



Economic Dimensions  
of a Two-State Agreement  
Between Israel and Palestine

Vol II:  
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Aix Group

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## Preface

The Aix Group is a unique working group of Palestinian, Israeli and international economists, policymakers, academics and private sector representatives that researches, produces and disseminates position papers which seek to identify economic scenarios and suggest economic recommendations in order to promote win-win outcomes for Palestinians and Israelis. The Group is accompanied by Israeli and Palestinian official observers, who not only share their thoughts with the Group, but have, time and time again, incorporated some of the Group's ideas and recommendations into both their national policies and approaches to the negotiation table, thus making it a typical Track II economic forum. Indeed, in light of the deteriorating political circumstances of the region, the Aix Group has stood tall as one of the only forums of dialogue and cooperation where members of the two sides continue to meet and engage in rational discussions related to common concerns.

Formed eight years ago under the auspices of the Université Paul Cézanne - Aix-Marseille III in France and in coordination with the Peres Center for Peace in Israel and DATA Center for Studies and Research in Palestine, the Aix Group is chaired by Professor Gilbert Benhayoun from Université Paul Cézanne. The Group is headed on the Israeli side by Professor Arie Arnon of Ben-Gurion University of the Negev, and on the Palestinian side by Mr. Saeb Bamyá, former Deputy Minister of National Economy.

Over the course of more than two years, the Aix Group exchanged ideas on various economic aspects of a possible permanent resolution within an overall two-state agreement. As in the previous works of the Aix Group, we had to imagine a political solution which seemed to some observers, and sometimes even to members of the Group itself, as a very remote possibility. Still, we assumed throughout the work, with all the reservations we had, that an agreement acceptable to the two peoples will be reached. Only in that context do the Group's detailed discussions and findings make sense. Thus, we would like the reader to assess the arguments in the following pages with the expectation that a permanent political agreement on all dimensions is still very much attainable.

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During two years of research, the Aix Group has held two international conferences as well as dozens of meetings, to which individuals from different economic organizations, ministries and academic institutions were invited to listen and to comment on the work of the Aix Group. The following people, among others, have participated as guests and listened to the Aix Group's ideas and findings (in no particular order):

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## Introduction:

# The Rationale and Assumptions Behind the Aix Group Economic Analysis

Steering Committee of the Aix Group

Arie Arnon, Saeb Bamyia, Gilbert Benhayoun, Samir  
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## Introduction

In 2003, the Aix Group came to the conclusion that one of the errors committed and habituated by both Israelis and Palestinians was that of basing the peace process on “gradualism,” whereas the right way forward was to adopt what we have called an approach of “reverse engineering.” Under reverse engineering, the sides first agree on where they want to go, i.e. on the contours of a permanent agreement, and then decide on which steps and processes will optimally reach that end. Gradualism, on the other hand, takes the form of an incremental approach, moving one step (and one issue) at a time with no agreement on, or even slight consideration of, the end result. This is an inappropriate approach – particularly in the context of the power imbalance between the two sides – which time and time again contributed to failure. In fact, the failure to agree to and implement the “two states for two nations” formula was partly due to the fact that the sides avoided serious discussions of the contours of a real end game to the conflict – culminating at Camp David almost precisely one decade ago. However, whereas many concluded that following the failure at Camp David it is altogether impossible to reach a permanent and comprehensive agreement, we find that, on the contrary, it is impossible not to reach one.

Consequently, and with the concept of reverse engineering firmly in mind, the Aix Group embarked on its first joint Palestinian-Israeli position paper, entitled the “Economic Road Map” (2004). Rather than ending with Stage III (permanent status agreements) of the Quartets’ Road Map for Peace, the Group instead used it as the conceptual starting point, and only then proposed a series of models of Palestinian-Israeli economic relations which would accompany the political implementation of the proposal.

In 2005, the Aix Group published its second joint position paper, entitled “Israel and Palestine: Between Disengagement and the Economic Road Map.” In this research paper, the Aix Group analyzed the risks, benefits and potential outcomes of Israel’s unilateral Disengagement Plan from

Gaza and the northern West Bank from an economic perspective, and came to the seemingly prophetic conclusion (at least in hindsight) that it would be in Israel's best interest to coordinate the disengagement with the Palestinian Authority, rather than risk creating a political vacuum which was eventually filled by Hamas.

In 2007, the Aix Group published its third stage of research, entitled: "Economic Dimensions of a Two State Agreement between Israel and Palestine," which tackled – again, with an end game already in mind – four critical yet sensitive final status issues that have been neglected by researchers and policymakers the like: economic cooperation in Jerusalem; resolution of the question of Palestinian refugees; international cooperation in infrastructure; and "fast track" issues such as Palestinian labor in Israel, transitional trade arrangements and the development of the Jordan Valley.

Building on the Group's previous works, this fourth stage sets out to further examine the political and economic alternatives facing Israelis and Palestinians as part of a permanent agreement. The project includes five significant research contributions which represent both more detailed elaboration on previously researched topics as well as important innovations on critical final status issues which have not yet been examined.

## The Big Picture

In this introductory chapter we survey the basic options of a permanent political agreement facing Israelis and Palestinians. We assume two different conceptual end games – "Two State" and "One State" – and ask how any future permanent agreement can address the core "trio" of final status issues – borders, Jerusalem and the 1948 refugees – as well as other key issues such as independence, security and prosperity. We argue that the two alternatives are very different in political reality: the "Two State" solution is capable of answering the legitimate claims of the two sides and hence is realistic; the "One State" solution, on the other hand, leaves several key legitimate claims unanswered and is not, in our view, a realistic alternative.

In addition, the chapter surveys the economic dimensions of the two options. Along the way we explain why gradualism as well as “economics first” failed as policies.

The chapter presents a number of issues that need to be addressed in order to ensure that the spirits of reverse engineering and of synchronization are maintained in the implementation of a long-term, agreed upon resolution, while at the same time ensuring that the end result is in itself guaranteed as a viable and sustainable agreement.

### An Elaborated Analysis of a Solution for the Palestinian Refugees

There is great significance in resolving the issue of the Palestinian refugees, which represents a central component of any future negotiation between Israel and the Palestinian Authority. Indeed Israeli Prime Minister Ehud Olmert specifically asked to receive the Aix Group’s prior research on the issue, and following this, sent the Group a letter which praised the research. Moreover, that same study was presented by both Israeli and Palestinian members of the Aix Group to Israeli negotiators from the Prime Minister’s Office, the Ministry of Foreign Affairs, and the Ministry of Defense, and similarly to Palestinian Chief Negotiator Abu Ala, all of whom expressed appreciation for the depth of research undertaken and requested elaboration on certain topics. Clearly, the issue carries great weight in determining the future of this region, and of the final status agreements, and as such, it is of the utmost importance that research on this topic continues.

Accordingly, this chapter elaborates further on the issue of Palestinian refugees, tackling new questions that have not yet been examined yet have been raised by the negotiating teams on both sides. These key issues include, among others:

The political mechanisms and economic formula required for the implementation of resettlement, rehabilitation, claims concerning properties and compensation for refugeehood

A detailed description of the body that could lead the whole process,

the International Agency for the Palestinian Refugees (IAPR), including its mission, authority, structure, operations and functions, decision-making process, official mandate and legal status

A reassessment of the funds required (estimated in our previous study at 55-85 billion USD) considering the financial realities of all parties involved:

- The role of host countries
- Valuation of property claims

### The Territorial Link

The Oslo Agreement includes a statement that the two sides view the West Bank and the Gaza Strip as a “single territorial unit,” under the recognition that only a unified political unit, despite their geographical separation, can pave the way towards a political solution. In the context of the Aix Group’s working assumption that the only political solution is that of “two states for two nations,” the current territorial fragmentation of the West Bank and the Gaza Strip poses a serious challenge to a future Palestinian state and its economic viability. Thus a territorial link between the West Bank and the Gaza Strip – which would effectively replace the unimplemented “safe passages” proposal – is necessary to provide a platform for long-term investments and the development of more efficient production and consumption processes.

The concept of a territorial link, however, raises numerous problematic legal, economic, and security issues for Israel as well as for the Palestinians. Thus this chapter constitutes, firstly, a reflection of the geopolitical and economic necessity for a contiguous Palestinian state, and secondly, an unprecedented technical forecast of possible territorial routes connecting the West Bank and Gaza Strip. Specific issues tackled include:

- The geopolitical and economic need for and impact of a territorial link.
- A review of alternative infrastructural and geographic possibilities

to implement a territorial link.

- The political-economic issues / opportunities which a territorial link would provide for the Palestinian economy.
- The potential for development of the Palestinian economy as a result of access to the rest of the world and the economic (as well as social) integration of both regions and its impact on Israel.

### Economic Development of the Jordan Valley

The Jordan Valley represents the cornerstone of any real future Palestinian economic recovery and development. In addition to its vast potential for agricultural development, the Valley has great potential for industrial development, as well as comparative advantages in the fields of tourism, transportation and logistics. Moreover, the Jordan Valley is the only region of a future Palestine that can support substantial population growth and absorption of Palestinian returnees through large-scale urban development.

This chapter constitutes a follow-up work to the Jordan Valley section of the Aix Group's third stage of research. The goals of the chapter are: to analyze the development potential of the Palestinian Jordan Valley area; to portray strategic long-term options for this development; and to point to several immediate short-term possibilities. In short, the recommended development strategy for the Palestinian Jordan Valley should focus on creating an integrated process that deals with all economic sectors in parallel and in a complementary manner. This process should be coordinated with the development plans for the Jordanian and Israeli parts of the Jordan Valley and Dead-Sea areas, taking into consideration the strong mutual dependencies between these three parts of the same geographical and economic unit.

## The Union for the Mediterranean (EU-Med)

The success of the “Euro-Mediterranean Partnership” (EMP), also known as the “Barcelona Process” or the “Euro-Med”, has been mixed at best. Launched in Barcelona in 1995 following the Oslo agreement and the peace treaty signed between Israel and Jordan, it aims at increasing cooperation in the Mediterranean basin, mainly among the European countries on the Sea’s northern coast and the Arab countries on its southern and eastern shores, including Israel and Turkey. Although the initiative was intended to promote peace, stability and economic cooperation, today’s realities reflect nearly the opposite: the Israeli-Arab conflict is still unresolved; the Palestinian territories are still under Israeli occupation; and the amount of relative trade between Europe and the Mediterranean has declined.

Although it is clear that these digressions were not caused by the EMP itself but by the inability of the parties involved in the conflict to bridge their differences and to reach an agreement, the evident atrophy of the EMP casts a question mark on the viability of this initiative and its ability to improve cooperation across the Mediterranean. We believe, however, that despite these shortcomings, this initiative can contribute and help in changing things for the better, especially with respect to the Israeli-Palestinian conflict. Thus this chapter offers a few general suggestions on how to make the EMP more effective and more visible to the peoples of the Mediterranean. Our main suggestion is to have greater equality among the different countries in the EMP, both in terms of personnel, in terms of location of offices and activities, and also in terms of finance of the activity of the EMP.

In sum, the objectives of the Aix Group’s fourth stage of research is to expand and enhance its examination of the economic dimensions of the conflict, emphasizing current economic and political issues which concern final status negotiations and targeting policymakers and the public at large. The main findings, as in previous works, emphasize the importance of considering economic issues in this conflict and in its solution, and further serve to provide key decision makers both within

the region and internationally with a solid basis from which to make decisions regarding final status issues. But perhaps most importantly, the information presented in this book takes into account Palestinian, Israeli and international perspectives, which not only ensures that the research and analysis is as impartial as possible, but shows, above all, that even through the most tumultuous and uncertain times, thoughtful cooperation and practical decision making between Israelis and Palestinians is not only possible, but beneficial.

**The Big Picture:**  
The Political and Economic Alternatives  
Facing Israelis and Palestinians

Arie Arnon & Saeb Bamyá



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## 1. Introduction

In 2003, the Aix Group agreed on a basic concept which remains central in our discussions to this day. We came to the conclusion that one of the errors committed and followed by the two sides since 1993, when the Oslo process started, has been to base the peace process on “gradualism.” The right way forward, in our opinion, is to adopt what we have called a “**reverse engineering.**” approach (see the “Economic Road Map, ” 2004). In “reverse engineering,” the sides first agree on where they want to go, i.e. on the contours of a permanent agreement, and then decide how to reach that end. Gradualism, on the other hand, takes the form of an incremental approach, moving one step at a time with no agreement on, or even discussion of, the end result.

The concept of reverse engineering was developed and adopted by the Aix Group through a long process of discussion and dialogue. Within this concept, we have reached two main understandings which lie at the heart of the work we have done. The first one is the understanding that all outstanding issues between the two sides should be agreed upon first and at one time; thus the permanent agreement will constitute an historical compromise on **all** outstanding issues. Delaying agreement on any issue would mean leaving the contract incomplete and open to attacks and will negatively affect the reconciliation process between the two sides and exacerbate mistrust. Hence, it is extremely important that the final outcome of any negotiations be comprehensive, final and clear and that gradualism be used only as a tool for smooth implementation. Any steps to be taken should be part of the reverse engineering concept, whereby the final outcome is well known and a series of steps are devised to ensure that the final outcome is achieved.

The second understanding we reached is that of the utmost importance of symmetry in the solution to the Israeli-Palestinian conflict and in the future economic relations between the two sides. This symmetry is already implicit in the generally accepted solution to the conflict, namely “two states for two peoples,” but the current situation is one of

sharp asymmetry between the two sides, between occupied and occupier, between one side that has long gained independence and one side that still yearns for it. We need to strive to reach greater symmetry between the two sides, in order to reach a situation where two independent states live side by side, engaged in many different ways, but with neither state exercising control over the other. We are of course fully aware of the large economic, military, and political gaps between the two peoples, and we know that no peace agreement will eliminate these gaps overnight. However, formal symmetry in such an agreement and in the process of reaching it, are crucial to its success. If the much stronger side will try to dictate its conditions to the other side, the agreement might not be reached or, even if reached, might not survive.

As a consequence of its basic positions - reverse engineering, the need to address all issues, and the strong need for symmetry - the Aix Group's approach is in direct conflict with the gradualism that has characterized the political process since 1993, as well as with unilateralism and with the many attempts to pre-empt the "Two State" solution. In our Economic Road Map (2004) and in additional documents, we agreed upon and defined the basic requirements needed for the permanent existence of two viable states, Palestine and Israel. Moreover, as a result of its many discussions the Group rejected the view that economic development could pave the way to a political process or be a substitute for such a process. Both reality over more than forty years and a strong set of arguments prove the futility of this approach.

The calls to substitute a permanent political and economic agreement with "economic measures only" that will supposedly produce prosperity were raised by Israeli policy makers immediately after the 1967 war. Dayan, the Israeli defence minister, was the better known among them, but from time to time others repeat this argument. However, in order to bring real new path of development to the Palestinian economy and make the convergence of standards of living between the two economies a real possibility, some basic requirements are needed. Among those requirements are: the need for stable and predicted macro environment; continuous exchanges of goods and factors of production between the economies; coordination of the financial and monetary spheres etc.

