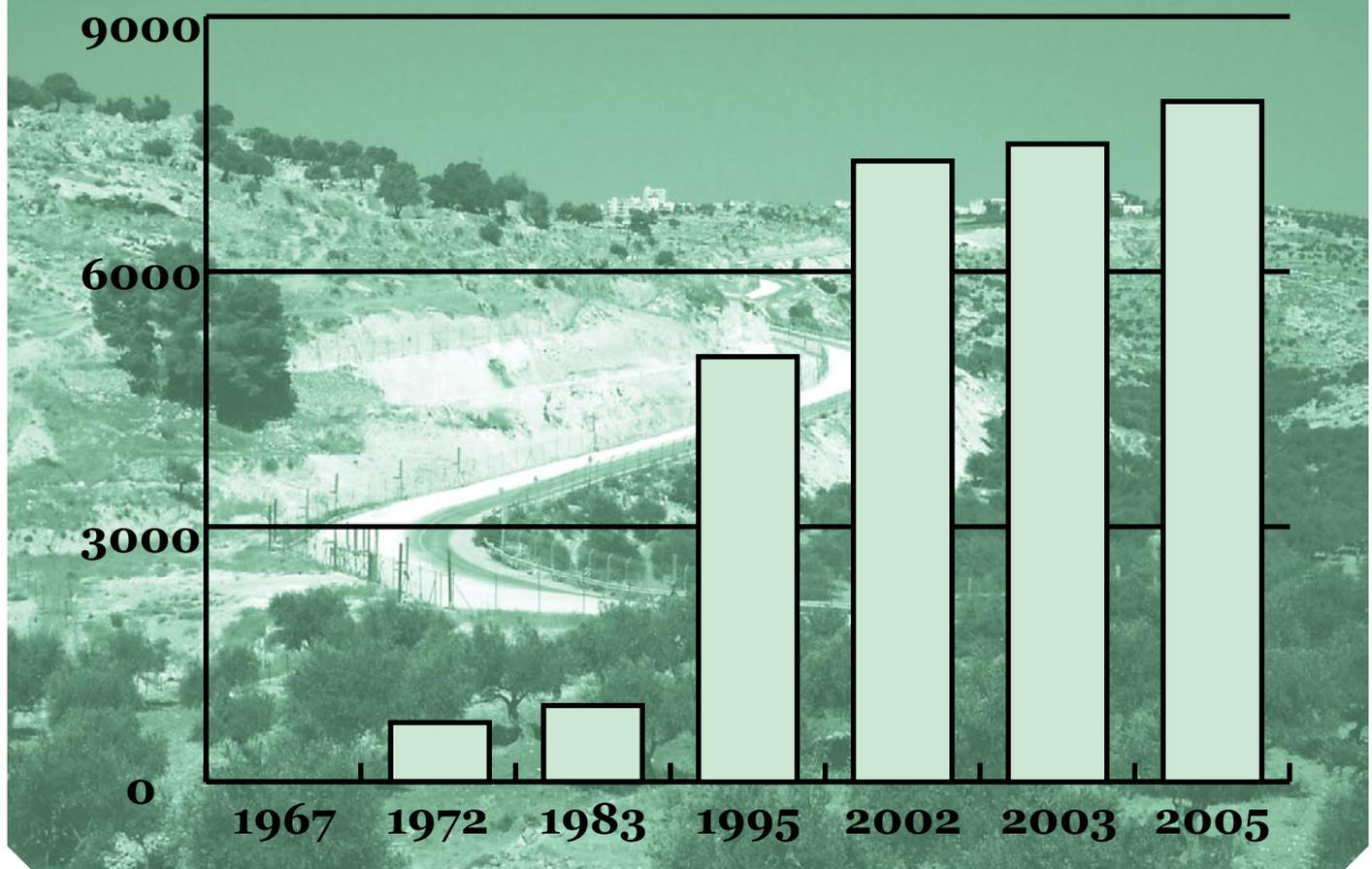
Since the second Intifada, over 7,900 homes were destroyed and over 30,000 Palestinians were uprooted from their homes in the strip to allow for the expansion of the settlements and ever-growing “sterile zones” around them (“sterile” is the Israeli army term indicating “free of Palestinian presence”). Agricultural lands were also destroyed on a massive scale, and the Gazan

fishing industry was almost entirely shattered by bans on fishing and by attacks on fishing boats.⁷

As an occupying power, Israel is responsible for the well-being of the people of Gaza. However, in marked contrast to the development efforts made for the settlements, Israel left the Gazan economy, health system and education system thoroughly neglected. For decades, Gazans were forced to rely on the old service system that existed prior to the occupation, and on second-rate goods bought from Israel.⁸

The elaborate control mechanisms utilized by Israel and the harsh living conditions in the strip allowed Israel to use Gaza

Graph 1: Settlers in Gaza



Photograph by Allison Monroe (2003)

as a prison – a place to send Palestinians deported from the West Bank for pursuing political action deemed undesirable to Israel.⁹

The evacuation of Gaza is the second evacuation of illegal settlements built after 1967. When the Sinai Peninsula was handed back to Egypt, Israel evacuated the Yamit settlements. Many of the people evacuated from Yamit moved to Gaza, and established a settlement by the name of Atsmona, named after one of the former Yamit settlements. The settlers received large compensation payments authorized by Begin, then prime minister, so as to ensure that the evacuation will go smoothly. The payments were consequently viewed as exorbitant.¹⁰

b. The Situation Prior to the Withdrawal

The settlement in Gaza involved intensive government intervention, but very little government supervision. The government kept a blind eye on the settlers, providing all the services required but avoiding any official count of their actual numbers, mainly to evade internal and international criticism. As the withdrawal was announced, 1,120 families were estimated to live in the Gaza Strip settlements. However, within two months it became evident that there were actually 1,600 settler families, an increase of over 60% above the initial estimate. One reason for this increase was that the government failed to monitor the

Over 7,900 homes were destroyed and 30,000 Palestinians were uprooted from their homes

population in the settlements. The other reason was that many families came to Gaza as soon as the withdrawal was announced – either to resist the evacuation or in order to demand compensation payments. Nevertheless, the settlers remained a very small group compared with the 1.5 million Palestinians living in Gaza in conditions of severe overcrowding.¹¹

The settlers maintained an extensive economic infrastructure. Most of the economic activity revolved around agriculture (because the confiscated land and water came cheap), but some 150 non-agricultural businesses also operated in the settlements in addition to about 200 businesses in the Erez checkpoint industrial area adjacent to the northern border of Gaza. Eighty of these businesses were directly owned by Israelis, and had a turnover of about US \$89 million annually. The other businesses in the Erez checkpoint were either owned by Palestinians or international businessmen.¹²

The blind eye of the Israeli authorities kept the immigration police out of the Gazan settlements, and allowed the settlers to hire labor immigrants without permits. The settlers only called the police when they wanted to deport the workers, sometimes in order to avoid paying them.¹³

Annual spending per settler was US \$18,000 higher than the average spending on average citizens

Exploiting Palestinian labor in the settlements was also relatively easy. Before the withdrawal, Israel issued some 15,000 work permits that allowed Palestin-

ians to seek employment in Israel proper. But restrictions on Palestinians' freedom of movement allowed only approximately 500 of these permits to be used each day. The high unemployment in Gaza therefore pushed many Palestinians to work in the settlements.¹⁴

Prior to the evacuation, the settlers had employed 3,200 Palestinian workers and 800 labor immigrants. This means that there were more than half as many laborers as settlers – every family had on average 1.5 workers. These workers all lost their jobs, and none of them got any compensation.¹⁵

As for the state of the Palestinian population prior to the withdrawal, the Israeli Information Center for Human Rights in the Territories (B'Tselem) report of March 2005 claimed that 77% of Gazans live under the poverty line – double the number of poor before the second Intifada. Twenty-three percent suffer from “deep poverty”. The report accuses Israel of keeping the Gaza Strip in a strangle hold.¹⁶

c. The Withdrawal

The occupation, which started with a six-day long war, supposedly ended with six days over which the settlers were evacuated.¹⁷