These requirements, analyzed in our Economic Road Map, cannot be addressed unless the sides will reach an end to the conflict. Hence, the calls for “economics first” measures are at best naïve, or worse, are hiding the desire to avoid the difficult historical political compromise that is necessary in order to achieve the change we aspire.

Concerning the final economic agreement, we base our analysis of future relations between Palestinian and Israeli economies on the concept of economic sovereignty, implemented in two independent states with separate geographies, independent policies, full control over their territories and borders, and cooperation between them. This is in full accordance with the principle of symmetry. We believe that Palestinian and Israeli interests would be best served by a Free Trade Area (FTA) arrangement that enables each customs authority to be a partner to the other side without losing its basic independence. Israeli and Palestinian border control agencies could also manage borders and border crossings to ensure the enforcement of the agreed-upon trade regime between the two sides. Special attention was paid in our discussions to the need to ensure Palestinian labour flow into Israel. An agreement on such labour flows is vital to the future well being of the Palestinians and for a smooth implementation of the peace agreement.

Steps have been taken by both sides that have created seemingly irreversible “facts on the ground.” Examples include the expansion of settlements, the closing of Jerusalem to the West Bank, the separation fence-wall, the lack of acceptance of the EC-PLO interim association agreement by Israel, and many other measures. In order to realize the critical concepts of reverse engineering and symmetry, it is of the utmost importance that we create the necessary means to ensure that these facts are reversible.

The failure so far to agree to and successfully implement the “Two State” formula is due in part to the fact that since 1993, the sides have avoided serious discussion of the permanent stage; then at Camp David in 2000, they failed to reach an agreement. But whereas many concluded after the failure at Camp David that it is altogether impossible to reach an agreement, we concluded that it is impossible to give up on reaching one. Thus we thought, and still think, that in spite of the painful failure in 2000 and the painful consequences of that failure, the two sides

should resume meaningful negotiations that will lead to a permanent settlement of the conflict.

We believe that the power imbalance between the two sides is partially responsible for the long delay in resuming meaningful negotiations. Another example of the consequences of this imbalance is the recent failure to achieve a permanent agreement in 2008, in the Annapolis process, contrary to the declarations in November 2007 that such an agreement was the aim of the process. A permanent agreement will be possible and stable only if it is based on symmetry between the two sides in important dimensions concerning sovereignty, in spite of the asymmetry in power they face currently; therefore, in order to reach such an agreement, the current imbalance in power must be addressed. Both the international community and regional players could play an important role in achieving a balance of power and in bridging the gap in confidence between the sides. We outline below the necessary first steps to be taken, based on the reverse engineering concept and in view of the power imbalance between the two sides that has contributed to the failure to achieve a breakthrough. The road to peace can be taken only if it is accompanied by a continuous effort to treat both sides more symmetrically. This is the abiding essence of the “Two State” solution.

## 2. Between “One” and “Two”

The Israeli-Palestinian conflict is not a purely territorial war, as some have argued especially since 1967. It is not only a conflict about the future of the West Bank and Gaza or merely the result of disagreements about human or political rights. It is a conflict between two people over one land.

Any imagined agreement between the two sides can be conceptualized in terms of two possible schemes: a) a “Two State” scheme, i.e. the division of the land into two states and two sovereign economic entities; or b) a “One State” solution, i.e. the establishment of a single political and economic entity. Of course, if no agreement is achieved, the current status quo, i.e. the continued occupation and conflict, will prevail with all the negative consequences. Although Israeli policy since 1967 has repudiated both the “Two State” and the “One State” solutions, it has changed character and formulations from time to time, as have Palestinian positions. Sadly, the two peoples are deeply divided within themselves as to the “One” vs. “Two” solutions; some on each side reject both. We will review below the two basic possibilities for an agreement and ask how any future permanent agreement can address the core “trio” of issues -- borders, Jerusalem, and the 1948 refugees -- as well as other key issues like independence, security and prosperity.

The assumption that the Aix Group made and that we continue to hold is that the conflict is one where there are two peoples with legitimate claims. Some think that it was not always so; that in the past, the conflict had one side that was “right” and hence legitimate, and another that was “wrong” and illegitimate. We will not address those views concerning the past here. However, when we say that today the two sides have “legitimate claims”, we have to define those claims carefully. Moreover, if we seek consistency and symmetry, and we do, we have to convince the reader that those claims, which are both individual and collective in nature and which seem to some to be contradictory, can be addressed in a compromise between the two sides -- in an agreement that the sides

can accept as a resolution to the conflict. That is, we will argue that the conflict can be resolved in an historical compromise that will address what each side sees as its minimal necessary claims and which a clear majority on each side will support.

In reality, there are critical asymmetries between the two sides to the conflict: Israel is an independent state and the Palestinians do not have independence; Israel is the occupying power and the Palestinians are the occupied. There are also clear differences in the current strength of each side, its military capabilities and economic development. Yet the resolution to the conflict that we discuss is based on symmetry between the two sides.

The preliminary assumption that there are today two legitimate sides with legitimate claims is negated by some Israelis and Palestinians (as well as by others). There are Israelis who deny the collective and even individual rights of Palestinians. There are Palestinians who deny the collective and even individual rights of Israelis. We will identify these two camps of denial by their attitude to a political agreement: they reject a permanent, final, political agreement with the other side. Usually they reject such an agreement because they deny the legitimacy of the other side's claims; hence they are commonly known as rejectionists, rejecting an end to the conflict via a political compromise. We will add below a few more observations concerning the strong rejectionist camps on both sides that deny the legitimate rights and even existence of the other side, and how they have influenced the failures to achieve an agreement over the years. Their role may help to explain why gradualism as well as "economics first" failed as policies.

We will analyze the two frameworks for an historical compromise, the "One State" and "Two State" solutions. Both are feasible in principle in our case and in similar conflicts where two legitimate sides fight over one territory. However, we will argue that the two alternatives are very different in reality: the "Two State" solution is capable of answering the legitimate claims of the two sides and hence is realistic; the "One State" solution leaves some legitimate claims unanswered and is not, in our view, a realistic alternative. We often hear that the "Two State" solution is wishful thinking and no longer a practical alternative. We

disagree and would like to argue that sometimes, the inconceivable and imaginary becomes conceivable and real. This always was and continues to be the optimist’s line. We are optimists. It can happen.

## 2.1. Demographics and Geography

Let us first remind the reader of some of the basic historical demographic facts in the contested land that too many tend to forget. In mandatory Palestine (Palestine in Arabic, Eretz Yisrael in Hebrew, as the land between the River and the Sea is known to the two sides), demographical changes were dramatic during the British mandate times:

**Table 1: Jewish and Arab Population in Mandatory Palestine**

Year	Jews	Arabs
1922	84,000	680,000
1931	175,000	860,000
1935	322,000	940,000
1939	432,000	1,040,000
1947	610,000	1,325,000

Source: Metzger (1998).

Of the 1,325,000 Arabs living in Mandatory Palestine in 1947, about 625,000 stayed in their place of residence in 1949. Of this number, 150,000 stayed in Israel, 400,000 stayed in the West Bank and 75,000 stayed in Gaza (See Map 1). Around 700,000 who lived in areas that became Israel after the 1948 war did not stay where they had resided in 1947 and by 1949 became refugees.

## Map 1: Areas in Sq Km

Israel Pre-1967 Borders (the "Green Line") the West Bank and Gaza



The geographical facts in 1949 can be seen in Map 1. The area between the River and the Sea is around 28,000 sq km. Of this area, 21,700 sq km were within the Green Line and under Israeli control before 1967; 5,900 were within the West Bank and 365 were in Gaza. In 1949 the 700,000 refugees lived as follows:

- in the West Bank 300,000 [75% increase in the population]
- in Gaza 150,000 [200% increase in the population]
- in Jordan (and other locations) 250,000

Demographic tendencies after the 1967 war can be seen in Table 2:

**Table 2: Jewish and Arab Population (in thousands)**

	Israel		West Bank and Gaza	
	Jews	Arabs	Jews	Arabs
1967	2,400	350	--	1,000
1987	3,400	700	250	1,400
2007	5,000	1,200	450	3,800

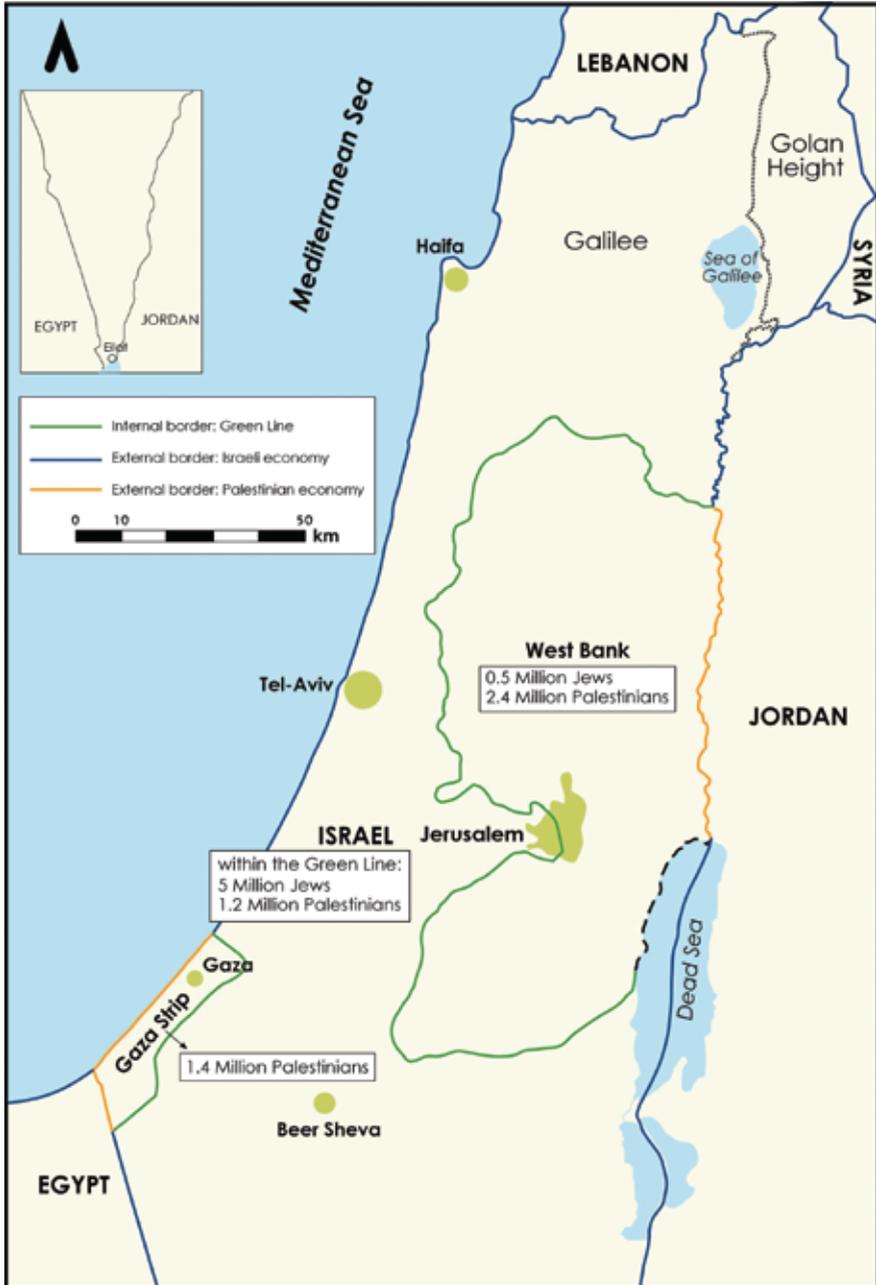
Source: ICBS & PCBS and authors' calculations.

Thus by 2007, due to many demographic changes, the population in the contested land and around it was comprised of:

- 5 million Israeli Jews within the Green line
- 3.8 million Palestinians (refugees and non-refugees) in the West Bank and Gaza
- 1.2 million Palestinians in Israel
- 0.5 million Israeli Jews beyond the Green line.

Thus, about 5.5 million Israeli Jews and almost 5 million Palestinian Arabs live in the area between the Jordan River and the Mediterranean Sea. About 4 million Palestinians (3 million of them Palestinian refugees) live outside Mandatory Palestine.

Map 2: Israeli Jews and Palestinians in 2007 (in millions)



## 2.2. Basic Economic Data

Since 1967, the Palestinian economy in the West Bank and Gaza has had less than 5% in GDP compared with the Israeli economy. The two economies have differed in their stages of development, occupational structures, industrial organizations, dependencies, etc. Changes in relative standards of living since 1967 are presented in Table 4. Although we will not discuss these issues here, it is important to note that the performance of the Palestinian economy since 1967 has been determined to a large extent by Israeli decisions concerning its trade regime, openness towards the Israeli economy and towards the rest of the world, and by Israeli-imposed restrictions on internal entrepreneurships.

**Table 3: Economic Data 1967 – 2007** (million 1994 \$)

(Average per year)

Years	Israel	Palestine		Total (as % of Israel)
	GDP	West Bank GDP	Gaza GDP	
1968-72	19,900	520	200	3.6
1994-96	74,900	2330	1040	4.5
2001-05	83,400	2590	1170	4.5

Table 4: Economic Data 1967 – 2007

(in dollars)

Year	Israel		Palestine		
	GNP-PC	(as % of Israel's)	West Bank		Gaza
			GNP-PC	(as % of Israel's)	GNP-PC
1968 <sup>1</sup>	4,373	551	13%	375	9%
1993	8,194	2,073	25%	1,089	13%
1995/6 <sup>2</sup>	15,115	1,698	11%	1,398	9%
2005/6	20,480	1,677	8%	1,242	6%

### 3. The Political Models

Palestinians and Israelis fight over core issues such as self determination, sovereignty, independence, collective identity, future prosperity and security, but also about individual rights and claims to land, property and justice. As we have already stated, there is a basic asymmetry between the two sides in these areas, including that the Jews in Israel have achieved self determination and sovereignty while the Palestinians have not. In a conflict where two legitimate sides fight over sovereignty -- over control over their own lives, hopefully exercised democratically through their representatives -- they can in principle agree to one of two models:

- One State
- Two States

1 Data for the years 1968 & 1993 in 1986 dollars; source: ICBS.

2 Data for the years 1995/6 and 2005/6 in current dollars; sources World Bank, ICBS and PCBS.

Of course some hybrids are possible, but we will focus on these two options that cover the major differences. We will discuss them from a political perspective and, briefly, from an economic perspective, which is less common but vitally important.

What is a political “One State” agreement when two legitimate sides fight over land and other issues?

- It is an agreement to run the polity in the contested land so that the territory will not be divided geographically and so that a power sharing scheme will be agreed to. Politically, the sides should find mechanisms that will guarantee the individual rights of all and also a scheme that will address the collective aspirations of the two sides, including independence, security and prosperity. The agreements would have to address the present balance of power but also possible changes in the balance of power. Specific internal issues such as economic policy, civilian affairs, education, health, and security (internally and towards the outside world) should all be addressed. Clearly there will be no internal borders, hence also no economic borders, and there will be an agreed upon, unified economic policy.

What is a political “Two State” agreement when currently two legitimate sides fight over land and other issues?

- It is an agreement to run the polity in the contested land so that the territory will be divided geographically and a power sharing scheme will be agreed to. In principle each side will implement its sovereignty in its area of control. Again, politically the sides should find mechanisms that will guarantee the individual rights of all and also a scheme that will address the collective rights of the two sides. They will have to address the present balance of power but also possible changes in the balance of power. Specific internal policy issues such as economics, civilian affairs, education, health, and security (internally and towards the outside world) should all be addressed. But in this case some of the decisions can be separated and put in the hands of the two sides.

We would like to describe in more detail the “Two State” agreement that we still believe is feasible. It will answer the desires of the two sides to have sovereignty or self determination and address their core “legitimate claims” concerning land, Jerusalem, the Refugees, and Security, and it should create economic conditions for prosperity.

One has to remember that we have some experience concerning the possible economic regime for the future, although no experience with an agreed-upon permanent economic regime. After the 1967 war, Israel unilaterally imposed an economic regime based on the integration model, “one state – one economy”. It did so without taking into account the Palestinian interests. In 1994, following and as part of the Oslo process and the recognition that there are two sides to the conflict, the imposed regime was modified a little and received the official approval of the government of Israel and the PLO. The economic agreement signed in May 1994, known as the Paris Protocol, assumed no internal borders, Israeli control over the external borders (the customs envelope) and Israeli monopoly over trade policy. This agreement reflects to a large degree the basic asymmetry between the two sides, which was one of the reasons for its failure. The agreement also enabled continued Palestinian labor in Israel but gave Israel a veto on it for security reasons, which led to today’s situation where almost no Palestinians work in Israel. Economists who negotiated the economic aspects of the Oslo agreements supported integration and rejected borders. Thus, they supported, economically, the “One State” and rejected the “Two.” The arguments they made were very similar to those used by supporters of integration processes in other places, including NAFTA and Globalization. Of course, these arguments reflected the enormous asymmetry in power between the two sides.

The economic consequences of Oslo were very disappointing. The conflict continued and the economy was another of its victims. By the beginning of the current century many economists -- Israeli, Palestinian and those from the international community -- had adopted a very different approach from that of Oslo and the Paris Protocol. They reconsidered the arguments for and against integration and came to the conclusion that from an economic point of view there are good reasons

to support two economic sovereigns, two sets of trade policies, and regulations concerning labour flows between Palestine and Israel. The work of the Aix Group was part of this change.

The main reason for this change was the realization that integration exacerbates the control of the strong side over the weak. Relations are never purely economic; they involve much politics. A lack of borders creates a situation wherein the strong side increases its control by mustering its political, military and economic superiority to create conditions that strengthen itself and weaken the other side. The fact that the policy of integration was implemented in the Oslo process as an interim solution was used as a justification to maintain and even increase the basic asymmetry between the two sides. This is one of the reasons why the Aix Group came to the conclusion that the right way forward is to adopt a “reverse engineering” approach.

We next outline the political and economic implications of a “Two State” permanent agreement concerning:

- Borders
- Jerusalem
- Refugees
- Security
- Economics

**Borders and contiguity.** The partition of the contested land should be more or less along the 1967 borders. These borders are chosen not because they are sacred, but because they provide a reference that has become acceptable. In other words, neither Palestinians nor Israelis will agree to less; perhaps they will agree to swap some minor areas. Critical questions are: will the borders be real ones; that is to say, will they exist on the ground? Will people be able to cross them and to do so easily? Will there be economic borders for trade, for labour, etc.? We in the Aix Group have concluded that the answers to all these questions should be positive. As mentioned above, the Group outlined in the Economic Road Map (2004) the basic economic elements of a possible agreement based on “Two State” wherein two sovereign sides have control over

economic decisions, including control over their territory and borders. We recommended a Free Trade Area (FTA) regime and regulated labor flows between the sides, and also discussed the financial and monetary aspects of an agreement.

**Jerusalem** can be viewed as part of the borders issue, but one about which the two sides are more sensitive. In the Aix Group, we analyzed the possibilities for Jerusalem within the “Two State” formula. In our preferred solution, the two states will first establish their capitals in Jerusalem and the world will recognize both capitals. Second, economic difficulties must be addressed. There are in principle three possibilities that are consistent, again in the abstract, with a “Two State” agreement. One possibility is that the political border that divides the city will be an actual fence and the city will be physically divided. Another possibility is that the city will remain physically open but physically separated from the rest of the two states to avoid smuggling. The third possibility is to limit the open area to a small area in the city, such as the Old City. Our analysis of the various options revealed that none is ideal and all have pros and cons.

The Aix Group also analyzed various other financial and economic arrangements that are required in order to deal with existing difficulties and to divide Jerusalem. Some of the existing issues are: pre-emptive measures like creating and expanding Israeli settlements and neighbourhoods within East Jerusalem and house demolitions in East Jerusalem that cause migration of Jerusalemites either outside Jerusalem, or outside Palestine all together. Another harmful measure has been the closing of all Palestinian institutions in Jerusalem, thereby reducing sovereignty and control of Palestinians and creating de-facto Israeli control in an attempt to reduce the Palestinian claim on the city. Such behaviour has even affected the rights of Palestinians living in Jerusalem, reducing them to second or third class citizens, and eliminating any sovereign claims of Palestinians to East Jerusalem.

**Refugees.** The contradictory claims concerning refugees makes this probably the most difficult issue between the two sides. The Aix analysis assumes that future agreements and the achievement of a practical solution will be based on two tenets: choices made by the individual

refugees themselves and an agreement between the representatives of the two sides. A mechanism has been proposed to achieve compatible results between the individuals and their representatives. As for the refugees' choices, they themselves will assess what is best for them and will choose between alternative locations for residency, as explained in the Clinton parameters. The process of choosing will be done individually, in a well-organized procedure supervised by the International Agency for the Palestinian Refugees (IAPR), an international administration created for this purpose. The Aix Group proposes that the individuals will choose more than one alternative and rank their priorities. A timeframe for this process will be agreed upon.

The IAPR will be responsible for implementing an agreed-upon mechanism to ensure that the final decisions satisfy the wishes of the refugees as much as possible and are in line with the overall agreements to be signed between the representatives of the two sides, and possibly also with the relevant host countries and other countries.

The IAPR will also supervise the various arrangements, mechanisms and programs that will address the following four critical topics:

- Resettlement/Repatriation, or what we describe sometimes as Relocation programs
- Rehabilitation programs
- Claims concerning properties
- Compensation for refugehood

A long-term resolution of the Palestinian refugee issue should be based on all relevant UN resolutions, including GA Res. 194, while recognizing that a literal application of this Resolution is no longer possible given the substantial changes on the ground. As in the Clinton parameters, the parties would agree that the measures recommended implement resolution 194. The Aix Group considers that the right of return to their homeland, even in a modified and limited sense, together with the other measures discussed in the Aix Group's 2007 paper on the refugees, should be an essential component of closure to this issue.

The magnitude of the financial dimensions of an agreed-upon

resolution for the refugees is very significant; we estimate it as between **US\$55 billion and US\$85 billion** over the period of implementation. The financial estimates are explained in the 2007 text; one has to remember that resettling/relocating/rehabilitating around four and half million people and settling 60 year-old claims on many lost properties is an enormous task.

**Security.** Security within a “Two State” agreement will be of utmost importance. If the rejectionists continue the conflict after the implementation of an agreement, the two sides will be put to a critical test. The fact that the Palestinian state will have control over its land and borders will force the sides to cooperate on security matters. The challenge for the two sides will be enormous; the stability of the agreements as well as the actual conditions for economic prosperity will depend on the success of providing security to the two sides. Clearly, our positive convergence scenarios are dependent on such occurrences.

**Economic regime.** In the “Two State” agreement, each state will conduct its own economic policies and will have full control over its borders but will cooperate on many issues, including economics. They will have a trade agreement - we recommend an FTA - as well as understandings on other aspects of cooperation in the areas of labor, infrastructure, money and finance, etc. Many economists who follow the Israeli-Palestinian conflict, including those from international organizations like the World Bank, agree that such arrangements will provide the best conditions for economic development and for long-term convergence in standards of living. Economists remember that the Paris Protocol, which was the only past agreement between the two sides on economic matters and a model that assumed economic integration, failed. We think that for both political and economic reasons, these two very different economies can prosper together only if they agree on political borders and if they benefit from the economic borders between them.

**Table 5: The Political and Economic Differences between a “One State” and a “Two State” Agreement**

	One State	Two States
National aspirations	Ignores some national aspirations	Fulfilled
Political Stability	Low. Constant conflict between the sides over decisions	Relatively high
Jerusalem	Not a problem. The capital of the state	Not a problem. Two capitals, one in east Jerusalem and one in west Jerusalem
Borders	Not a problem	Need to establish a border and to link Gaza and the West Bank
Refugees	A threat to Jewish aspirations	Limited return to Israel
Economic Regime	One joint economy	Free Trade Area (FTA)
Security	Potential risk of internal threats from the other population (for both populations)	Potential risk of external threat from the other state (for both)
Settlements	Relatively a minor problem	Relatively a big issue
Water	Joint Management	Coordinated Management

## 4. Paving the Path to a “Two State” Agreement

The issues which need to be addressed in the final agreement are all well known and have been addressed by many already, including by the Aix Group. Below is an analysis of how these issues are related to the current situation, and how these issues should be treated in the short-to-medium term in order to avoid pre-emption and to ensure working with reverse engineering towards a final agreement. These issues include:

The Separation Wall has eaten up a very large part of the West Bank, including agricultural areas; has cut the West Bank into unviable Bantustans; and has increased transaction costs. It is important initially to facilitate movement of goods and people through the passages in the Wall within the West Bank and to secure access to agricultural lands beyond the Wall, as well as to start moving the Wall to ensure that it is set on the 1967 borders.

- All issues of movement and access, like check points and un-facilitative border crossings, are extremely harmful economically, as they make trade much costlier. Trade facilitation measures should be undertaken to guarantee that movement of goods and people is done in a facilitated fashion while ensuring that security requirements are met.
- The current situation that prevents trade between the West Bank and Gaza and closes the Gaza Strip to all external trade is another important issue. It destroys the first rule of thumb in the “Two State” solution, namely that the West Bank and the Gaza Strip should be one unit whose integrity shall be maintained both politically and economically. This also includes the Israeli refusal to establish the land link between the two parts of the future Palestinian state.
- In addition to negatively affecting movement and access, Israeli actions have affected a very significant part of the Palestinian –

Israeli trade, as well as trade with other parties. Therefore, one of the major issues to be addressed in the build-up to the process of state-building is the diversification of trade for Palestinians and the potential diversification of trade routes. This should reduce the dependency of the Palestinian economy on the Israeli whim or on Israeli market and terminal access. Palestinian membership in international trade and trade facilitation organizations such as the World Customs Organization, the World Trade Organization, the World Tourism Organization, and the Organisation for Economic Co-operation and Development should be facilitated by the international community and agreed to by Israel in order to bring the Palestinian trade regime into the international arena according to international rules.

It is important to pause to highlight the following points:

- Negotiations unto themselves are not an end but simply a means to reaching the required compromise from both sides, thereby leaving the possibility for both sides to get some benefit and satisfaction from the process. The peace process should not be perceived as an end in itself, but rather as a process that will eventually lead to an actual peace agreement accepted by each side, thereby creating a win – win situation rather than a zero sum game.
- It seems that the current negotiations have been running in a closed circle, with little by way of potential agreement, due to the fact that it is not clear or agreed to by all parties what the outcome or end result will be; no reverse engineering is being done. A framework agreement which sets out the parameters for an extended agreement should be reached in order to guarantee that the on-going negotiations are guided in body and spirit by the end results.
- The settlement enterprise is both illegal and harmful, as it pre-empted the capacity of the Palestinian state to naturally expand and to be continuous and contiguous. The settlements tend to intersect the West Bank, and prevent work necessary for creation

of infrastructure such as electric grids, water and roads networks and telecommunications networks, as well as housing and natural expansion of Palestinian cities and residential areas. It is imperative that Israel take the first steps of freezing the expansion of all settlements, and then proceed to dismantle them.

## 5. On Some Weaknesses in the “One State” Solution

Let us explain briefly why at this stage a “One State” agreement cannot, in our view, address the legitimate claims of the two sides.

- In a “One State” agreement there are no satisfactory answers to Jewish-Israeli claims for self determination and independence.
- The question of Jewish collective rights becomes more severe in a “One State” framework with a resolution of the refugees’ problem. The conflict between the return of the refugees to Israel and the Jewish Israeli desire to maintain collective identity, self determination and sovereignty, even in an Israeli state that has a Palestinian national minority but where the majority are Jews, is clearly the focus of many of the disagreements. Thus, no common ground exists today for a “One State” agreement that can receive the support of a majority of Israelis.
- There are no satisfactory answers concerning security, particularly in the face of a strong rejectionist presence, and there are no satisfactory answers to the economic questions. “One State” leaves security in the hands of one sovereign while there are those who do not recognize the existence and rights of the two sides. This cannot be considered an answer to the legitimate claim of most Jews in Israel to an agreement that will provide for their safe existence and the safeguarding of their collective rights.

- Legitimate Palestinian claims for self determination, including independence and control over various aspects of life, cannot be answered in a “One State” framework; certainly not in the near future when the Palestinians are a minority.
- As long as a very strong minority, maybe even a majority, on the two sides of the conflict (or on one side), rejects the “One State” arrangement, violence will likely continue. There will be constant conflict for the foreseeable future between the two populations within the one state, as well as conflict about power positions and allocation of resources. The risk is that the political environment will be unsustainable, which may even lead to a civil war.

The coexistence within one state of two peoples, of which one is much richer and much more developed economically than the other, will induce strong asymmetry in political power between the two communities. This will further amplify the economic gaps between them, mainly through control over lands. As a result, the “One State” solution would undoubtedly lead to further tensions and animosity between the two peoples and will not constitute a solution at all.

## 6. Why has the “Two State” Solution Failed so far?

There are several arguments raised against the idea that two states are possible and desirable, arguing that this model is not -- or is not any more -- an answer:

- “Reality is Irreversible.” This argument claims that it is impossible to change the geographic-demographic reality that we described above and reach a two state agreement that is practical and viable. But in our view reality is reversible, depending on the

political power on each side. There is nothing on the ground that contradicts the ability to reach an agreement on partition.

- “The Israeli side will not agree to the contours of the two states described above.” More specifically, the Israeli side will reject the borders, the agreement in Jerusalem and maybe even the agreement on the refugees. But this argument is faced with a number of counter arguments. First, whatever Israeli support for the “Two State” solution may be, Israeli support for the “One State” solution is much smaller. Second, Israeli support for the “Two State” solution, despite the territorial cost, is quite significant. Support in Israel for pulling out unilaterally from 90% of the West Bank was overwhelming just two years ago. This signals that Israeli attachment to the West Bank is not the real obstacle. The Israeli public seems to be more ready for a compromise even on Jerusalem if the deal is perceived as a serious one which the other side would stick to and accept as a closure to the conflict, and if the international community, including the U.S., supports it.