Understanding this withdrawal entails remembering that the Gaza Strip comprises

6% of the total area of the OPT but is home to 36% of its population. During the withdrawal, Israel evacuated a small and overcrowded territory.¹⁸ Within Israel, the resistance to the withdrawal was widespread. The evacuation was portrayed in the media as a national tragedy, and the grief of the evacuated settlers became the story of the hour (see section 4.b) To put this grief in context, it is useful to remember that over 2,000 families are evacuated from their homes annually over unpaid debts.¹⁹

DAMAGES CAUSED BY THE SETTLERS

The government spent millions of shekels dealing with the demonstrators, and the army doubled its call for reserve soldiers for the evacuation. Settlers damaged bulldozers and military vehicles, glued locks shut and sabotaged ATM machines all across Israel. The damages are estimated in millions of dollars, but there were no reliable totals as of this writing.²²

Just as the evacuation started, a settler from Shavot Rahel in the northern West Bank murdered four of his Palestinian workers. The Palestinians decided not to retaliate for the murder, fearing that Israel will call off the withdrawal.²⁰

Despite the worries that the settlers will use violent resistance against the soldiers as well, the evacuation went as planned. Israel deployed over 50,000 soldiers and thousands of policemen to evacuate just 8,000 people, and tried to turn the withdrawal into a sensational media event; in reality, the settlers were evacuated peacefully.²¹

Israel also nominally evacuated a small area in the northern West Bank, including the settlements of Kadim, Ganim, Sa-Nur and Homish. This evacuation entailed confiscating 2,000 dunams (a dunam is 1,000 square meters) of Palestinian land in the area to establish a military base for the evacuation. However, after the settlers

departed the military base remained, so no real withdrawal took place there.²³

The Settlement Project Continues

Although many believe that the withdrawal from Gaza is a first step toward reducing the size and number of settlements built on Palestinian land, political analysts suggest that the withdrawal was never intended to have that effect. The government in fact planned to move the settlers from Gaza to the West Bank, which was one reason for withdrawing unilaterally. However, many of the settlers preferred to remain close to the Gaza Strip and to maintain their connections with people and communities near the border. In

the end, about 20% of the evacuees moved to West Bank settlements.²⁴

The massive land confiscation that accompanied the withdrawal in the northern West Bank is another example of this policy. A building initiative of 3,500-6,000 new apartments in the West Bank was launched after the withdrawal, in a move commonly interpreted as Sharon's attempt to escalate the conflict with the Palestinians in order to get reelected. Sharon also authorized a plan to extend the Separation Wall to encompass the settlement Ma'ale Adomem. This plan would disconnect East Jerusalem from the rest of the West Bank.²⁵

New Light on the Checkpoints

The withdrawal had the unexpected effect of bringing attention to at least one aspect of the daily lives of Palestinians under occupation. As the army used checkpoints to control the movement of the settlers and their supporters before the withdrawal, the settlers found themselves in the waiting line at the checkpoints for the first time. They now had a taste of the suffering that Palestinians encounter every day.⁸⁸

The protests voiced by the settlers quickly started to sound familiar, and resonated with the arguments made by Palestinians for years. This change in the discourse is very important. For the first time, the voice of the Palestinians was heard not only by the radical left in Israel, but also by and even from the right. The pain of watching homes destroyed also reminded some Israelis of the massive house demolitions of Palestinian homes. Ignoring the Palestinians became more difficult after the withdrawal, and their plight became more visible. Time will tell if this will truly open the eyes of Israelis to the suffering that they bring to the Palestinians.⁸⁹

2. The Settlers

a. The Government's Double Speak

The settlements in Gaza received immense government support and subsidy from the start. In recent years, annual government spending per settler was US \$18,000 higher than the average spending on other Israeli citizens. (This support is detailed in volume 2 of the *Economy of the Occupation*.²⁶

One settler even decided to refuse compensation payments on the grounds that the government had already spent too much on the settlers, who had meanwhile confiscated land from the Palestinians.²⁷ The majority of the settlers, however, were obviously not happy to lose this support.

Most of the settlers are religious people, who believed that they were redeeming Jewish land. The suffering they inflicted on the Palestinians was hidden from them by the very fences and sterile zones erected to protect them. Over a decade of economic incentives from the government and other privileges allowed the settlers to feel that they were in fact implementing government policy. When the withdrawal was announced, the settlers felt betrayed by their government and stopped paying taxes, electricity and water bills.²⁸

Many settlers felt confident that they could prevent the evacuation, some up to the last moment. Preferential treatment

within the legal system that had allowed them to attack Palestinians with impunity gave the settlers a sense of being above the law.²⁹ They therefore implemented wide-scale resistance to the withdrawal, using religious arguments against the evacuation and calling it a deportation. The settlers made countless references to the Holocaust, suggesting that their evacuation was an anti-Semitic act, unrelated to the political situation or to the damage that the settlements inflicted on the Palestinians.³⁰

Relocation Grant

In order to bolster the Israeli periphery, a one-time US \$10,000 grant was promised to settlers who were willing to relocate to the south of Israel. This incentive wasn't offered to non-settlers who wished to move to the south or to people who live there already. The settlers managed to extend this grant to apply to all settlers, regardless of where they relocated, and to increase it to US \$30,000.³⁶

The money for the campaign came from donations, but ironically also from the government itself, which allowed the settlers to divert money from their municipalities to fund their campaign. Millions of dollars of government money were spent to oppose the withdrawal.³¹ One of the main

bodies funding the campaign was the Yesha Council, the settlers' leading institution. After the withdrawal, the council, which had spent some US \$9 million on the resistance, was left under the burden of heavy debt. Because the Yesha Council is an official body, the government will probably keep funding it and take the debt upon itself.³²

b. Compensation Payments

The 1979 evacuation of Yamit in the Sinai entailed US \$2 billion in compensation payments. For the settlers in Gaza, the compensation payments came as no surprise – they were counting on the money. As mentioned,

Growing Compensations, Month by Month

January⁴²

- The proposed compensation rises to US \$270,000 per family (an increase of 35% over October).
- A group of Knesset members start a campaign to double this amount.

February⁴³

- The proposed compensation rises to US \$378,000 per family (an additional increase of 40%).
- The total cost of the compensation to families is US \$1 billion.

March⁴⁴

- The estimated number of families increases to 1,800 (60% over the last estimate).

April⁴⁵

- Sharon announces a plan to build homes for 183 families at the cost of US \$529 million.
- Settlers are granted complete exemption from fines for early mortgage repayment.

May⁴⁶

- Land and water subsidies granted to farmers.
- US \$2.45 million go to a special agency intended to help the settlers find new jobs.
- The Disengagement Administration allocates 1,000 dunams of land as extra compensation for farmers.
- The Disengagement Administration decides that the government will pay the evacuated settlers' full rent for two years (instead of one).

June⁴⁷

- The proposed compensation exceeds US \$500,000 per family (an additional increase of 32%).
- Settlers are granted special government loans of US \$30,000 per family, to become grants after five years.
- Compensation payments are declared immune to repossession from those settlers who are in debt.
- The High Court rules that the settlers may appeal and demand more money, and that children's age will count for "seniority." The additional costs are estimated at US \$222 million.

July⁴⁸

- A special committee is authorized to distribute more compensation payments to businesses.