If we do not accept these standard arguments against the “Two State” solution, we are left with the question of why it has failed so far. We have two basic answers to this question. One is related to symmetry and the other is related to cooperation between rejectionists on both sides.

We have already mentioned that there is significant economic, military, and political asymmetry between the two sides, mainly with respect to international support. This tempted the Israeli negotiators to reach an agreement that would reflect this asymmetry to some extent (even beyond the basic asymmetry of partitioning the country in shares of 77% and 23%). Thus the Israeli negotiators tried to reach long-term Israeli control over the Jordan Valley, which is of critical importance to the Palestinians as a main agricultural area. Israeli negotiators also tried to maintain elements of control over Palestinian movements between the West Bank and Gaza, despite the impingement on Palestinian sovereignty. There are many more examples of Israeli attempts to reinforce the existing asymmetry.

The other explanation for the failure to achieve an agreement so far is tacit collaboration between rejectionists. The conflict is between two groups but the developments are determined by (at least) four: between two camps who reject a compromise and two who are ready to accept it. We think that the supporters of “One State” have no real answer to the fact that there are indeed four camps in the region, and two of them reject the collective rights of the other side. This is part of our explanation for the collapse of Oslo.

- Israelis and Palestinians have not agreed so far to a “Two State” formula. The PLO agreed in principle in 1988, but there were always open questions about the refugees in a two state agreement. There was also strong opposition among Palestinians and Israelis to the “Two State” idea.
- The two sides to the potential agreement opted for gradualism and left too many ends open. The supporters of “Two State” underestimated the power of the two rejectionist fronts.

Taking into account the historical aspects that brought the conflict to where it is today, we believe that the “Two State” solution, while in deep trouble, is more practical than the “One State” solution and has better political chances. The “One State” solution cannot address the fact that there are now, always have been, and will continue to be those who deny the other side’s claims. Thus, there is no way to agree on a consistent one-state framework that will guarantee security to the two sides.

An agreement must not be vulnerable to political changes, and must provide answers to the basic fear that the other side will change its view or elect a rejectionist faction. Thus, a call for a “Two State” solution with relatively open borders between the states is the only realistic alternative.

The next question is whether such a solution answers basic legitimate rights. The most difficult issue is the refugees’ demand to return to the specific locations from which their ancestors left. If the refugees will agree to return to their homeland but not to their original villages, and if the Israelis will accept the rights of the other side and agree to

a full withdrawal, we will be able to test the above arguments. It calls for a major change in Israel. It calls for a major change in Palestine. It will enable two sovereign political entities to coexist. As a result of an agreement, a clear understanding will be established as to who “belongs” to each entity as far as citizenship, residency and property rights are concerned. It will also become clear what if any restrictions will exist on movements of persons, goods and services, and/or capital between the two states, and whether there will be any restrictions on property ownership. However, as stated in the introductory “rationale and assumptions” statement by the Aix Group (2007), developments in recent years make the issue of “pre-emption” (i.e. the establishment of “facts on the grounds”) in terms of settlement expansion and major changes in topographical contours in the West Bank and in the greater Jerusalem region, a major obstacle to the “Two State” option. If and when this option collapses, it will call for rethinking the options for both Palestinians and Israelis within the country as a whole, on the basis of common citizenship or bi-national citizenship. We don’t believe that this is an option for the foreseeable future.

This is also the place to clarify that there is no third option. Business as usual and a continuation of the occupation and the conflict as in these last years are not possible for a long period of time. In the last years, eruptions of violence have become more frequent and the future looks bleak. A continuing escalation and intensification of the conflict will lead to great economic damages; to a weakening and, at some point, a collapse of the existing peace agreements with Egypt and Jordan; and to greater harm to both Palestinians and Israelis. This spiraling of violence will lead at some point to outside intervention. This is therefore, in our view, not a desired option.

Time is running out for a “Two State” arrangement. If this idea is not accepted and implemented relatively soon, the two sides will have to consider an alternative political economy, and the “One State” alternative, on the basis of common citizenship and equality before the law, will increasingly be placed on the agenda. Such an agenda will require detailed new thinking about many of the elements discussed today; but if the vision of “Two State” crumbles, it will become the only

alternative to the current conditions of continued occupation.

The passage of time makes the resumption of meaningful negotiations even more difficult, since two serious problems challenge an agreement: one is that of a strong opposition and terror campaign against a political “Two State” agreement, based on the negation of the existence and rights of Israel and the Jewish collective; the second is that of “pre-emption”, i.e. a process of creating facts on the ground through sustained settlement expansion. These processes, combined with the physical transformation of land in the occupied Palestinian territory, create conditions which undermine and supersede an agreement based on meaningful sovereignty for both sides.

## 7. What can be Done Immediately

Within the Big Picture, there are a number of issues that need to be addressed in order to ensure that the spirits of reverse engineering and of symmetry are maintained in the implementation of the long-term resolution to be agreed upon by the parties, while ensuring that the end result is in itself guaranteed as a viable and sustainable agreement. These areas will be addressed by a number of additional papers which will be produced by the Aix Group to compliment the Big Picture.

### The Territorial Link

From the onset of the Oslo agreement, Palestinian territory (the West Bank and the Gaza Strip) was considered to be one geographical, political and economic unit within the agreement. Although the letter of the agreement contained this concept, which is a necessary component for the viability of the Palestinian state, the implementation was less than diligent in this area, which is considered one of the most important parts of the Oslo agreement and any future agreements.

The failure to implement the rudimentary territorial link of the safe passage agreement was due to the demands placed by the Israeli side on the provision of permits for the movement of both people and goods to and from the West Bank (WB) to the Gaza Strip (GS). The movement of people from one side of the Palestinian territory to the other was time restricted; for example, individuals from the West Bank were given short-term permits to go to Gaza, after which their stay was considered illegal. This is not the type of arrangement that enhances and ensures the territorial integrity of the future Palestinian state. The movement of goods was also highly restricted between the WB and GS, thereby negatively affecting the Paris Protocol's clear concept of one market even though the existence of the semi-customs union guarantees that this movement would not cause any harm to either the Palestinian or Israeli markets. These issues demonstrate how lack of symmetry can be amplified by the abuse of these imbalances in power and can make things between the two peoples much worse than they used to be.

## The Jordan Valley

The Jordan Valley is the most important area within the West Bank for the natural growth of the population, as well as the "Bread Basket" of the West Bank, with its highly fertile land and varied seasonal weather conditions. The Valley is the area necessary for Palestinian population expansion and absorption, as well as the agricultural land necessary for a growing population and for the export potential of agri-business. The Valley also provides the only real unutilized land within the West Bank, with potential for expansion and new development whether in agriculture, construction, tourism, energy and infrastructure or industry.

Currently, the Jordan Valley is the most restricted area for both movement and access, as well as for residential, agricultural and water rights within the West Bank. With few exceptions, the Palestinian population is unable to benefit from the area. In order to ensure the viability and sustainability of the future Palestinian state, the Jordan Valley needs to be opened to the Palestinian population immediately in order to ensure the potential for economic development for the Palestinian

state in the future. The Aix Group paper on the Jordan Valley will provide insight to the importance and potential of the Valley, and the way forward, using the reverse engineering methodology in order to identify immediate, short and medium term actions in this area, and to eliminate pre-emptive actions to prevent access to the Jordan Valley.

In the Jordan Valley measures that will change its de-development should be implemented immediately, making the movement in the area and into and out of it easy. Agriculture should be allowed as well as planning and implementation of tourism projects.

## Refugees

The refugee issue is a core problem which must be addressed on several levels in order to arrive at a lasting end to the conflict. The Aix Group has already addressed the economic overview of the refugee problem in previous publications. Additional work has been done by the Group in order to facilitate the implementation of any agreement which is reached between the sides on this issue. The paper on refugees will contain structural and functional descriptions of the mechanisms on the national and international levels which would implement this agreement. The paper will also highlight the roles and responsibilities of each party in the implementation, including the role of the international community and the host countries in the establishment and operation of the International Agency for the Palestinian Refugees.

The IAPR should be structured already now; planning and the creation of this institute should not be delayed.

## Union for the Mediterranean

As a result of the signing of the Oslo agreement, which opened the door for the potential creation of an area of stability and prosperity in the southern Mediterranean, the European Union launched the Barcelona process. This Barcelona endeavor assumed that the peace process will work towards resolving the Palestinian/Arab – Israeli conflict, with potential benefits for the entire region. But the standstill of the peace process, the non-implementation of signed agreements, and even

the non-recognition of the EC-PLO Interim Association Agreement all worked to slowly push the Barcelona concept into oblivion. The Union for the Med Initiative, an advanced step in the implementation of the Barcelona concept, holds benefits of great potential for all the partners in the southern Med and the EU, and requires proper resolution of the Arab-Israeli conflict. In order to realize the Union, serious steps and initiatives must be taken by the European partner in order to ensure the basic premise upon which this partnership is built: a peaceful resolution to the Arab – Israeli conflict and especially the central conflict of Palestine. The paper on the Union of the Med will address specific initiatives which need to be undertaken by all parties and especially by the EU in order to ensure that an equitable agreement between Israelis and Palestinians is reached so that the Union can be successful. If an agreement is not reached between the parties, it will mean the minimization of the utility of the Union and a serious threat to the Euro-Med Partnership.

The Euro-Med Partnership issue is of strong relevance to our discussion, as it reveals the importance of symmetry for outside involvement in promoting a solution to the conflict. In the same way that a solution to the conflict can succeed only if it tries to preserve a minimal degree of symmetry between the two sides, an outside intervention in solving the conflict can succeed only if it treats the two sides symmetrically. In other words foreigners are required to be honest brokers for their support to be accepted; if not, the situation will deteriorate further. This holds with respect to the U.S. and the European Union.

## 8. Summary and Conclusion

A feasible agreement on two states will have to address the difficult trio of **Borders, Jerusalem and Refugees**. It will also have to deal with the question of “pre-emption” and the long-term impact of creating “facts on the ground”. A positive conclusion that addresses the minimum and

necessary requirements of the two sides will most probably look like the following:

- The borders between the two states will be drawn so that the two states will have continuity; the land will be divided 77% to 23% based on the 1967 borders, allowing for agreed and limited swaps of land along the “Green Line”; arrangements satisfying contiguity between Gaza and the West Bank will guarantee the free flow of people and goods within both Israel and Palestine so that travel between Gaza and the West Bank will not entail crossing a border.
- Jerusalem will be the capital of both Israel and Palestine. Two options for Jerusalem’s borders can be thought of:
  - a. An “open” Jerusalem, necessitating the creation of borders around Jerusalem, or the part of the city that remains “open”.
  - b. A border that will bisect Jerusalem.
- An agreed, just and fair solution to the 1948 refugee problem will address both the individual claims and the collective considerations of the two sides and provide a way to reconcile the two. On the one hand, the Palestinian refugees will be able to choose a permanent place of residency; on the other hand, the implementation of these decisions will be agreed to by, and subject to the sovereignty of, all the countries that will be affected, including Palestine and Israel.

Programs for the refugees will address Resettlement/Repatriation, or what we describe sometimes as Relocation, as well as Rehabilitation. A substantial compensation scheme for the refugees will be agreed upon. The process will end the status of refugeehood and turn all refugees into citizens, with the agreement and cooperation of the refugees themselves.

If the two peoples want self-determination, normalcy and prosperity, they should head towards an historical compromise. By supporting such a “package” as the outline of an agreement, the international community can also contribute to the beginning of a new path in our

troubled region.

We suggest that the economic part of the new agreement should include clear key principles. First, it is imperative to agree that the sovereign authority of each party, within internationally recognized borders, includes the right to conduct internal and external economic affairs, including the operation and administration of that party's economic borders, autonomously but in cooperation with one another. Hence, the parties must reciprocally recognize each other as independent customs territories and make this recognition the foundation for their economic and trade relations. Second, economic relations shall be guided by the concepts of cooperation in both trade and labor, as well as in infrastructure, R & D, etc. Thus the parties can establish the rules and arrangements which will regulate the trade in goods and services, and the flows of labor and investment.

The Aix Group efforts were not academic in the abstract meaning of the word. They did not abstract from the current situation and do not reflect a visionary's detached exercise. We present very realistic and practical alternatives that rely on our ability to understand that there is more than one point of view. The area between the River and the Sea contains today two peoples who deserve better: they deserve independence, security and prosperity. The economic dimension may be secondary to the political one, but economic performance is not secondary. If the economic agreements fail to provide the necessary conditions for real development, the political agreement will also fail.

We believe that so far, an historical compromise along the lines described in this document has offered a realistic solution to the Palestinian-Israeli conflict; but this vision is not carved in stone and will eventually have to yield to changes in the reality of conditions on the ground.

The current widespread pessimism seems to choke any initiative that dares to think about a permanent arrangement and to present an alternative to the continuation of the violent conflict. We should not surrender to the pessimists and should not accept their verdict of 40 more years of death and suffering. However, the Aix Group is aware of the fact that continued rejectionists' efforts on the one hand and pre-emption on the other hand will eventually undermine the two-

state solution on which our efforts are based. Any reasonable solution therefore would require a reasonable timeline in which preemptive changes on the ground will be declared null and void, by a binding mutual agreement.

Time is running out for a two state arrangement. If this idea is not accepted and implemented relatively soon, the two sides will have to consider an alternative political economy. The “One State” alternative, while proposed and defended until recently by a minority among both sides, is today gaining ground due to the very conditions that undermine the possibility of territorial compromise. The Aix Group is convinced that if bold steps are not taken in the direction of rapid implementation of a territorial solution, then an alternative vision of one state for both people, on the basis of common citizenship and equality before the law, will increasingly be placed on the agenda. Such an agenda will require detailed new thinking about many of the elements of this document; but if the vision of “Two State” crumbles, it will become the only alternative to the current conditions of continued occupation.

The Aix Group believes that the economic analysis in the ERM and in the papers presented below lays the groundwork for optimistic future developments for both Israel and Palestine. The related concepts of open borders, cooperation between two sovereign states, and interdependencies, combined with conditions of stability and wide political support for the new arrangements on both sides, could lead us out of this dark period and into a better future.

# A Framework for a Permanent Agreement Concerning the Palestinian Refugees

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## Executive Summary

- In 2007, the Aix Group released a study on possible ways of addressing the issue of Palestinian refugees within a Two State Solution. The study was received with interest and has raised questions that we would like to address in the current paper. The principles that we applied in 2007 will be maintained in this paper.
- The refugee issue is a core problem which must be addressed on several levels in order to arrive at a lasting end to the conflict. The Aix Group has already addressed the economic overview of the refugee problem in previous publications. Additional work has been done by the Group in order to facilitate the implementation of any agreement which is reached between the sides on the refugees.
- An agreed-upon, just and fair solution to the 1948 refugee problem will address both the individual claims and the collective considerations of the two sides and provide a way to reconcile the two. On the one hand, the Palestinian refugees will be able to choose a permanent place of residency; on the other hand, the implementation of these decisions will be agreed to by, and subject to the sovereignty of, all the countries that will be affected, including Palestine and Israel.
- In the current paper we present the basic facts concerning the refugees; a survey of the positions of the two sides since 1948; our own general approach and specific ideas on the role, structure and mechanisms related to the International Agency for the Palestinian Refugees (IAPR); and some updated assessments concerning financial estimates of the compensation for lost properties.
- The Aix Refugees Team also notes that as explained in our “Big Picture” paper (2009) (<http://www.aixgroup.org/BigPicture-31-5-2009+AA+SB.pdf>), developments on the ground seem

to undermine the possibility of the territorial integrity of the Palestinian territory. This situation seriously harms the possibility of reaching a “Two State” solution for the 350,000 internally displaced Palestinians in Israel and their descendants.

## 1. The Palestinian Refugees: Historical Background, 1948 – 2009

On November 29, 1947, the newly-created United Nations approved the UN Partition Plan (United Nations General Assembly Resolution 181). This plan divided Palestine (modern-day Israel within the “Green Line” and the 1967-occupied Palestinian territory beyond that line) into two states, one Arab and one Jewish. Jerusalem was to be designated an international city administered by the UN to avoid conflict over its status. The majority of the Jewish community and its leadership accepted the plan, but the Arab League and Arab Higher Committee rejected it.

During the war that followed the UN’s decision and the end of the British mandate on May 15, 1948, around 725,000 indigenous Muslims and Christians fled or were expelled from their homes and country. They and their descendents are often referred to as the “1948 refugees”. Tens of thousands also fled their homes and became refugees inside the areas that became the state of Israel. (See map: Population Movements, 1948-1951, <http://www.nad-plo.org/images/maps/pdf/palreg.pdf>). The causes of and responsibility for the exodus are a matter of controversy among historians and among commentators on the conflict. There is agreement today among most historians — including many Israeli historians — that the exodus of Palestinian refugees in the 1948 war was the result of a combination of forced evictions, intimidation, fear and voluntary decisions.

Between December 1947 and March 1948, around 100,000 Palestinians

fled. Among them were many from the higher and middle classes from the cities, who left earlier than did the massive flood of the urban poor and peasants. Evidence indicates that these people expected to return to their homes at the end of hostilities. Between April and July, a further 250,000 to 300,000 Palestinian Arabs fled or were expelled, mainly from the towns of Haifa, Tiberias, Beit-Shean, Safed, Jaffa and Acre, which lost more than 90 percent of their Arab inhabitants. Expulsions took place in many towns and villages, particularly along the Tel Aviv-Jerusalem road and in the Eastern Galilee.

About 50,000-70,000 inhabitants of Lydda and Ramle were expelled to Ramallah,<sup>1</sup> and many others were forced to leave during operations performed by the Israel Defense Forces in its rear areas. The Arabs of Nazareth and the Southern Galilee were allowed to remain in their homes.<sup>2</sup> Today they form the core of the Arab Israeli population. From October to November 1948, the IDF launched Operation Yoav to chase Egyptian forces from the Negev and Operation Hiram to chase the Arab Liberation Army from the Northern Galilee.<sup>3</sup> These events generated an exodus of 200,000 to 220,000 Palestinians. After the war, from 1948 to 1950, the IDF “cleared” its borders, which resulted in the additional expulsion of around 30,000 to 40,000 Arabs.<sup>4</sup>

During these events, Count Folk Bernadotte was appointed as a United Nations Mediator for Palestine. In his Progress Report of 16 September 1948, he wrote:

*“The right of innocent people, uprooted from their homes by the present terror and ravages of war, to return to their homes should be affirmed and made effective, with assurance of adequate compensation for the property of those who may choose not to return.”*

Following this report the UN General Assembly adopted Resolution 194 (III) on 11 December 1948, establishing a Conciliation Commission.

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1 Benny Morris (2003), pp.423-436.

2 Benny Morris (2003), pp.415-423.

3 Benny Morris, Righteous Victims, p245.

4 Benny Morris (2003), p.538.

Section 11 of this resolution reads:

*“The General Assembly,*

*“11. Resolves that the refugees wishing to return to their homes and live at peace with their neighbours should be permitted to do so at the earliest practicable date, and that compensation should be paid for the property of those choosing not to return and for loss of or damage to property which, under principles of international law or in equity, should be made good by the governments or authorities responsible.*

*Instructs the Conciliation Commission to facilitate the repatriation, resettlement and economic and social rehabilitation of the refugees and the payment of compensation, and to maintain close relations with the Director of the United Nations Relief for Palestine Refugees and, through him, with the appropriate organs and agencies of the United Nations...”*

Resolution 194 was revisited by the General Assembly in its Resolution 394 (V) of 14 December 1950,<sup>5</sup> which reads:

*“The General Assembly,*

*“Recalling its resolution 194 (III) of 11 December 1948,*

*“Noting with concern:*

*b) That the repatriation, resettlement, economic and social rehabilitation of the refugees and the payment of compensation have not been effected,*

*“Recognizing that, in the interests of peace and stability of the Near East, the refugee question should be dealt with as a matter of urgency,*

*“1. Urges the governments and authorities concerned to seek agreement by negotiations conducted either with the Conciliation Commission or directly, with a view to the final settlement of all questions outstanding between them;*

*“2. Directs the United Nations Conciliation Commission for Palestine to establish an office which, under the direction of the Commission, shall:*

*Make such arrangements as it may consider necessary for the assessment and payment in pursuance of paragraph 11 of General Assembly resolution 194 (III);*

*Work out such arrangements as may be practicable for the implementation of*

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5 And in later resolutions, such as General Assembly Resolution 51/129 of 13 December 1996.

*the other objectives of paragraph 11 of the said resolution;*

*Continue consultations with the parties concerned regarding measures for the protection of the rights, property and interests of the refugees;*

*“3. Calls upon the governments concerned to undertake measures to ensure that refugees, whether repatriated or resettled, will be treated without any discrimination either in law or in fact.”*

As a result of the Six-Day War in June 1967, approximately 240,000 Palestinians fled their homes in the West Bank, including East Jerusalem; the Gaza Strip was occupied during the war. These Palestinians and their descendents are often referred to as the “1967 displaced persons”. Following this war, the Security Council adopted Resolution 242 on 22 November 1967, which reads:

*“The Security Council,*

*Emphasizing the inadmissibility of the acquisition of territory by war and the need to work for a just and lasting peace in which every State in the area can live in security;*

*1. Affirms that the fulfillment of the Charter principles requires the establishment of a just and lasting peace in the Middle East...*

*2. Affirms further the necessity ...*

*b) For achieving a just settlement of the refugee problem.”*

The October 1973 war brought the Security Council to call for a cease-fire. Its Resolution 338 of 22 October 1973 included the following:

*“The Security Council,*

*Calls upon the parties concerned to start immediately after the cease-fire the implementation of Security Council Resolution 242 (1967) in all of its parts.”*

Regardless of the circumstances under which Palestinians had become refugees, the consequence was that the new state of Israel refused to allow them to go back to their homes except for in limited numbers under the family reunification scheme.

## 1.1. Definitions

### A) UNRWA's Definition

The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), an organ of the United Nations created to aid those displaced during the 1948 war, defines a Palestinian refugee as a person “whose normal place of residence was Palestine between June 1946 and May 1948, who lost both their homes and means of livelihood as a result of the 1948 Arab-Israeli conflict.” UNRWA’s definition of a Palestinian refugee also covers the descendants of persons who became refugees in 1948 regardless of whether they reside in areas designated as refugee camps or in established, permanent communities. This is a major departure from the commonly accepted definition of a refugee.<sup>6</sup> Descendants of Palestinian refugees under the authority of UNRWA are the only group to be granted refugee status on the basis of descent alone. Based on the UNRWA definition, the number of Palestinian refugees has grown from 711,000 in 1950 to 4.6 million registered with the UN in 2009.

The UNRWA definition was elaborated for operational purposes only. Its objective is not to determine who is a refugee, but rather who is

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6 Whereas the Palestinian refugee issue was created over 60 years ago, no clear definition of the ‘Palestinian refugee’ has yet been recognized at the international level. The 1951 Convention Relating to the Status of Refugees provides a universal definition of the term ‘refugee’. According to article I.A, par. 2, of this Convention (and its 1967 Protocol), the term ‘refugee’ applies to any person who: ...owing to a well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular group or political opinion, is outside the country of his nationality and is unable or, owing to such fear, is unwilling to avail himself of the protection of that country; or who, not having a nationality and being outside the country of his formal habitual residence ... is unable or, owing to such fear, is unwilling to return to it. However, Palestinian refugees registered with the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) were excluded de jure from this Convention. Indeed, article I.D states that: This Convention shall not apply to persons who are at present receiving from organs or agencies of the United Nations other than the United Nations High Commissioner for Refugees protection and assistance. Accordingly, only Palestinian refugees not registered with UNRWA fall under the 1951 Refugee Convention.

entitled to its assistance schemes.

## B) A Palestinian Definition in 1992

During the first session of the Refugees Working Group (RWG) in Ottawa in May 1992, the chairperson of the Palestinian side of the joint Palestinian-Jordanian delegation provided the following definition of the ‘Palestinian refugees’:

*“The Palestinian refugees are all those Palestinians (and their descendants) who were expelled or forced to leave their homes between November 1947 (Partition Plan) and January 1949 (Rhodes Armistice Agreements), from territory controlled by Israel on that latter date. This ... coincides with the Israeli definition of ‘absentees’.”*

This definition does not only apply to camp dwellers, and certainly not only to those recognized refugees who formally registered with UNRWA., since UNRWA never exercised jurisdiction over more than a segment of the total refugee population.

Such a definition does not include the emigrants who left Palestine before 1947, but includes all those displaced, even inside the territory that became the State of Israel in the 1948-1949 period. It also includes:

- All the 1967 and post-1967 displaced persons;
- The residents of ‘border villages’ in the West Bank who lost their agricultural lands, and therefore the source of their livelihood, in the War of 1948 but who remained in their villages;
- Residents of the Gaza Strip refugee camps who were either relocated to the Rafah side of the Egyptian Border or who found themselves separated from their families as a result of border demarcation after the Camp David Agreements between Israel and Egypt;
- Palestinian Bedouins who were forcibly removed from their grazing lands within the State of Israel, as well as those who were induced to abandon the West Bank and to relocate in Jordan.

Although some of the above categories of people may not be regarded as refugees in the technical sense (for example deportees or residents of ‘border villages’), they nevertheless share the hardships and fate of most refugees who fall in the first categories. At the core of their status are alienation and denial of return to their country.

### C) A PLO-Proposed Definition

Since the Oslo Accords in September 1993, the issue of the persons displaced in 1967 has been tackled separately within the framework of the Quadripartite Committee (Egypt, Israel, Jordan and the PLO).<sup>7</sup> Additionally, a bilateral Palestinian-Israeli committee was created to deal with the return of the post-1967 deportees from the West Bank and the Gaza Strip. As a result, these two categories of persons might be excluded from the definition the PLO will present in the final status talks on the 1948 refugees. Hence, the PLO Department of Refugee Affairs proposes the following definition.

A Palestinian refugee is:

*“Any person...*

*who, on 29 November 1947 or thereafter, was a Palestinian citizen in accordance with the Palestinian Citizenship Order of 24 July 1925; or who on the above-mentioned date or thereafter habitually resided in Palestine and was not a national of any country or his nationality was undefined or unclear; and,*

*whose normal place of residence in Palestine was in areas that came under the control of the State of Israel between 15 May 1948 and 20 July 1949; and,*

*who was forced to leave his normal place of residence because of the war and was unable to return to it due to the procedures and practices of the Israeli authorities; or,*

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7 For that purpose the Arab parties involved worked out a specific definition for this category of refugees. It states that “the displaced are those Palestinians who were registered citizens in the West Bank, Gaza Strip, and Jerusalem on the eve of the June War (4 June 1967) and lost their residency and were displaced as a result of the war or due to the procedures and practices of the occupation authorities.”

*who was outside his normal place of residence on 29 November 1947 or thereafter and was unable to return to it because of the war or due to the procedures and practices of the Israeli authorities; or,*

*who at any time between 29 November 1947 and 20 July 1949 lost his means of livelihood as a result of the war or due to the procedures or practices of the Israeli authorities, be helshe:*

*an inhabitant of the 'frontier villages' in the West Bank who lost access to the agricultural lands helshe habitually cultivated thereafter in Israeli- controlled areas;*

*an inhabitant of the West Bank or the Gaza Strip who lost his job in Israeli controlled-areas;*

*a member of nomadic or semi-nomadic tribes who was unable to enter territories in which helshe habitually grazed his flock and traded thereafter under Israeli control.*

*The descendants and spouses of a Palestinian refugee according to the above-mentioned definition whether or not the latter is still alive.*

Since 1967, another 400,000 Palestinians have been displaced from the West Bank and Gaza Strip [WBGs] due to Israeli policies. Those who are displaced within the “borders” of the WBGs are referred to as Internally Displaced Persons (“IDPs”). The exact number is unknown due to the absence of a comprehensive registration system, but is estimated at approximately 450,000.<sup>8</sup>

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8 BADIL, Survey of Palestinian Refugees & Internally Displaced Persons, p.43.

## 1.2. Review of the Two Sides' Positions and Proposals

### A) The United Nations Views and Positions from 1948 to 1990

In 1947, the United Nations<sup>9</sup> proposed partitioning Palestine into two independent States, one Palestinian Arab and the other Jewish, with Jerusalem as an international city (General Assembly Resolution 181 [II] of 29 November 1947). One of the two states envisaged in the partition plan proclaimed its independence as Israel; in the 1948 war, it expanded to occupy 77 percent of the territory of Palestine. 750,000 Palestinians, over half the indigenous population, fled or were expelled. In the 1967 war, Israel occupied the remaining territory of Palestine, until then under Jordanian and Egyptian control. The 1967 war brought a second exodus of Palestinians, estimated at more than half a million (DPR study: The Origins and Evolution of the Palestine Problem: 1917-1988).

General Assembly resolution 194 of 11 December 1948 states that:

*“...The refugees wishing to return to their homes and live at peace with their neighbors should be permitted to do so at the earliest practicable date, and that compensation should be paid for the property of those choosing not to return and for loss of or damage to property which, under principles of international law or in equity, should be made good by the Governments or authorities responsible.”*

Following the adoption of UNGA Resolution 194, Israeli leaders did not reject the Resolution or the right of return or restitution. Instead they sought to delay addressing these matters until a comprehensive peace with Arab states was possible<sup>10</sup>. 50 years later, the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) continues to provide education, health care, relief assistance and social services to the 3.6 million Palestine refugees in

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9 <http://www.un.org/Depts/dpa/qpal/glossarycollapsible.htm>.