August⁴⁹

- The proposed compensation payments exceed US \$627,000 per family (an additional increase of 25%).
- The tax exemption on the payments becomes compatible with other forms of exemption, allowing settlers to stack benefits.
- The government buys 50% of the stock of evacuated businesses, but companies keep both the money and the goods.
- Subsidized government loans granted to evacuated businesses.
- Compensation to businesses is estimated to exceed US \$45 million. A week later, the estimate triples itself.

many of these settlers had in fact moved to Gaza after evacuating Yamit. For them, this would be the second time they received evacuation compensation payments.³³

Every settler living in Gaza in June 6th 2004 got some compensation. Even settlers who had left Gaza before the withdrawal received compensation payments if they had lived there for eight years and left before June 6th 2002.³⁴

Furthermore, it was decided that the settlers will only pay a 5% tax on the compensation payments. This tax exemption sets a precedent for additional preferential treatment of the settlers, and allows them to actually make a big profit from their evacuation.³⁵

Mounting Compensation Payments

From October 2004, when the withdrawal was announced, the compensation payments promised to the settlers increased on a steady basis. Initially each family was supposed to receive an average of US \$200,000. The calculation was based on a complex system that took account of the size of the house, the seniority of the settlers and the size of the family. The compensation awarded to companies was based on a separate system.³⁷

As soon as they were proposed, compensation sums started growing at an accelerating pace. Supporters of the withdrawal in the Israeli Knesset voted to increase compensation payments in the belief that bribing the settlers will make the evacuation

easier. Those opposed to the withdrawal tried to raise the compensation sums so high that the cost of the withdrawal would become prohibitive. With both camps supporting consecutive increases, the total sums quickly got out of hand.³⁸

The government delayed disbursing payments until the last moment in a process that some interpreted as a deliberate tactic to allow the sums to swell. Less than four months prior to the withdrawal's scheduled date, the committee responsible for the allocation of compensation funds was not yet established.

One central mechanism for increasing the payments was Article 85 of the Evacuation-Compensation Law. The vagueness of the article allowed the settlers to demand more, the Disengagement Administration to offer more and the government to allot higher compensation payments.³⁹

Superfluous Municipalities

The settlers' demand for separate municipalities to run their new communities created an additional expense not justified by the size of the communities. The waste of resources involved in establishing new municipalities was criticized extensively by the State Comptroller. The government initially opposed this demand, but eventually agreed to establish four new municipalities, thus providing the settlers with both jobs and a very high rate of services per capita. These municipalities will cost an additional US \$13.3 million annually above the estimated expense incurred had the new communities joined existing municipalities.⁵⁰

**For the settlers,
the compensations
came as no surprise
– they were counting
on the money**

Compensation for Lost Employment

Israelis who worked in the settlements (whether settlers or commuters from within the Green Line) were slated to receive special severance payments. Early retirement was authorized for many; a special agency was created to help the evacuated settlers find new jobs.

Furthermore, the Disengagement Administration advised the settlers on ways of working around the law so as to receive both a "readjustment" grant and unemployment benefits for the same period (although the law specifically prohibits this). The settlers were instructed to withhold information from the government in order to receive both benefits.⁵¹

Meanwhile, Palestinian laborers and the labor immigrants in the settlements were completely forgotten; they received no compensation whatsoever despite losing their entire incomes as a result of the evacuation.⁵²

Temporary Accommodations?

One expression of the settlers' political resistance to the very idea of evacuation was their complete inaction regarding accommodations after the withdrawal. The government consequently took upon itself the parental role of providing the settlers with a very detailed plan for temporary housing. Although the settlers could select their own accommodations (and receive two years' worth of rent from the government), those

Graph 2: Average Compensation Sums per Family 2004-2005



Photograph by Allison Monroe (2002)

who decided not to look for accommodations themselves were instead served by the government.⁵³

Thousands of apartments stand empty in the south of Israel, yet the government decided to buy special caravans to house the settlers temporarily. These caravans, called *caravillas*, cost about US \$150,000 each, and as they were constructed in a prime location (by the beach) their true value is much higher. The settlers paid small sums from their compensation money for these *caravillas*.⁵⁴

Once the newspapers published the scandalous expense, the Ministry of Housing began a search for empty apartments. Nonetheless, the *caravilla* project kept growing. The government decided that the settlers will keep the *caravillas* even after they find permanent accommodations, thus earning the *caravilla* as a bonus compensation for a fraction of its worth. The extra property value is actually an additional compensation, worth over US \$200,000 per family.⁵⁵

Last Minute Concessions

The settlers refused to look for apartments with the money that they were given a few months before the withdrawal. As the government did not want the embarrassment homeless settlers, it was cornered into serving as the settlers' real-estate broker at the last minute. The settlers were not charged for this service; an additional US \$178 million were spent on finding last-minute housing solutions for the settlers, in addition to the *caravillas* mentioned above. Appar-

ently, the settlers planned for this ahead of time, realizing that the government would not risk stories of homeless settlers in the media.⁵⁶

In August, the government approved yet another sum of US \$45-67 million to finance the transfer of Jewish graves from Gaza and to pay for a month's hotel stay for all the evacuated settlers. In fact, this vacation was given not only to the evacuated settlers, but also to some who illegally infiltrated the settlements to resist the evacuation.⁵⁷

The government's leniency towards the resisting settlers reached a peak when it paid for the packing and moving of the valuables of settlers who were evacuated by force. The settlers who had departed peacefully had already paid for the packing and moving themselves.⁵⁸

Irregularities in Payments

While the sums named here are large, the settlers do not all stand to receive the same benefits. The well-connected ones will end up receiving sums far higher than the averages quoted here, but many others will receive much less. People who left the settlements for their own reasons before the evacuation will still get money (although they weren't evacuated), but some settlers may actually lose money due to the evacuation.⁵⁹

The unequal distribution of the compensation payments in fact creates some new millionaires and some settlers who feel dis-

The best estimate is US \$222,000 per settler, or about US \$793,000 per family

criminated against. The compensation system favored the rich. A settler who chose to receive a 320-square meter tract of land paid US \$110 per square meter. But those who could afford a 1,000-square meter tract of land (a whole dunam) paid only US \$80 per square meter.⁶⁰

Furthermore, the Disengagement Administration disbursed the compensation payments according to very lenient criteria, and didn't require the settlers to provide adequate documentation to prove their rights.⁶¹

Total Compensation Payments

The compensation payments offered to the settlers in October 2004 were US \$200,000

per family; by August 2005, they exceeded US \$627,000 per family, a 213.5% increase. The cost of evacuating the settlers despite their resistance wasn't deducted from the payments, and as many lawsuits are still in process, the total sums are yet unknown.⁶² Nevertheless, the best estimate as of now suggests payments of US \$222,000 per settler (about NIS 1 million), or about US \$793,000 per family. With this escalation in view, Israel's Attorney General's office has issued a statement declaring that the payments are too high to be appropriate. Even if the evacuated settlers choose to buy houses and businesses equal in size to those they lost, they still stand to make a US \$134,000 profit per family on average.⁶³

Compensation Awarded Farmers

The decision to replace the land the settlers gave up in Gaza with land in Israel spells huge profits for the settlers, since land in Israel is so much more valuable.

The settlers were offered the chance to buy land in Israel with a subsidy of up to US \$3000 per dunam. Furthermore, the land offered was seriously undervalued, which created an additional subsidy. Farmers also receive a water allocation of 34,000 cubic meters annually per dunam over and above the usual water subsidies for agriculture.⁴⁰

Nonetheless, it is apparent that after the withdrawal, 95% of the evacuated settlers will abandon agriculture. With enough compensation money to last for the rest of their lives and without the special advantages of cheap Palestinian labor, agriculture no longer appeals to many of the former settlers. The settlers are now free to decide whether to live off the earnings of their properties or sell them at a high profit.⁴¹

The Bidding War over Gaza Greenhouses

The settlers in Gaza were known for their profitable greenhouses, where insect-free lettuce, flowers, herbs, organic vegetables and more were cultivated. Wanting to provide the Palestinians with a ready-made business, the World Bank decided to buy the greenhouses in the settlements and hand them over to the Palestinians. The world bank ignored the fact that The Fourth Geneva Convention marks the settlers as war criminals, and chose to pay them directly for the greenhouses they had illegally built in occupied territory.