10 PLO Negotiations Affairs Department , Refugees Fact Sheet Update 2009.

Jordan, Lebanon, the Syrian Arab Republic, and the West Bank and Gaza Strip. Living standards in refugee communities have remained poor throughout the area of operations, and were characterized in some fields by high unemployment, falling household income, overburdened infrastructure, and restrictions on employment and mobility (Report of the Commissioner-General of UNRWA A/54/13). As mandated by the United Nations General Assembly, the Department of Political Affairs's Division for Palestinian Rights (DPR) provides substantive support to the Committee on the Exercise of the Inalienable Rights of the Palestinian People, established by the General Assembly in 1975, the sole UN body exclusively devoted to the question of Palestine. The inalienable rights of the Palestinian people are the right to self-determination without external interference; the right to national independence and sovereignty; the right of Palestinians to return to their homes and property from which they had been displaced and uprooted (General Assembly resolution 3236 [XXIX]).

UN Resolution 181 defined the outline of a settlement in Palestine that would create both a Jewish and a Palestinian homeland. The 1947 UN Partition divided the area into three entities: a Jewish state, an Arab state, and an international zone around Jerusalem (<http://www.trumanlibrary.org/israel/timeline.htm>).

The UN arranged a series of cease-fires between the Arabs and the Jews in 1948 and 1949. UN GA Resolution 194 called for cessation of hostilities and the return of refugees who wish to live in peace. Security Council Resolution 62 called for implementation of armistice agreements that would lead to a permanent peace. The borders of Israel were established along the "green line" of the armistice agreements of 1949. These borders were not recognized by Arab states, which continued to refuse to recognize Israel. Though hostilities ceased, the refugee problem was not solved. Negotiations broke down because Israel refused to readmit more than a small number of refugees. The Arab League instituted an economic boycott against Israel that was partly honored by most industrial nations and continued in force until the 1990s.

In 1975, the "Zionism is Racism" resolution was passed by the United Nations. It was repealed in 1991, but similar sentiments surfaced at a

UN conference in Durban in 2001. Likewise in November 1975, U.S. Deputy Assistant Secretary of State Harold H. Saunders told a U.S. House Committee that the U.S. now recognized the importance of the Palestinian national issue in the conflict. Saunders hinted broadly that the U.S. would be willing to facilitate a solution that took account of Palestinian rights if the PLO would recognize the relevant UN resolutions, including Israel's right to exist, and would be amenable to a reasonable compromise. This policy was to bear fruit eventually in the Oslo Peace Process, after PLO Chairman Arafat announced PLO acceptance of UN Resolution 242 in 1988.

### The Sadat Peace Initiative

President Anwar El Sadat came to feel that the Geneva-track peace process was more show than substance and was not progressing, in part due to disagreements with his Arab allies (mainly Syria, Libya, and Iraq) and his communist allies. He also came away from a meeting with Western leaders feeling a lack of confidence in the Western powers' ability to pressure Israel. His frustration boiled over, and after clandestine preparatory meetings between Egyptian and Israeli officials, unknown even to the NATO countries, in November 1977 Anwar El Sadat became the first Arab leader to visit Israel, thereby implicitly recognizing Israel. In Sadat's Knesset speech he talked about his views on peace, the status of Israel's occupied territories, and the Palestinian refugee problem.

### Camp David Accords

The Camp David Accords were signed by Egyptian President Anwar El Sadat and Israeli Prime Minister Menachem Begin on September 17, 1978, following twelve days of secret negotiations at Camp David. The two agreements were signed at the White House and were witnessed by United States President Jimmy Carter. The Accords led directly to the 1979 Israel-Egypt Peace Treaty.

Following the Camp David Accords, Israel and Egypt signed a peace treaty in March 1979. Under its terms, the Sinai Peninsula returned to Egyptian hands and the Gaza Strip remained under Israeli control, to be

included in a future Palestinian state. The agreement also provided for the free passage of Israeli ships through the Suez Canal and recognition of the Strait of Tiran and the Gulf of Aqaba as international waterways.

## B) Views in the 1990's

### The Refugee Working Group (1991-1997)

The Refugee Working Group (RWG) was established in 1991-92 as one of the five multilateral working groups of the Madrid peace process (the others are water, environment, regional economic development, and arms control and regional security). Canada was assigned the “gavel” of the group. Participation was open to any interested state. As with other multilateral working groups, Syria and Lebanon did not participate. Israel, the Palestinians, and Jordan did, as did many other regional states and other members of the broader international community.

The RWG met in eight plenary sessions between 1992 and 1995. It also met in various other smaller “intersessional” activities undertaken either by the gavel or by the various thematic “shepherds” working in the group.

Because of its open character and broad-based membership, it was difficult for the RWG to address concrete political issues. Instead, the Palestinians tended to make broad declarative statements of Palestinian refugee rights, while Israel sought to direct the RWG into less political or apolitical efforts aimed at, as they put it, “improving refugee conditions”. The RWG did have some positive effect in focusing attention on refugee conditions, mobilizing some additional resources to address such conditions, and fostering a number of useful research and data-collection projects. It also helped encourage an Israeli undertaking to slightly (and temporarily) liberalize its family reunification processes.

Finally, the multilateral track as a whole was very vulnerable to disruptions in the broader Middle East peace process. In 1997, the Arab League called for a boycott of the multilaterals in protest over Israeli policies. However, lower-level work by the RWG continued. This ended, however, with the eruption of the second Palestinian Intifada in

September 2000, which led to a suspension of all multilateral track activities. Despite this, Canada and the various RWG gavel holders continued to use the RWG “chapeau” to encourage a range of research, dialogue, and technical and other projects aimed at addressing both the immediate needs of the refugees and enhancing the prospects for eventually achieving a negotiated, mutually-acceptable resolution of the refugee issue.

### The Oslo Agreement (1993) and the Quadripartite Committee (1995-97)

While the 1993 Palestinian-Israeli Declaration of Principles (“Oslo Agreement”) postponed discussion of the 1948 refugee issue until eventual permanent status negotiations, it did have more immediate provisions regarding those Palestinians displaced from the West Bank and Gaza due to the June 1967 Arab-Israeli War. Specifically, echoing an earlier Egyptian-Israeli agreement in the 1978 Camp David Accords, it called for immediate negotiations between Israel, the Palestinians, Jordan and Egypt on the “modalities of admission of persons displaced from the West Bank and Gaza in 1967.”

In October 1994, Israel and Jordan signed a peace agreement which stipulated mutual cooperation, an end to hostilities, and a resolution of other issues. The conflict between them had cost roughly 18.3 billion dollars. Its signing is also closely linked with the efforts to create peace between Israel and the Palestinian Liberation Organization (PLO) representing the Palestinian National Authority (PNA). It was signed at the southern border crossing of Arabah on October 26, 1994 and made Jordan only the second Arab country (after Egypt) to normalize relations with Israel.

Subsequently, a Continuing (or “Quadripartite”) Committee was established to discuss these issues. The Committee first met in Amman in May 1995; subsequent meetings were held in Beersheba, Cairo, Gaza, Amman and Haifa. Work within the Committee was slow, with major differences over the definition of a “displaced person” and hence the number of potential returnees. Moreover, Israel seemed unready to use the meetings to reach agreement on the issue of displaced persons, preferring to address displaced persons in the context of eventual

negotiations on the broader refugee issue. By 1997, deterioration in the peace process caused work in the Committee to grind to a virtual halt. By 2000, the Quadripartite mechanism had been overshadowed by the onset of permanent status negotiations.

### The Beilin-Abu Mazen Understandings (1995)

In 1995, Yossi Beilin and Mahmud Abbas (Abu Mazen) led a series of informal and unofficial meetings intended to sketch the possible parameters of a Palestinian-Israeli peace agreement. The Tel Aviv-based Economic Cooperation Foundation, headed by Oslo negotiation veterans Yair Hirschfeld and Ron Pundak, played a key role in these talks, as did London-based scholars Ahmad Khalidi and Hussein Agha. They finally resulted in a statement of principles — the so-called “Beilin-Abu Mazen Understandings”.

With regard to refugees, the Understandings spoke of the need to establish an “International Commission for Palestinian Refugees” that would oversee compensation and development efforts and “explore” issues of permanent residency. The Understandings were much less clear on whether refugees had full rights to repatriate to the West Bank and Gaza, and contained only a weak indication that Israel would accept the return of some refugees to Israeli territory under the rubric of family reunification.

### The “Ottawa Process” and Other Track Two Efforts

Since the mid-1990s, there have been a significant number of academic and civil society initiatives on the refugee issue. These have variously sought to support Israeli- Palestinian dialogue; address important technical issues that would need to be resolved in any refugee deal; examine or shape public opinion; and engage the refugees themselves in thinking about their own futures.

Among these were a series of workshops, publications, and networking activities supported by Canada and the International Development Research Centre (IDRC). These efforts collectively became known as the “Ottawa process.” As a consequence of these and other initiatives, considerable

progress was made in developing collective knowledge and new and innovative thinking about key aspects of the refugee issue. The process was much less successful at forging a joint approach to resolving the conflict, despite a considerable effort at fostering second track discussions between well-connected Palestinian and Israeli scholars and (former) officials.

### C) The Discussion in Camp David (July 2000) and Clinton's Parameters (December 2000)

The Middle East Peace Summit at Camp David in July 2000 took place between United States President Bill Clinton, Israeli Prime Minister Ehud Barak, and Palestinian Authority Chairman Yasser Arafat. It was an ultimately unsuccessful attempt to negotiate a “final status settlement” to the Israeli-Palestinian conflict.

The summit ended without an agreement being reached. At its conclusion, a Trilateral Statement was issued defining the agreed-upon principles for guiding future negotiations. Israel refused to discuss the rights of the Palestinian refugees, arguing that it bore no responsibility for the refugee problem or its solution. At the Taba negotiations in 2001, Israel continued to press for an abandonment of the right of return.

Following is the full text of the Trilateral statement:

*“President William J. Clinton — Israeli Prime Minister Ehud Barak — Palestinian Authority Chairman Yasir Arafat. Between July 11 and 24, under the auspices of President Clinton, Prime Minister Barak and Chairman Arafat met at Camp David in an effort to reach an agreement on permanent status. While they were not able to bridge the gaps and reach an agreement, their negotiations were unprecedented in both scope and detail. Building on the progress achieved at Camp David, the two leaders agreed on the following principles to guide their negotiations:*

- *The two sides agreed that the aim of their negotiations is to put an end to decades of conflict and achieve a just and lasting peace.*
- *The two sides commit themselves to continue their efforts to conclude an agreement on all permanent status issues as soon as possible.*
- *Both sides agree that negotiations based on UN Security Council Resolutions*

*242 and 338 are the only way to achieve such an agreement and they undertake to create an environment for negotiations free from pressure, intimidation and threats of violence.*

- *The two sides understand the importance of avoiding unilateral actions that prejudice the outcome of negotiations and that their differences will be resolved only by good faith negotiations.*
- *Both sides agree that the United States remains a vital partner in the search for peace and will continue to consult closely with President Clinton and Secretary Albright in the period ahead.”*

Thus, there were four principal obstacles to an agreement:

- Territory
- Jerusalem and the Temple Mount / Haram al Sharif Area
- Refugees and the ‘right of return’
- Israeli security concerns

#### D) Refugees and the Right of Return

At Camp David, the Palestinians maintained their traditional position that the right of return be implemented. Israelis also asserted their conventional position that allowing a right of return to Israel proper, rather than to the newly created Palestinian state, would mean an influx of Palestinians that would fundamentally alter the demographics of Israel, jeopardizing Israel’s Jewish character and its existence as a whole. The Israelis also argued that a larger number of Jewish refugees had fled or were expelled from Arab countries since 1948, and were not compensated, and that most of them ended up in Israel.

To address Israel’s demographic concerns, the Palestinians promised that the right of return be implemented via a mechanism agreed upon by both sides. According to U.S. Secretary of State Madeleine Albright, some of the Palestinian negotiators were willing to discuss privately a limit on the number of refugees who would be allowed to return to Israel.

The Israeli negotiators denied that Israel was responsible for the refugee problem. In the Israeli proposal, a limited number of refugees would be

allowed to return to Israel on the basis of humanitarian considerations or family reunification. All other people currently classified as Palestinian refugees would be settled in their present place of inhabitation, the Palestinian state, or third-party countries. An international fund would be set up, to which Israel would contribute along with other countries, that would register claims for compensation of property and make payments within the limits of its resources.

Following the failure of the Camp David summit, the US continued to engage the parties on permanent status issues — a task complicated by the eruption in late September of the second Intifada in the West Bank and Gaza, as well as by Palestinian ambiguity and the weakness of Ehud Barak's gradually collapsing political coalition.

Israel informed Washington that it considered the Clinton parameters to be a basis for subsequent negotiations, provided that the Palestinians did so too. At the same time, it registered a number of misgivings. With regard to refugees, it suggested to Washington that it had underestimated Israel's opposition to any form of a "right of return."

Arafat was unwilling to give the President a clear response to the Parameters. Instead, the Palestinian negotiating team sought clarifications regarding the Clinton Parameters, which it felt, "taken together and as presented without clarification, fail to satisfy the conditions required for a permanent peace." Regarding the refugee component of these, the Palestinians made the following argument:<sup>11</sup>

On the issue of Palestinian refugees, driven from their homes as a result of the establishment of the state of Israel, the United States proposed that both sides recognize the right of Palestinian refugees to return either to "historic Palestine" or to "their homeland," but added that the agreement should make clear that there is no specific right of return to what is now Israel. Instead, it proposed five possible final homes for the refugees:

1. The future State of Palestine

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11 PLO Department of Negotiation Affairs, "Remarks and Questions from the Palestinian Negotiating Team Regarding the United States Proposal," 1 January 2001, online at [http://www.nad-plo.org/inner.php?view=nego\\_nego\\_clinton\\_nclinton2p&ncss=2](http://www.nad-plo.org/inner.php?view=nego_nego_clinton_nclinton2p&ncss=2)

2. Areas in Israel transferred to Palestine in the “land swap”
3. Rehabilitation in the host countries
4. Resettlement in third countries
5. Relocation\Repatriation to Israel.

All refugees would have the right to “return” to the State of Palestine; however, rehabilitation in host countries, resettlement in third countries, and admission to Israel all would depend on the policies of those individual countries. Depend on the choice of the refugees as well as the policies of those individual countries.

The United States proposal reflects a wholesale adoption of the Israeli position that the implementation of the right of return be subject entirely to Israel’s discretion. It is important to recall that Resolution 194, long regarded as the basis for a just settlement of the refugee problem, calls for the return of Palestinian refugees to “their homes,” wherever located – not to their “homeland” or to “historic Palestine.”

The essence of the right of return is choice: Palestinians should be given the option to choose where they wish to settle, including return to the homes from which they were driven.

There is no historical precedent for a people abandoning their fundamental right to return to their homes whether they were forced to leave or fled in fear. We will not be the first people to do so. Recognition of the right of return and the provision of choice to refugees is a prerequisite for the closure of the conflict.

The Palestinians are prepared to think flexibly and creatively about the mechanisms for implementing the right of return. In many discussions with Israel, mechanisms for implementing this right in such a way so as to end the refugee status and refugee problem, as well as to otherwise accommodate Israeli concerns, have been identified and elaborated in some detail. The United States proposal fails to make reference to any of these advances and refers back to earlier Israeli negotiating positions.