The World Bank offered the settlers US \$4,000 per dunam to leave the greenhouses intact for the Palestinians, but Israeli horticulturalists were worried that the Palestinians will compete with them and pressured the settlers and the government to destroy the greenhouses rather than hand them over.

Israel's Ministry of Agriculture came up with a plan for a five-year subsidized loan of US \$44,500 to settlers who will "not leave the greenhouses behind." Since moving the greenhouses was not cost-effective (it was estimated at US \$18,000 per dunam), the implication was that the settlers would destroy the greenhouses. This plan would have constituted a direct attempt to undermine the anyway fragile Gazan economy.

Israel's Flower Growers Association offered the settlers an additional US \$4,000 per dunam, on top of the Agriculture Ministry's loan, to match the funds offered by the World Bank. (This association is funded by the government, and many of its directors are settlers themselves.) In response, the Economic Development Fund (ECF) offered the settlers

another US \$4,000 per dunam to convince them to leave the greenhouses intact. The settlers got the opportunity to sell their greenhouses for twice their value, and many of them did.

Meanwhile, the Palestinians joined the fray, and said that they never wanted the greenhouses in the first place. They would have preferred to receive the money (over US \$32 million) that went to the settlers and invest it according to their own economic priorities. Instead they were forced to receive the greenhouses as a gift.

Fourteen thousand dunams of agricultural land are already devoted to greenhouses in Gaza, and as a result of the deal the Palestinians received 4,000 more. The settlers watered the greenhouse plants from twenty-six wells dug in Gaza, as well as an additional 3.8 million cubic meters of water piped in from Israel annually. Palestinian officials have confirmed that they will indeed run the greenhouses despite Gaza's acute water shortage (see below). Officials said they are now compelled to operate the greenhouses successfully to prove to the European donors that they are capable of running an independent economy.

The story of the greenhouses represents the international community's patronizing attitude towards the Palestinians, and the damage it inflicts. Rather than consulting with the Palestinians themselves about their needs, the World Bank and the ECF made the choice for them and ended up enriching the evacuated settlers and straining the Palestinians they were ostensibly trying to help.

3. The Israeli Government

Prime Minister Sharon has stated that the withdrawal was prompted by his worries that Jews are no longer the majority in the areas controlled by Israel. His plan was to "disengage" from 1.5 million Palestinians in Gaza, while bolstering Jewish dominance over the rest of the Palestinians.⁶⁴

a. The Struggle Mentality

Israeli policy makers have long adopted a "zero-sum game" perspective on the conflict with the Palestinians. Many of Israel's political and military moves, often called "unilateral," manifest a view of the Palestinians as a background phenomenon or a force of nature, rather than as a group with which to negotiate.⁶⁵

For this reason, Israeli policy-makers did their best to minimize the Palestinians' gains from the withdrawal. One example of this was the plan to destroy all buildings in the settlements in order to deprive the Palestinians of a sense of victory. Even when the majority of Israelis said they would prefer to offer the evacuated houses to the Palestinians, the government was determined to destroy them.⁶⁶

It is important to note that international law forbids the destruction of infrastructure (water supply, sewage, electrical networks and so on) in occupied territories. Destroying the settlements made damage to the in-

frastructure inevitable.⁶⁷ Furthermore, in the last days of the withdrawal, Israeli vehicles loaded and transported 100,000 cubic meters of sand, mined from the area of the evacuated settlement Nisanit in northern Gaza. Israel's Ministry of the Environment claimed that the sand was mined for "security purposes", and the Palestinians thus lost a valuable source of construction materials. They were not compensated by Israel.⁶⁸ Entrenched in a zero-sum game mentality, Israel refused to accept responsibility for the lack of development in Gaza, and would not consider participating in funding the reconstruction of the Gazan economy (see sections six and seven below).⁶⁹

b. The Cost of the Withdrawal

Breaking the Back of the Port Workers

During the Israeli port workers' strike in 2004, Israel's treasurer threatened to use the port in Gaza to break the strike. As no port existed then, the strike wasn't broken, but the treasury is still seeking means to break the port workers' labor union. Therefore, Israel has decided to allow the Palestinians to build a port in Gaza after all.⁸⁰

In October 2004, the estimated cost of the evacuation was about US \$1 billion, half of it for military expenses. By the end of August, it became clear that the total cost of the withdrawal would exceed US \$2.2 billion.⁷⁰

The biggest expense was the compensation payments which reached a total of about US \$1.5 billion. The second biggest expense was military costs, estimated at US \$667 million. This sum includes the cost of the evacuation itself as well as the costs of relocating military facilities and the Erez checkpoint.

In addition, the police force received US \$86 million for its role in the evacuation,

and US \$3.1 million were spent on legal costs. Some 130 lawyers were hired by the Ministry of Law for the occasion.⁷¹

The government also paid US \$33-44 million in compensation to communities adjacent to the Gazan border whose lands were confiscated and made available to the settlers. (Thousands of dunams were also confiscated without compensation.)⁷²

A 13% tax benefit was approved for all the communities within seven kilometers of the Gaza Strip. For political rea-

sons, other cities and communities beyond that range were quickly added to the tax relief plan. The government chose not to reveal the resulting loss of income.⁷³

The Cost Reduction

Despite the high costs, economists in Israel staunchly supported the withdrawal, and threatened that without it Israel would fall into a deep economic recession. Ongoing subsidies to the settlers and the security expenses entailed by their presence in Gaza cost Israel about US \$144 million every year (at their present numbers). If

The Nitzanim Plan

One of the biggest development plans for the evacuated settlers is set in Nitzanim, a pristine beach adjacent to the Gaza Strip. Until recently, when parts of the beach were allocated to the settlers, the beach was designated a natural preserve.

The Nitzanim plan encountered the resistance of all the environmental groups in Israel, but the government decided to implement it regardless of the environmental destruction it entails.¹⁰⁰

The Nitzanim plan was proposed by Yehonatan Basi, head of the Disengagement Administration. Basi is also the head of the Mehadrin company, which owns most of the land in Nitzanim. The company made millions through the increased value of this land once it was redefined as residential.¹⁰¹

Basi is a friend of Sharon's, a fact which may have eased his appointment despite his conflict of interests. When this conflict was exposed in the media, the government chose not to replace him but instead to appoint four legal advisors who would counsel him on avoiding prosecution for the personal profits he made through his position as head of the Disengagement Administration, and who would vouch for him later if necessary.¹⁰²

Meanwhile, Mehadrin agreed to receive "only" US \$9 million for the land in Nitzanim. As for the company's profits, they came mostly from speculation. Mehadrin doubled profits in the first half of 2005, even before it sold a single dunam of land to the government.¹⁰³

After some back and forth, the Nitzanim plan was finally approved despite the fact that it didn't collect sufficient signatures from settlers, and despite the extensive environmental damage it entails. The settlers landed a private community on a beautiful beach, Mehadrin made a large profit, and Sharon succeeded in extending a favor to his friend Basi.¹⁰⁵

Gaza had not been evacuated, the settlers' population would have continued growing at a high rate, and government expenditures on Gaza would have grown in tandem. Taking this into account, even the very high cost of the withdrawal was worthwhile for Israel, an investment that will repay itself within ten years.⁷⁴

The settlers in Gaza comprised less than 2% of the total Jewish population in the OPT

(5) The Israeli public saw the withdrawal as a trauma, and the government amassed public support for its determination to avoid future evacuations.

(6) Israel can use the smoke-screen of the withdrawal to continue ignoring international law in its construction of the Separation Wall and to further settle the West Bank.⁷⁷

c. Political Achievements

It is important to understand Israel's motives for initiating the withdrawal. Scholar Michael Warschawski listed the main achievements:⁷⁵

(1) The borders were shortened and the military moved to better positions.

(2) The international community was appeased and therefore international pressure on Israel has eased. Over 2,000 international journalists came to cover the withdrawal. Their work supported the Israeli narrative of the withdrawal as a great sacrifice.⁷⁶

(3) The government reinforced its claim that only unilateral action is worthwhile because "there is no partner for peace."