In addition, the United States proposal fails to provide any assurance that refugee’ rights to restitution and compensation will be fulfilled.

When he presented his ideas to the parties, President Clinton noted that all of the US ideas would be considered “off the table” when he left office. The subsequent Bush Administration did not seek to revive them.

### E) The Discussion in Taba (2001)

The Taba summit talks between Israel and the Palestinian Authority were held from January 21 to January 27, 2001 at Taba in the Sinai peninsula. They were peace talks aimed at reaching the “final status” negotiations to end the Israeli-Palestinian conflict, and came closer to reaching a final settlement than any previous or subsequent peace talks. The talks were discontinued on January 27, 2001 as a result of the upcoming Israeli election.

The summit took place against the backdrop of the failed Camp David 2000 Summit between Prime Minister of Israel Ehud Barak and the Palestinian President Yasser Arafat, and a Palestinian Intifada that commenced against continued Israeli occupation of Palestinian lands. The disparate Palestinian militant groups launched a variety of attacks against Israeli armed forces and civilians. The Palestinians asserted that the visit to the Haram area by the Likud leader Ariel Sharon sparked the Al-Aqsa Intifada in September 2000.

Although President Clinton had recently left office, the Clinton Parameters were the implicit reference point for much of the discussion at Taba. And although this summit failed, there seemed to be substantial progress on the refugee issue.

The Israeli refugee negotiating team, headed by then-Justice Minister Yossi Beilin, submitted an Israeli “non-paper” on January 23 that attempted to bridge the Palestinian and Israeli positions and which indeed contained substantial Palestinian input. This non-paper contained a substantial joint narrative that sought to span the very different Israeli and Palestinian views of the origin of, and responsibility for, the refugee issue. It called for refugee compensation from an international fund, to which Israel would contribute an agreed-upon amount.

On the question of refugee residence, the non-paper followed the

Clinton model by outlining a menu of five choices from which refugees could choose. With regard to the critical question of return to Israel, it proposed that this number be capped at an agreed-upon limit, with priority being accorded to those Palestinian refugees currently resident in Lebanon. Verbally, members of the Israeli negotiating team suggested that 25,000 refugees might be accepted over three years or 40,000 over five years, in the context of a 15-year program of absorption that would also include (possibly additional) family reunification. This ambiguous formula could be read as representing anywhere from 25,000 to 125,000 or more refugees. On the Palestinian side, negotiators had been urged to press for a level “in the six figures”, but with no more explicit political guidance.

It was agreed that refugees would be eligible for compensation for properties seized by Israel, and that host countries would also be compensated for the costs of hosting the refugees. There was not agreement on the valuation of compensation claims, with the Palestinians pressing for compensation of non-material as well as material losses. The issue of financing compensation was not fully agreed upon. Israel was willing to make a contribution towards compensation, but pressed for a lump sum amount that would include both cash and the value of evacuated settlements in Palestinian territories. Israel assumed that the international community would provide much of the compensation, possibly in the form of development assistance. The Palestinians emphasized full Israeli responsibility for paying compensation.

In addition to the non-paper, the two sides also developed a joint paper on implementation mechanisms. The parties largely agreed on the definition of a refugee, on the general mechanisms of an international fund to finance refugee compensation and development efforts, and on the broad structure of an international commission to oversee all this.

Both sides agreed to exclude the question of Jewish refugee claims against Arab countries from the agreement, although Israel pressed for an acknowledgement of this issue in any text.

The work done on the refugee issue at Taba was far more detailed, and embodied a far higher degree of agreement, than any of the discussions that had preceded it. Indeed, members of both delegations to the

refugee component of the talks would later comment that it was a lack of time - rather than fundamental impediments - that prevented them from reaching agreement on the issue. Much progress was made on implementation mechanisms, but the key issue of how many refugees might return to Israel was never resolved, nor was the amount of compensation Israel would be willing to contribute.

In February 2001, Ariel Sharon was elected Prime Minister of Israel. With this, and amid the escalating violence that accompanied the Intifada, all permanent status negotiations came to an end.

### EU description of the outcome of permanent status talks at Taba

There is a European Union (EU) unofficial report about the Taba talks. Although the paper has no official status, it has been acknowledged by the parties as being a relatively fair description of the outcome of the negotiations on the permanent status issues at Taba. It draws attention to the extensive work which had been undertaken on all permanent status issues like territory, Jerusalem, refugees and security in order to find ways to come to joint positions. At the same time it shows that there remained serious gaps and differences between the two sides, which will have to be overcome in future negotiations.

Non-papers were exchanged which were regarded as a good basis for the talks. Both sides agreed to adopt the principles and references which could facilitate the adoption of an agreement. Both sides suggested, as a basis, that the parties should agree that a just settlement of the refugee problem in accordance with the UN Security Council Resolution 242 must lead to the implementation of UN General Assembly Resolution 194. The Israeli side expressed its understanding that the wish to return shall be implemented within the framework of one of the following programs:

#### A. Return and repatriation

1. To Israel
2. To Israeli swapped territory
3. To the Palestinian state.

## B. Rehabilitation and relocation

1. Rehabilitation in host country.
2. Relocation to third country.

Both sides agreed that UNRWA should be phased out in accordance with an agreed timetable of five years, as a targeted period.

The Israeli side, reversing the understandings made at Taba and earlier commitments which suggested that the issue of Jewish claims over property be addressed bilaterally with the Arab countries concerned, requested that the issue of compensation to Jewish immigrants from Arab countries be recognized, while accepting that it was not a Palestinian responsibility or a bilateral issue. The Palestinian side raised the issue of restitution of refugee property. The Israeli side rejected this.

## F) The Beirut Arab Summit Declaration (March 2002)

Following a Saudi initiative, in March 2002 the Arab League endorsed a peace initiative calling for full Arab recognition of Israel in exchange for a full Israeli withdrawal from the Arab territories occupied in 1967.<sup>17</sup> This initiative was endorsed again by the Arab League at its March 2007 summit meeting, and became known as the Prince (later King) Abdallah (of Saudi Arabia) initiative.

The summit statement contained two clauses on the refugee issue. The first — part of the original draft — called for “achievement of a just solution to the Palestinian refugee problem to be agreed upon in accordance with U.N. General Assembly Resolution 194.” A later clause, added during the Summit at the insistence of the Syrians and Lebanese, rejected “all forms of Palestinian settlement (tawtiin) which conflict with the special circumstances of the Arab host countries.”

Within Israel, the inclusion of UNGAR 194 has been widely seen as an assertion of the Palestinian “right of return,” and indeed has been one of the most frequently-stated stumbling blocks in any positive Israeli response to the Arab League initiative. The reference to UNGAR 194 was favored by Saudi Arabia, Jordan and the Palestinians, however,

as one that could also be found in the Clinton Parameters and Taba refugee negotiations — and hence is more flexible than any blanket assertion of refugee rights.

### G) The Roadmap (April 2003)

In April 2003, the Quartet (the U.S., the European Union, Russia and the United Nations) released its “Performance-Based Roadmap to a Permanent Two-State Solution to the Israeli-Palestinian Conflict.” The Roadmap called for a three-stage process of mutual steps by both Israel and the Palestinians, with the goal of establishing an “independent Palestinian state with provisional borders and attributes of sovereignty” by the end of 2003. This would be followed by permanent status negotiations, with the aim of reaching an agreement (and full Palestinian statehood) by the end of 2005.

The Roadmap has relatively little to say about the refugee issue, which is reserved for permanent status negotiations. It does, however, call for an “agreed, just, fair, and realistic solution to the refugee issue.” Moreover, at the start of the second stage of the process (during which “efforts are focused on the option of creating an independent Palestinian state with provisional borders and attributes of sovereignty”), the Roadmap proposes a revival of multilateral engagement on issues, including the refugee issue (meaning, presumably, the RWG).

More broadly, the Roadmap states that a negotiated agreement “will resolve the Israel-Palestinian conflict, and end the occupation that began in 1967, based on the foundations of the Madrid Conference, the principle of land for peace, UNSCRs 242, 338 and 1397, agreements previously reached by the parties, and the initiative of Saudi Crown Prince Abdullah—endorsed by the Beirut Arab League Summit—calling for acceptance of Israel as a neighbor living in peace and security, in the context of a comprehensive settlement.”

In its official acceptance of the Roadmap, the Israeli cabinet staked out a number of objections and positions relating to the refugee issue. These included insistence that, “In connection to both the introductory statements and the final settlement, declared references must be made

to Israel's right to exist as a Jewish state and to the waiver of any right of return for Palestinian refugees to the State of Israel." It also stressed that, "End of the process will lead to the end of all claims and not only the end of the conflict." Finally, it called for, "The removal of references other than 242 and 338 (1397, the Saudi Initiative and the Arab Initiative adopted in Beirut)."

## H) Recent Negotiations and Positions (Annapolis and up to 2009)

The Annapolis Conference was a Middle East peace conference held on November 27, 2007, at the United States Naval Academy in Annapolis, Maryland. The conference marked the first time a two-state solution was articulated as the mutually agreed-upon outline for addressing the Israeli-Palestinian conflict. The conference ended with the issuing of a joint statement from all parties.

The objectives of the conference were framed as an attempt to produce a substantive document on resolving the Israeli-Palestinian conflict along the lines of President George W. Bush's Roadmap For Peace, with the eventual establishment of a Palestinian state. A draft document was leaked by the Israeli newspaper Haaretz on November 17 2007; the final and forthcoming Annapolis Joint Declaration was expected to outline the scope of what would eventually be final peace talks.

President Abbas and Prime Minister Olmert had been meeting repeatedly since June 2007 to try to agree on some basic issues ahead of the summit. A final round of discussions between Olmert and Abbas was held in Washington D.C. on 26 November 2007, the day prior to the conference.

### The Palestinian Position

Abbas stated that a clear agenda was necessary for the conference, and affirmed in early October that only a Palestinian state comprising the West Bank and Gaza Strip in their entirety would be acceptable, with any permanent Israeli control of land beyond its 1967 borders subject to discussion on equal basis. He further demanded that all six central

issues be debated at the conference: Jerusalem, refugees and the right of return, borders, settlements, water and security.

Abbas said that he hoped to reach an agreement with Israel by the end of November 2007, which Abbas would then put to a referendum. Furthermore, he expressed his hope that a final agreement with Israel would be possible within six months of the conference.

### The Israeli Position

In October 2007, Prime Minister Olmert indicated that he would be willing to return parts of East Jerusalem to the Palestinians as part of a broader peace settlement at Annapolis, drawing considerable criticism from right-wing Israeli and foreign Jewish organizations and Christian Zionists.

On November 27, 2007, Ovadia Yosef, the spiritual leader of the Shas party, announced that his party would leave the government coalition, thereby ending the coalition's majority in the Knesset, if Ehud Olmert agreed to "divide" Jerusalem. Shas minister Eli Yishai explained: "Jerusalem is above all political considerations. I will not help enable concessions on Jerusalem." Shas' claim threw into question Olmert's ability to follow through on his earlier comments about concessions in East Jerusalem.

### Analysis

The Annapolis Conference differed from previous Middle East peace conferences in several respects:

- This was the first time both sides (Israeli and Palestinian) entered a conference with a common understanding that the final state of Palestinian-Israeli peace will be a two-state solution.
- Palestinians had never before gone into a conference when they were so politically fragmented.
- Similarly, the importance of the Quartet on the Middle East has been diminished since it was first formed. At the Annapolis Conference, the U.S. played the major mediator role, with the other three members of the original Quartet assuming lower status positions.

## 2. Refugees Statistics

Today, the original Palestinian refugees and their descendants are estimated to number more than 7 million<sup>12</sup> and constitute the world's oldest and largest refugee population<sup>13</sup>.

They include:<sup>14</sup>

- 4.7 million 1948 refugees and their descendants who are registered with UNRWA<sup>15</sup> (2008);
- 1.5 million 1948 refugees and their descendants who are not registered with UNRWA either because they did not register or because they did not need assistance at the time they became refugees;
- 950,000 1967 displaced persons and their descendants.

On the eve of the International Day of Refugees (20/06/2009), the Palestinian Central Bureau of Statistics (PCBS) released a statistical review on the status of Palestinian Refugees. The main findings are summarized as follows:<sup>16</sup>

- According to UNRWA records, Palestinian registered refugees totaled 4.7 million at end of 2008, of whom 41.8% were in Jordan, 23.0% in the Gaza Strip, 16.3% in the West Bank, 9.9% in Syria and 9.0% in Lebanon.

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12 BADIL, Survey of Palestinian Refugees & Internally Displaced Persons, p.43.

13 The Office of the UN High Commissioner for Refugees (UNHCR), The State of the World's Refugees (2006, Oxford: Oxford University Press), p.106. Available at: <http://www.unhcr.org/publ/PUBL/4444afcb0.pdf>

14 There are 350,000 internally displaced Palestinians in Israel and their descendants.

15 United Nations Relief and Works Agency for Palestine Refugees. For figures of UNRWA-registered refugees, see: <http://www.un.org/unrwa/publications/pdf/uif-dec08.pdf>.

16 Palestinian Central Bureau of Statistics (PCBS) Press Release issued on June 20, 2009

- The percentage of Palestinian refugees in the Palestinian Territory in 2009 represents 44.1% of the total Palestinian Territory population, of which 30.2% reside in the West Bank and 69.2 % in the Gaza Strip.
- Refugees in the Palestinian Territory are characterized as a young population: 42.3% of them are under the age of 15, compared to 41.3% of non-refugees. On the other hand, 3.0 % of refugees are aged 65 and over, compared to 3.1% of the non-refugees in the Palestinian Territory for the year 2009.
- The percentage of the total Palestinian refugee population under the age of 15 was 35.9% in Jordan in 2007, 33.1% in Syria in 2006, and 32.9% in Lebanon in 2006.
- The total fertility rate for refugees in the Palestinian Territory was 4.6 births per woman for 2007; on the other hand, the total fertility rate of Palestinian refugees in 2007 in Jordan was 3.3 children, and was 3.6 in Syria and 3.0 in Lebanon in 2006.
- In 2007, 6.4% of the Palestinian refugees in the West Bank were disabled, compared to 4.9% of the non-refugees.
- The percentage of poor households in refugee camps in the Palestinian Territory is 47.7%.
- The unemployment rate for Palestinian refugees 15 years and over in the Palestinian Territory during the first quarter of 2009 was 30.6%, compared to 22.0% for non- refugees.
- Approximately 67.2% of employed Palestinians are salaried employees (74.6% for refugees and 62.7% for non-refugees). The percentage of those who own their business is 19.1% (15.8% for refugees and 21.0% for non-refugees).
- The illiteracy rate of Palestinian refugees 15 years and over in the Palestinian Territory in the 2008 was 5.4%, compared to 6.4% for non-refugees.
- The illiteracy rate among Palestinian refugees in refugee camps in Jordan in 2007 was approximately 17.6%, in Syria the rate in 2006 was 16.5%, and in Lebanon the rate in 2006 was almost 25.5%.