(4) The PA was weakened in three ways. Firstly, Israel completed the withdrawal without consulting with the PA. Secondly, Gaza is now separated from the West Bank and seems to be a semi-autonomous entity. Thirdly, the PA will find it difficult to demonstrate good leadership skills in a besieged Gaza.



**Armed settlers demonstrating in the Gaza Strip
Photographs by Allison Monroe (2002)**



4. The Israeli Public

a. Bearing the Costs of the Withdrawal

The large distribution of money that accompanied the withdrawal contributed to the already-wide disparities in Israel. (Inequalities in Israel were detailed in Vol. 3 of *The Economy of the Occupation*.) The settlers received far higher compensation payments than customary for people who are evacuated from their homes for other reasons. The Bedouin in the south, for one example, suffer consecutive evacuations and receive no form of compensations. (On money that flowed to wealthy Israeli companies, see section five.)⁷⁸

The pain of watching homes destroyed also reminded some Israelis of the massive house demolitions of Palestinian homes

The cost of the withdrawal came out of the government's budget – an expense of over US \$1,240 per taxpaying family. For over 34% of families in Israel, this sum exceeds a month's income.⁷⁹

The unequal distribution of the compensation money among the settlers makes the disparity even worse. Many of the settlers who received extensive land parcels and large sums of money had already accumulated a great deal of property over many years of government subsidy. These settlers already owned land inside the Green Line, and with the compensation money their economic clout will increase significantly. As mentioned earlier, the richer settlers who could

The precedent of the withdrawal would bring the costs of evacuating the entire OPT to over US \$132 billion

afford to acquire greater tracts of land were offered land at better prices. This came at the expense of the vulnerable and the poor.

The large expenditures for the withdrawal brought on price increases in Israel. Inflation generally doesn't affect everyone equally and tends to sharpen economic gaps. The settlers' compensation payments, meanwhile, were already fixed for inflation.⁸¹

On the bright side, Israeli economists point out that 13,330 civilians were hired for the implementation of the withdrawal (almost twice the number of evacuated settlers); economists also expect a rise in foreign investments in Israel after the withdrawal.⁸²

b. The Political Power Shift

The withdrawal from Gaza transformed the political landscape in Israel, redistributing political power in favor of the extreme right. The stretched-out withdrawal process maximized the resistance of the settlers and their supporters. Many political experts claimed that had Israel initiated the withdrawal earlier it would have allowed less time for resistance, and had the government waited longer, the resistance movement would have worn itself out. As noted, the government in fact capitalized on this resistance.⁸³

Precedent for the Future

While the settlers could not prevent the

evacuation, their campaign for enlarged compensation payments may make future evacuations more difficult. The settlers in Gaza comprised less than 2% of the total Jewish population in the OPT. The precedent they set would bring the costs of evacuating the entire occupied territories to over US \$132 billion. This sum increases at the rate of almost 9% a year, as more settlers pour into the OPT seeking to improve their economic situation through government support.⁸⁴

While Israel is evacuating 8,000 settlers from Gaza, it is simultaneously building homes in the West Bank for 30,000 new settlers

The Political Effects

The generous compensation payments make future evacuations more difficult in yet another way. As already mentioned, the economic clout of the settlers will now increase significantly, especially those settlers who were already well-to-do. In Israeli politics, economic power quickly becomes political power as well, and the settlers will most likely contribute to the strength of the Israeli right. Future evacuations might therefore face even wider resistance.⁸⁵

As noted earlier, the media was mobilized by the government to portray the evacuation as a grand project. The government and the Israeli army wanted the withdrawal to receive as much coverage as possible. The army appointed a special liaison for journalists, and openly stated its interest in having as many reporters as possible covering the withdrawal.⁸⁶

The Israeli media played along, and blew the withdrawal out of proportion. The Pal-

estinian leadership chose to support Israel's evacuation by suppressing resistance until the withdrawal was complete. The Israeli media, which usually covers the Israeli-Palestinian conflict, had very little to focus on except the withdrawal, which it made into its top story every day for over two weeks. But despite the heavy media coverage, very little attention was devoted to the high compensation payments received by the settlers. Rather, most of the coverage focused on the evacuated settlers' personal tragedy.⁸⁷

5. Private Companies

The withdrawal and the large sums of money that passed from hand to hand in its wake had a profound influence on many Israeli companies and groups.

Israeli Companies Rally Against Losses

Some companies suffered. Before the withdrawal, Israel's monopoly allowed it to annually export over US \$222 million worth of goods to Gaza alone. Exports included utilities, cellular services, transportation and food.⁹⁰

With the withdrawal in view, Israeli managers and businessmen expressed apprehension that if Israel will no longer control the passages in and out of Gaza, Gaza could export more cheap goods to Israel. Their fear was that without the Israeli army constantly assaulting Gazans and their economy, Gazan businesses might be able

to achieve enough viability to compete in the Israeli market by selling cheap goods.⁹¹

Consequently a great number of companies, headed by the chairman of the Federation of Israeli Chambers of Commerce (FICC), launched a campaign to pressure the government to maintain control of the Gazan borders and to forbid Gazans to import freely (from Egypt by land, or through the intended port). According to Maazen Sankrot, the Palestinian minister of the economy, Israel gave in to the pressure of the FICC and put in place many obstacles preventing free imports into Gaza. As of this writing, the Egyptian border remains effectively closed to Palestinians.⁹²

Gains for Israeli Companies

The following is a partial list of the business groups that made a profit from the withdrawal:

The Gaza -West Bank Connection

A free, safe and efficient connection between the Gaza Strip and the West Bank is essential for the viability of the Palestinian economy. Several alternatives were proposed for such a connection, but most of them would have provided only very limited access between Gaza and the West Bank. Israel chose the option of a sunken road. The four-lane road will be dug five-meters deep, and will cost over US \$250 million, some of which might be funded by the Quartet (the U.S., Russia, the European Union and the U.N.).¹⁴⁷

Israel will not participate in funding the road, but stands to gain from it in several ways. Goods and labor will come from the Israeli market, as few Palestinian workers are permitted to work in Israel. Furthermore, Israel will receive compensation for land, as the road will be built mostly on Israeli soil.¹⁴⁸

The chosen connection was the most expensive option, which was viewed by Israel as providing maximum security. This entails enclosing the Palestinian drivers within five-meter high walls while Israeli cars drive on bridges overhead. Construction time is estimated at about three years; meanwhile Gazan access to the West Bank and vice-versa will remain severely limited.¹⁴⁹

- Service and goods providers for the army. These made a big one-time profit. For example, the army bought 500 tons of food for the soldiers involved in the actual evacuation process, thus furnishing a surge of business for its providers.⁹³

- A substantial number of lawyers. Lawyers' fees for work on the withdrawal are expected to run to US \$9-11 million; the highest fees went to lawyers representing the settlers.⁹⁴

- The Israeli cement producers Neshet. The expected construction surge in Gaza after the withdrawal, as well as the construction of new homes for the evacuated settlers in Israel, are predicted to bring on a large increase in the profits of the Israeli factory Neshet, which has a monopoly on cement supplies to the OPT and Israel. These profits will increase even further due to the massive new construction in West Bank settlements under the cover of the withdrawal.⁹⁵

- Several Israeli caravan producers. Five companies earned the bid to build *caravillas* for the settlers at the last moment. Their price was US \$36 million.⁹⁶

- Private contractors with connections to Israel's Defense Ministry. These made US \$16 million for developing the infrastructure for the *caravillas*.

- The moving company Zim. Zim made US \$22 million by winning the bid to move 1,000 containers of settler property, also at the last minute.

Israelis fear that without the Israeli army assaults, Gazan businesses might be able to compete with Israeli companies

- Hotels near the Strip selected to serve the evacuees. The cost of 2000 hotel rooms provided to the evacuees for a month-long stay was US \$18 million.⁹⁷

- An unknown number of private contractors. Several, perhaps many, contractors snuck into the Gaza Strip after the evacuation but before the army's full withdrawal, and uprooted remaining trees from the settlements. Some of these trees are priced at thousands of dollars. Other property was also pillaged by private contractors after the settlers left.⁹⁸

- Israel's Electric Company and other private utilities, as well as Israeli hospitals. The economic implications of Israel's claim that the withdrawal signifies the end of the occupation of Gaza are considerable. According to the revised Disengagement Plan, from now on Israel will provide services to Gaza at full price, and private companies will be able to raise the prices of the services they provide without interference from the Israeli government. According to economist Razi Sourani, Gaza will remain dependent on imports from Israel for at least seven more years.⁹⁹

6. International Involvement

a. Political Support for Israel

Egypt

Egypt played a crucial role in support of the withdrawal. Seven hundred and fifty Egyptian soldiers replaced the Israeli soldiers stationed at Philadelphi road, the border between Gaza and Egypt. The Egyptian soldiers were not deployed to protect the Egyptian border, but to enforce Israel's limitations on imports into the Gaza Strip.¹⁰⁵

The placement of Egyptian soldiers at the border was fixed in an agreement signed by Egypt and Israel. Although the agreement concerned a matter of Palestinian sovereignty, the Palestinians were not party to the negotiations. Israel demanded that the Egyptian soldiers would “fight terrorism, prevent smuggling and bar border-crossings.”¹⁰⁶ For safe measure, Israel threatened to reoccupy Philadelphi road if it finds Egyptian control of the border unsatisfactory.¹⁰⁷

By signing the agreement, Egypt showed serious disrespect for the Palestinians' right to independence and to control over their own borders. If the Egyptian soldiers indeed deprive the Palestinians of their right to decide who and what may enter the Gaza Strip, then Egypt will become an accomplice to the Israeli occupation.¹⁰⁸

Europe and the International Community

Officially, Europe and the international community often voice their disapproval

of the Israeli occupation and their support for the establishment of an independent Palestinian state. However, the Israeli withdrawal from Gaza revealed that Europe's support for Israel far exceeds its support for the Palestinians.

As mentioned earlier, over 2,000 international journalists came to cover Israel's withdrawal, but very few of them noted that while Israel is evacuating 8,000 settlers from Gaza, it is simultaneously building homes in the West Bank for 30,000 new settlers. The international media thus contributed to Israel's narrative of a “painful sacrifice” and to the smokescreen hiding Israel's actual actions.¹⁰⁹

The international media thus contributed to Israel's narrative of a “painful sacrifice”

The European Union initially insisted that it will recognize an end to the occupation of the Gaza Strip only when an agreement about the passages in and out of Gaza (to Israel, Egypt and the rest of the world) is reached. However, Israel made the move unilaterally and without any agreement, and the European Union decided to support the withdrawal wholeheartedly regardless of its unilateral nature.¹¹⁰

When Israel's Prime Minister Sharon came to the UN assembly, he was greeted very warmly by the representatives of an overwhelming number of countries, including representatives of Moslem countries that previously refused contact with Israel; his reception proved that the withdrawal served to gather international support for Israel's policies and therefore, indirectly, for the continued occupation.¹¹¹

b. U.S. Aid for the Withdrawal

The withdrawal from Gaza is an Israeli initiative, but Israeli policy makers have made it clear that they expect the U.S. to bear the costs. In April 2005, Israel began to lobby the U.S. for a special grant to fund the withdrawal. The initial request was for US \$1.6 billion, but when the costs of the compensation payments mounted, the sum was raised to US \$2.2 billion.¹¹²

Israel asked for a direct grant. This meant that the entire cost of the withdrawal (and the compensation payments) would be born by the U.S. taxpayer, and furthermore that Israel would effectively turn the withdrawal into an export project. The grant would have significantly improved Israel's trade balance since the costs of the withdrawal were paid mostly in shekels, but would be refunded in foreign currency. The proposed grant was not simply a cost-covering measure, but actually a prize, rewarding Israel for the withdrawal with a surge of foreign currency.¹¹³

An interesting side effect of the withdrawal was that right-wing Jewish organizations in the U.S. unexpectedly and unsuccessfully appealed to stop U.S. aid to Israel, thus joining calls made by leftist organizations for many years. These right-wing groups were hoping to sabotage the withdrawal and to force Israel to remain in the Gaza Strip. Ironically, these same groups normally lobby the U.S. government to give more aid to Israel.¹¹⁴

Israel's delegation in the U.S. received unofficial indications that the aid was forthcoming under two conditions: one, that the money will be spent entirely within the Green Line; two, that a portion of the money will be invested in the Palestinian and Bedouin citizens of Israel. This demand was added because normally foreign aid to Israel reaches only its Jewish citizens.¹¹⁵

Despite these conditions, the government decided that the central project to be funded by the U.S. grant will be the building of a military training "city" in the south of Israel. The soldiers will be trained within the Green Line, but many of them will spend their military service in the OPT.¹¹⁶

The rest of the money was slated for a development project also located in the south. This project was privatized. According to Sikkuy, the Association for the Advancement of Civic Equality in Israel, privatization was the government's way of working around the American requirement to include Palestinians and Bedouin in the project. Private companies are not obligated by the criteria that bind the government, and thus will be free to focus on increasing the Jewish population in the region and supporting Jewish communities there.¹¹⁷

By promising Israel a grant of US \$2.2 billion and the Palestinians only US \$200 million, the U.S. re-enforced its overwhelming support for Israel over and against its support for the Palestinians, despite the latter's dire need for aid after the withdrawal

By promising Israel US \$2.2 billion and the Palestinians US \$200 million, the U.S. re-enforced its support for Israel over the Palestinians

(as elaborated below). Furthermore, the U.S. decided to send the funds allotted to the Palestinians to NGOs (Non-Governmental Organizations) instead of to the PA, whereby it once more showed its disregard for the Palestinians' elected representatives.¹¹⁸

However, in the aftermath of Hurricane Katrina, Israel opted to temporarily withdraw its request for U.S. aid, and to reissue it later, when it will be more likely to be approved. As of this writing, the status of the requested grant is still unknown.¹¹⁹

c. Aid to the Palestinians

For 38 years, Israel hindered the economic development of Gaza and forced the region into overwhelming dependence. The withdrawal was sudden and many economic ties to Israel, as well as numerous small-scale trading connections, were severed before alternative industries could be developed. The World Bank estimates that unless international donor money will flow into Gaza, the rate of absolute poverty (meaning food shortage) will grow to 41%, relative to 16% in 2003. Clearly, the Palestinians are in urgent need of aid, both for humanitarian crisis management and for development assistance.¹²⁰

In their August summit in Scotland, the leaders of the Group of Eight (consisting of Britain, Canada, the European Union, France, Germany, Italy, Japan and the United States) resolved to give the Palestinians US \$3 billion every year for three years between 2006 and 2008 in order to rebuild the Gazan economy. If this money is indeed

disbursed, it might help to speed up the recovery of the Palestinian economy in Gaza, and shorten the harsh transition period.¹²¹

However, Israeli economists estimate that money from the G8 will eventually reach Israel, because the Palestinians will be forced to double their imports from Israel as they rebuild Gaza. Since Israel still maintains tight control around Gaza and no port exists there as of yet, Gaza's dependency on Israel will indirectly force the Palestinians to share much of the aid they receive from the G8 with Israeli companies.¹²²

Israel also tried to get international donors to buy some of the settlers' property for the Palestinians, thus ensuring that more foreign money will flow into Israel in the wake of the withdrawal. The most noteworthy example is the case of the greenhouses, which was elaborated above.¹²³ What the Palestinians truly need from the international community is not only funds, but political support that would substantially free Gaza from Israeli pressure and help guarantee that all the border passes are open.¹²⁴



Erez checkpoint in Gaza
Photographs by Astrid Astolfi (2003)



7. Palestinian Society

a. The Palestinian Authority's Position

The Palestinians protested the unilateral nature of the withdrawal and Israel's claims to have ended the occupation of Gaza, made while still controlling its borders. Gibril Rajoub, national security advisor to the PA, said that to truly complete the withdrawal Israel must fulfill three crucial conditions:¹³⁰

(1) Handing over to the Palestinians full control of the land, air and sea borders of Gaza.

(2) Declaring that the withdrawal is part of the Roadmap.

(3) Facilitating free and safe passage between the Gaza Strip and the West Bank.

The Palestinian view is that the withdrawal might indeed improve the long-term economic situation in Gaza, but only if the border crossings are adequate.¹³¹ They chose to quietly support the withdrawal by making a great effort to keep the Strip quiet during the evacuation. Officials said that they didn't want to give Israel any excuse to cancel the withdrawal.¹³²

The Paris Accords

The Paris accords, signed in 1994, state that Israel will control customs and trade, while the Palestinians will be allowed to enter Israel and work within the Green Line. This tradeoff was meant to support interim relations until a final agreement was reached.¹³⁷

As no such final agreement has been attained, officially the Paris Accords remain in effect after the withdrawal. However, Israel's statements indicate that it intends to break the accords and unilaterally enforce a new situation on the Palestinians. It is worth noting that Israel has never actually fulfilled its end of the bargain. Citing security reasons, Israel blocked the passage of Palestinian workers and levied unlawful "security check fees" from Palestinian merchants.¹³⁸

Despite Israeli attacks on the Palestinians, an assassination by the army, two deadly attacks by settlers and weapons fire on Palestinian children, the Palestinians controlled the militants' response and eliminated armed resistance almost entirely over the withdrawal.¹³³

The Settlers' Houses

The Palestinians voiced no protest against Israel's decision to destroy the settlers' houses. Palestinian Housing Minister Muhammed Shatia said that the Palestinians do not need the settlers' luxury houses. Instead they will build large apartment buildings for their overcrowded population.¹³⁴

The Palestinians initially did not want to demolish the houses themselves, because the cost of the demolition was estimated at US \$18 million (due to the need to dispose of dangerous debris). Another cause for concern was the potentially unequal distribution of empty settler houses. The large houses with their pools were seen as an invitation to corruption.¹³⁵

Eventually the demolition of the houses in the settlements became the only aspect of the withdrawal that was actually negotiated with the Palestinians. The houses were demolished by Israel, while the

debris was left for the Palestinians to clean up. Some of the debris is to be recycled and used in the new Gaza port.¹³⁶

The Future of the Paris Accords

Although the Palestinian-Egyptian border is still effectively under Israeli supervision, the future port in Gaza will probably complicate the enforcement of the Paris Accords. Israel is committed to allowing the free passage of goods between Gaza and the West Bank, but wants to have full control of customs on goods entering the West Bank. A port in Gaza will mean that Israel will no longer be able to directly levy customs for itself. Israel therefore demands full control of goods entering the future port, or else it threatens to separate Gaza's customs from those of the West Bank.¹³⁹

The Palestinians refuse to accept separate customs for Gaza and the West Bank, for such a separation undermines a unified economy and obstructs trade between Palestinians. Without such a separation, Israel will have to either stop controlling the trade in and out of the West Bank (which is very unlikely) or to admit that the occupation of Gaza is still in effect.¹⁴⁰

Palestinian Treasurer Salem Faiad has said that he hopes Gaza will stay economically linked to Israel. He said that the Palestinians are willing to discuss an alternative agreement to the Paris Accords, provided

Muhammed Shatia said that the Palestinians do not need the settlers' luxury houses. They will build apartment buildings for their overcrowded population

that the new agreement will be fairer. One likely solution involves inviting a third party to monitor the seaport in Gaza so as to protect Israeli interests and to maintain the customs union.¹⁴¹

As of now, it is still unclear how events will unfold. Israel could heap obstacles on the free movement of goods between the Gaza Strip and the West Bank, and it will take a while until the port in Gaza is built. Meanwhile, a three-way checkpoint will operate at Kerem Shalom, serving as a border crossing between Egypt, Gaza and Israel, and manned by both Israeli and Egyptian soldiers. The checkpoint at Kerem Shalom is under construction despite the official protests of both the Palestinians and the Egyptians.¹⁴²

b. Dangers to the Palestinians

As noted throughout this article, Israel made sure that Gaza will depend on it for employment, electricity, water, fuel, communication and health services. With many connections to Israel severed, Gaza is currently in the midst of frenzied attempts to provide for its own needs.¹⁴³

Unemployment

In 2004, a group of Palestinian, Israeli and international economists called the Aix Group produced the *Economic Road Map*,

The future port in Gaza will probably complicate the enforcement of the Paris Accords

an analysis of the economic future of the Gaza Strip after the withdrawal. They later published *Israel and Palestine: Between Disengagement and the Economic Road Map* in May 2005. The documents stress two necessary conditions for Gazan recovery. One is that Palestinian workers would be permitted to continue working in Israel. The second is the provision of an on-land connection between Gaza and the West Bank. Without these, the Gaza Strip will lose even the mostly depleted income sources it had until the withdrawal, a loss which could lead to massive famine.¹⁴⁴

One major concern after the withdrawal, then, is the loss of jobs for those Palestinians who used to work in the settlements and in the Erez industrial area. The 3,200 Palestinians who worked in the settlements and the 4,900 who worked in the Erez Industrial Area have all lost their jobs. Due to high unemployment rates, every worker in Gaza supported many people with his or her income. The ratio in 2002 was 7.5 dependents per worker. Unemployment has risen sharply since then, so it is reasonable to assume that dependency is even higher today. The massive layoffs therefore mean that approximately 5% of Gaza's population has lost its main income source as a direct result of the withdrawal alone. As noted, the Palestinians received no compensation.¹⁴⁵

The massive layoffs mean that 5% of Gaza's population lost its main income source as a result of the withdrawal

Meanwhile, Israel plans to decrease the number of Palestinian workers in Israel every year, and aims to reduce it to zero by 2008. As already noted above, this is contrary to the Paris Accords.¹⁴⁶

Water

Another concern is the worsening water situation in Gaza. Both the quality and the quantity of the water is rapidly declining. Gazan water consumption is currently about 80 liters per person a day, compared to the minimum of 100 liters per person daily stipulated by the World Health Organization (WHO), and the quality of the water is deteriorating due to over-pumping. The WHO has declared the water in Gaza too polluted to be fit to drink. Palestinian economists see the water crisis as one of the top priorities for action after the withdrawal.¹⁵⁰

The WHO has declared the water in Gaza too polluted to be fit to drink

Israel established the settlements right above the underground aquifers that are so vital to Gaza's water supply. Although the World Bank identified the area at the midpoint between the northern and southern settlement clusters in Gaza as a site that should remain uninhabited to prevent water contamination, the Natzarim settlement was built right there, and the settlers used and contaminated the water for almost forty years. Extensive pumping by other settlements over the years has also contributed to the crisis situation today.¹⁵¹

Health

Many health organizations fear a humanitarian disaster in Gaza in the wake of the withdrawal. The Gazan health system doesn't have the resources to operate independently, and will require years of development before it can adequately treat the needs of Gaza's population.¹⁵²

Since 1967, Israel has continuously allowed the health infrastructure in Gaza to deteriorate. Within Israel there is one hospital bed for every 145 people, compared to one bed for every 614 people in Gaza. Although every settlement has its own clinic, these are built for the settlers, not for the Palestinians. In 2003, 7805 Palestinian patients were referred for treatment outside Gaza; in 2004 the number increased to over 8300. Physicians for Human Rights says that Israel must continue to allow Palestinian patients to be treated in Israel proper if a health catastrophe in Gaza is to be avoided.¹⁵³

Economic Exploitation

In contrast to economists whose furthestmost concern for Gazans regards the dangers of unemployment, others perceive the exploitation of Gazan laborers as a serious threat to the population's well-being. According to the Kav La'Oved organization for workers' rights, Israel is implementing three steps intended to transform Gaza into a sweatshop for Israeli industries, and to block alternative sources of income. The steps are:¹⁵⁴

Israel will impose the minimum-wage law on Palestinian laborers, but at the same time levy a tax that will keep actual wages as low as before

(1) Israel will impose the minimum-wage law on employers of Palestinian laborers in Israel, but at the same time will levy a tax that will keep these laborers' actual wages as low as before. The minimum wage stipulation makes employing Palestinians less profitable for Israelis, but the extra money won't reach the Palestinian worker. Israel

promised to transfer the revenues from this tax to the PA, but Kav La'Oved notes that Israel often confiscates money it is obligated to transfer to the Palestinians.

(2) A special police unit will search out people who hire Palestinians illegally, and high fines will be imposed.

(3) Israel will support the creation of alternative employment venues for Palestinians. However, it does not intend to invest in these venues and is relying on international willingness to contribute money. Israel expects international corporations to be lured by the low-wage standard in Gaza.

As the withdrawal removed obstacles for internal freedom of movement, economic conditions in Gaza may improve

However, according to Kav La'Oved, neither Israel, the Palestinians, nor international corporations can possibly create sufficient economic infrastructure to offer the Palestinians alternative employment options for those Israel will close down entirely by 2008. Kav La'Oved says this means that Gazans will effectively be subjected to prison conditions.

c. Beneficial Aspects to the Palestinians

According to the World Bank, the main factor governing the harsh conditions in Gaza was the restrictions on movement. As the withdrawal removed the obstacles for internal freedom of movement in Gaza, economic conditions in Gaza may indeed improve. Three checkpoints, 10 gates on roads, 9 road closures, 12 earth barriers, 46 army posts and 67 lookout towers have been removed – and these were only the permanent obstacles, far outnumbered by the temporary and mobile checkpoints.¹⁵⁵

The Palestinian Authority is demonstrating its optimism. It encouraged private investors to take part in various projects to the sum of US \$1.6 billion. These include building a seaport, installing a cement factory, constructing facilities for agricultural processing and promoting tourism. (The seaport project, funded by European money, was first launched in 2000. Israel's attacks prevented the construction of the port at the time. As of now, Israel has not yet formally agreed to allow the Palestinians to import the necessary raw materials.)¹⁵⁶

The Palestinians also want to rebuild the Dahania airport, which Israel destroyed during the second Intifada in 2000. The construction costs are estimated at US \$26 million. Although the Palestinians intend to rebuild it, Israel's official stance is that it

will maintain control over Gazan airspace; it is therefore unclear if the airport will be operable.¹⁵⁷

Several private companies have already begun investing in Gaza. The Radisson Hotel company plans to build a new beachfront hotel in the Strip, and the Palestinian Paletel communications company foresees rapid growth.¹⁵⁸

The Palestinians are hoping for a surge in construction that will provide jobs for 10,000 Palestinians in Gaza and will compensate, at least temporarily, for the loss of jobs in the settlements and in Israel. There is an estimated shortage of 250,000 apartments in Gaza and the West Bank; in Gaza, planners intend to put up multi-story buildings where the settlements once stood. Land values are rising sharply in those areas. The Palestinians never relinquished the ownership of this land and can now finally begin to develop it.¹⁵⁹

Another reason for optimism is Turkish business interest in operating the factories and workshops at the Erez industrial zone, which would involve hiring thousands of Palestinian workers.¹⁶⁰

In terms of the Israeli market, the flow of money from Gaza to Israel via Israeli monopolies in Gaza, such as cellular companies and the electric company, was not very high. However, in terms of the Gazan economy, the sums are quite significant. For ex-

Probably the most important effect of the withdrawal on Palestinian society was the sense of victory

Israel remains responsible for what happens in Gaza after the withdrawal

ample, 200,000 new customers are expected to sign on with the Palestinian cellular phone company (Paletel, see above) that replaced the Israeli cellular companies.¹⁶¹

d. The Political Effects of the Withdrawal

Probably the most important effect of the withdrawal on Palestinian society was the sense of victory. Many Palestinians, especially supporters of the resistance movements, feel that they have driven Israel from Gaza. The settlers' anger over the evacuation, often expressed in violent outbreaks against the Palestinians, only re-enforced the Palestinians' sense of victory.¹⁶²

Another important political shift is the developing discourse on legality and corruption within Palestinian society. This focus, expressed through doubts about the PA's ability to fairly redistribute the evacuated property, led Palestinian and international organizations to propose that a third party should monitor the process.¹⁶³

In recent years, the legitimacy of the PA has been repeatedly attacked by both Palestinian and international organizations. The PA's capacity to provide the Palestinian population with basic services has degenerated under the occupation, and much responsibility is shifting to NGOs.¹⁶⁴

A poll taken among Palestinians shortly before the withdrawal showed that about two thirds of Palestinians were optimistic about the Israeli move, but felt that the PA

and its leaders were not doing a proper job of managing the Palestinian economy.¹⁶⁵

The PA chose to demonstrate its awareness of this negative image by taking several steps to ensure that the withdrawal will not encourage corruption. A plan for the development and distribution of the evacuated land was prepared well in advance, and special courts were set up to decide land-ownership disputes. The PA took responsibility for the land and is maintaining it as public property until the issues in question are cleared.¹⁶⁶

And not least, the withdrawal has given the Palestinians hope that Israel can be made to withdraw further.

The vast compensation payments could be used to support the claim of Palestinians who were evicted from their homes

8. Looking Towards the Future

The political and economic situation in Israel and the OPT is turbulent and constantly changing. Predictions for the future are risky, but several things are worth keeping in mind.

Continued Israeli Responsibility

While Israel maintains that it no longer bears the responsibility for the people of Gaza, this claim cannot be substantiated. Government decisions pertaining to the withdrawal clearly state that all movement to and from Gaza, through land, sea or air will remain under complete Israeli control. This means that Israel remains responsible for what happens in Gaza after the withdrawal.¹⁶⁷

For example, as Israel wants to disconnect from Gaza completely, it now requires visitors to Gaza to carry a special visa. Israel is the one issuing the visa, and thus clearly maintains its sovereignty, and therefore its responsibility, over Gaza. The Israeli occupation of Gaza is not over yet.¹⁶⁸

Lost Communication

At the political level, the withdrawal took place without negotiations between Israel and the Palestinians, a unilateral move. On the level of the general public, a similar effect was created. The withdrawal further disconnects communication lines between Palestinians and Israelis. In addition to the loss of personal contact made possible through work relations, even literal communication lines have been severed. The PA has ruled that the Palestinian communication companies may not buy cellular in-

frastructure from Israeli companies; phone calls between Gaza and Israel will therefore become more expensive. The loss of communication venues is especially worrisome for those who seek a peaceful solution to the Israeli-Palestinian conflict.¹⁶⁹

Precedent for Compensation

An important and unexpected effect of the withdrawal is the precedent it sets for compensating Palestinian refugees. In the future, the vast compensation payments and services offered to the settlers could be used to support the claim of Palestinians who were evicted from their homes. The latter have received no compensation to this day.

Already the refugees from the village of Iqrit in northern Israel have reminded the government that the suffering of the evacuated settlers is nothing new – and that they have been waiting to return to their land for 56 years. The villagers of Iqrit were lied to in 1949 and told that they would be allowed to return to the village in a few weeks' time. When the villagers were refused, they turned to the High Court, which in 1951 ruled on their right to return to Iqrit. The Israeli government never honored the court's decision; instead the military bombed and destroyed the village a few months after the ruling. The refugees were never compensated for the loss of their homes and land.¹⁷⁰

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AIC

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Shir Hever

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