- The drop-out rate for refugees aged 6 years and above at schools in the Palestinian Territory in 2008 reached 20.4% (21.4% for males and 19.3% for females), compared to 25.0% for the non-refugees (26.5% for males and 23.5% for females).
- The percentage of refugee households wherein the refugee owns the housing unit was 85.0% in the Palestinian Territory in 2008, compared to 87.3% for non-refugees.
- The percentage of refugee households owning a private car was 17.8% in the Palestinian Territory in 2008, compared to 25.3% for non-refugees.

**Table 1: UNRWA Registered Refugees**

FIGURES AS OF 31 December 2008		UNRWA IN FIGURES						
ALL REFERENCES ARE TO AGENCY INSTALLATIONS	JORDAN	LEBANON	SYRIAN ARAB REP.	WEST BANK	GAZA STRIP	HQ AMMAN	HQ GAZA	TOTAL/ AVE.
<b>GENERAL</b>								
REGISTERED REFUGEES (RR)	1,951,603	422,188	461,897	762,820	1,073,303			4,671,811
INCREASE IN RRs OVER PREVIOUS YEAR (%)	2.5	2.0	2.3	2.3	2.4			2.4
RR AS % OF TOTAL RRs	42	9	10	16	23			100
EXISTING CAMPS	10	12	9	19	8			58
RR IN CAMPS (RRCs)	338	222,776	125,009	193,370	495,006			1,373,732
RRCs AS % OF RRs	17	53	27	25	46			29

PUBLIC INFORMATION OFFICE, UNRWA HEADQUARTERS (GAZA), MARCH 2009

Not an official document | For information only

**Table 2: Total Registered Refugees Per Country and Area:**<sup>17</sup>

	Location	Persons	*Infants	Families
<b>West Bank</b>	Jericho	19,111	304	4,562
	Jerusalem	222,140	1,513	56,921
	Hebron	174,572	2,742	44,866
	Nablus	338,440	3,951	90,545
	<b>Field Total</b>	<b>754,263</b>	<b>8,510</b>	<b>196,894</b>
<b>Gaza</b>	Jabalia	192,258	4,938	38,866
	Rimal	170,118	3,771	37,710
	Zeitun	135,281	2,944	36,001
	Nuseirat	123,838	2,669	25,993
	Deir El-Balah	88,048	2,069	19,278
	Khan Yunis	179,199	4,525	40,214
	Rafah	170,842	4,056	35,763
	<b>Field Total</b>	<b>1,059,584</b>	<b>24,972</b>	<b>233,825</b>
<b>Lebanon</b>	Beirut	50,066	254	14,712
	Mountain	81,217	450	22,480
	Saida	101,627	939	26,435
	Tyre	107,025	1,059	27,092
	Tripoli	59,767	679	14,750
	Beqaa	16,906	143	4,557
	<b>Field Total</b>	<b>416,608</b>	<b>3,524</b>	<b>110,026</b>
<b>Syria</b>	Damascus	358,603	6,385	87,395
	South	25,636	639	5,977
	Homs-Hama	39,366	653	10,012
	North	33,378	694	8,035
	<b>Field Total</b>	<b>456,983</b>	<b>8,371</b>	<b>111,419</b>
<b>Jordan</b>	Amman South	540,818	6,376	106,111
	Irbed	329,861	5,648	67,597
	Amman North	507,024	5,702	103,039
	Zerka	553,000	8,663	111,245
	<b>Field Total</b>	<b>1,930,703</b>	<b>26,389</b>	<b>387,992</b>
	<b>Agency Total</b>	<b>4,618,141</b>	<b>71,766</b>	<b>1,040,156</b>
* Infants are defined as persons from birth to 1 year of age and their numbers are included in the persons column throughout this Statistical Bulletin				

## 2.1 Where do the Palestinian refugees live?<sup>18</sup>

Palestinian refugees are dispersed throughout the world, although the majority live within 100 miles of Israel's border.<sup>19</sup> The largest refugee

17 UNWRA Official Website: [http://www.un.org/unrwa/publications/pdf/rr\\_countryandarea.pdf](http://www.un.org/unrwa/publications/pdf/rr_countryandarea.pdf)

18 Refugees fact sheet update May 2009, PLO, NEGOTIATIONS AFFAIRS DEPARTMENT.

19 BADIL, Questions and Answers: (Q&A): Palestinian Refugees, available at: [www.badil.org/Refugees/Answers/questions\\_and\\_answers.htm](http://www.badil.org/Refugees/Answers/questions_and_answers.htm).

communities reside in Jordan (2,359,000), Syria (465,000) and Lebanon (438,000). Some 1,825,000 refugees live inside the occupied Palestinian territory [oPt], while an additional 335,000 internally displaced Palestinians live in Israel. The remainder live scattered around the world, primarily in the rest of the Arab World, Europe and the Americas.<sup>20</sup>

More than 1.3 million Palestinian refugees live in 59 UN-administered refugee camps in the oPt, Jordan, Syria and Lebanon and in 12 unrecognized refugee camps,<sup>21</sup> 5 of which are in the occupied West Bank, 3 in Jordan and 4 in Syria.

## A) Socio-economic conditions

### Palestinian Refugees in Lebanon:<sup>22</sup>

Fafo AIS, Institute for Applied International Studies, based in Oslo, Norway, has released a report on the living conditions of Palestinian refugees in 2003, entitled "Difficult past, uncertain future: Living conditions among Palestinian refugees in camps and gatherings in Lebanon". This section summarizes some of the report's key findings.

The living conditions of Palestinian refugees in Lebanon are worse than those of their brothers and sisters in other countries hosting Palestinian refugees, including Syria, Jordan, and the West Bank and Gaza Strip. They are economically poorer, score worse on a number of health indicators, have a lower level of education, and more often dwell in substandard homes and neighbourhoods. As a consequence, they express dissatisfaction and unhappiness more frequently than do other refugee populations. Below we shall give a somewhat more precise description of certain aspects of their living conditions, focusing on human resources and income poverty.

Available statistics show that in terms of income, the Palestinian refugees

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20 BADIL, Survey of Palestinian Refugees and Internally Displaced Persons, 2006-2007.

21 These are camps not administered by UNRWA that take the form of informal squatter settlements such as Qaddura in Ramallah and Saqayif in Birzeit.

22 Åge A. Tiltnes, Regional Representative, Fafo AIS: Press Release Beirut, June 6 2003.

in Lebanon are significantly poorer than the Lebanese population, with a much larger part of the Palestinian population at the bottom-end of the income distribution. The income distribution is, however, also very skewed within the refugee population, as the 10% with the lowest income earn only 0.8% of the population's total income, while the upper 10% earn 36% of the income. There are a several factors explaining the income poverty:

**Employment.** Palestinian refugees experience social exclusion in Lebanon, including being confronted with “Berufsverbot”<sup>23</sup> barring them from a long list of occupations and public jobs with good salaries and benefits like health insurance and pension systems. Labour force participation is relatively low (42%), mainly due to low female participation (17%). A second contributing factor to low labor force participation is early exit from the labour market due to health reasons. Furthermore, many people are discouraged from seeking a job. Unemployment is high (17%) as is underemployment (13%).

**Education.** As with elsewhere in the region, educational achievements have seen a tremendous improvement over time. Whereas the illiteracy rate stands at about 50% among people over 50 years of age, the illiteracy rate is 7% in the age group 15-29. For the Palestinian population in Lebanon, this is of course due to the efforts of UNRWA. However, these rates do not compare favourably with statistics from other host countries or with statistics for the Lebanese population. The picture is similar when looking at people's highest educational achievements. For example, the proportion of people with a certificate from a secondary school or with a post-secondary education is about two times higher in the Lebanese population than in the Palestinian refugee population.

**Health.** Compared to other refugee populations, indicators of child health (infant mortality rate, child mortality rate, incidence of malnutrition) for the Palestinian refugee population are slightly weaker. However, the development has been positive over time. This is due

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23 “Berufsverbot” is a German word meaning exclusion from a civil service profession by government ruling. Berufsverbot is an order of “professional disqualification” under German law. A Berufsverbot disqualifies the recipient from engaging in certain professions or activities on the grounds of his or her criminal record or membership in a particular group.

in large part to UNRWA's preventive health care programs, with, for instance, UNRWA giving prenatal care to 3 out of 4 pregnant women. Other health indicators, however, indicate that the Palestinian refugee population in Lebanon is facing considerable problems. Chronic illness is common; general physical health is poor; physical impairment is widespread; and there are clear signs that people's psychological health and well-being is weak. Casualties and the suffering resulting from civil conflict and war at least partially explain the poorer (adult) health in Lebanon.

**Demography.** The population pyramid of the Palestinian refugee population in Lebanon looks different from that of the other host countries. The population is older; that is to say that there are relatively more people of old age compared to people of a younger age. There are two explanations for this picture: (i) the fertility decline has been quicker and reached lower levels in Lebanon than elsewhere, resulting in fewer children and a narrower base of the pyramid; and (ii) the population pyramid is distorted by migration – people in their prime working age are lacking. Furthermore, those who have moved out of the surveyed areas (many to Europe and the Arab Gulf) are presumably the most resourceful in terms of health, education and working skills. Taken together, low fertility and out-migration partly explain why the Palestinian refugee population in Lebanon is given poorer scores on a number of indicators related to human resources (health, education, employment) than other refugee populations. However, this can only be part of the picture. Another important part is their exclusion from core health and education services, in addition to, as already mentioned, being banned from a large part of the Lebanese labour market. While Palestinian refugees in Syria and Jordan, for example, have access to public education facilities and health care providers on an equal footing with the national populations, UNRWA and the NGOs are the main providers in Lebanon, clearly restricting the services rendered to the Palestinian refugee population. Obviously, the refugee's low income only adds to this bleak picture.

These disadvantageous circumstances are reflected in the Palestinian refugee population's own assessment of the situation and the problems

they are facing. As reported by the study, some 80% of the interviewed households pointed to the lack of job opportunities in their living areas as the major local problem. More than 1 in 3 (37%) families rate local health services as unsatisfactory, and 80% of 55 interviewed community leaders said the same. Furthermore, only 30% of the community leaders thought that local schools were satisfactory.

## B) What do we Know of the Refugees' Attitudes Towards a Renewed Peace Agenda?

The attitude of Palestinians toward the concept of “land for peace” depends largely on their individual social and economic status. Their social circumstances are primarily affected by their inability to become citizens of the states in which they reside, except in the case of refugees in Jordan where they enjoy full citizenship.

The most recent draft of the Palestinian constitution by the National Committee expresses a desire to adhere to international law as set out by the United Nations and to give all people within its borders human and civil rights. Many Palestinian refugees would like to return to their original homes, often regardless of what state they would then find themselves in.

The Palestinian Centre for Policy and Survey Research (PSR) conducted three major surveys among Palestinian refugees in three areas: the West Bank and the Gaza Strip (WBGS), Jordan and Lebanon. Based on several previous surveys showing that the overwhelming majority of the refugees (more than 95%) insist on maintaining the “right of return” as a sacred right that can never be given up, PSR surveys sought to find out how refugees would behave if they obtained that right and how they would react under different probable conditions of permanent settlement. PSR conducted three surveys, which were funded by the Japanese government (through the United Nations Development Program), the (German) Konrad Adenauer Foundation, and the (Canadian) International Development Research Centre. One survey among non-refugees in the WBGS was also conducted; it examined the views of non-refugees on some of the same issues raised in the refugees’

surveys. The WBGS refugee survey was conducted by PSR in January 2003, and the WBGS non-refugee survey in April 2003. The Jordan survey was conducted in May 2003 by the Center for Strategic Studies at Jordan University with full PSR supervision. The Lebanon survey was conducted in June 2003 by Statistics Lebanon Company.

Sample size for the three refugees surveys was 4506 and was distributed at the three areas almost equally, averaging 1500 interviews with refugee families in each area. A random sample was selected that took into consideration refugee distribution (inside-outside refugee camps) in each area. Rejection rate was less than 1% and the margin of error was 3%.

### C) Main Findings of the Refugees Surveys

Three kinds of data were collected in the surveys of refugees: information about the refugees and their socio-economic conditions in the three areas examined; views and attitudes of refugees regarding peace settlement issues; and the refugees' expected behavior under both a specific peace solution and under various possible conditions and circumstances of a refugee settlement.

- The surveys show that the overwhelming majority of the refugees are registered with UNRWA, the UN agency that cares for the Palestinian refugees. The WBGS came first with 98% registration, followed by Lebanon (94%) and Jordan (91%).
- Average family size in the WBGS sample was 7.55 (individuals per family), followed by Jordan with 6.16, and Lebanon with 4.59. With regard to age groups, WBGS had the largest percentage of young people under the age of 18 (48%), followed by Jordan (37%) and Lebanon (35%). Lebanon had the highest percentage of people over the age of 52 (17%), followed by Jordan (12%) and WBGS (9%).
- With regard to education, Lebanon had the lowest illiteracy rate at 11%. Lebanon also had the highest rate of those with elementary and preparatory education (62%). Jordan had the highest rate of secondary education (16%). WBGS had the highest illiteracy rate at 35%, followed by Jordan (24%) and Lebanon (11%).

- With regard to income, Jordan had the highest percentage of income in the middle brackets (45%) followed by Lebanon (42%) and the WBGS (27%). For those with low income level, Lebanon came first (36%) followed by WBGS (32%) and Jordan (17%). The WBGS had the largest percentage of those in the high income brackets (41%) followed by Jordan (38%) and Lebanon (22%). Of course these income levels are relative and reflect arbitrary distribution selected for analytical purposes only.
- Refugees in Lebanon had the largest percentage of relatives living in Israel (39%) followed by Jordan (24%) and WBGS (21%). With regard to relatives who emigrated to foreign countries, Lebanon came in first here as well with 64%, followed by Jordan and WBGS (24% each). As for those with relatives in the WBGS, Jordan came first (56%) followed by Lebanon (21%).
- 97% of those interviewed in Jordan and 15% of those interviewed in the WBGS carry a Jordanian passport. In Lebanon, 74% had Lebanese travel documents for Palestinian refugees, and in WBGS 42% carried Palestinian passports while 6% carried Egyptian travel documents or passports.
- 63% of refugees in Lebanon own a house in the refugee camps while those owning land in Lebanon did not exceed 1%. In Jordan, 48% own a house outside the camps and 11% own land in the country. In the WBGS, 47% own a house inside the camps and 48% own a house outside the camps while 17% own land. The highest percentage of private car ownership was found in Lebanon (31%) followed by Jordan (25%) and WBGS (15%).

## D) Selected Views from the Surveys

A proposed solution to the refugee issue was presented to respondents who were then asked how they view it and how they would behave if given the right to choose among the options made available by the solution. The following is the full text of the solution presented:

*“We will now read you a proposed solution to the refugee problem that was published in Palestinian papers in the light of the Taba negotiations in January*

2000. We will then ask you few a questions:

*“The establishment of a Palestinian state in the West Bank and Gaza Strip and Israeli recognition of UN resolution 194 or the right of return. But the two sides would agree on the return of a small number of refugees to Israel in accordance with a timetable that extends for several years. Each refugee family will be able to choose one of the following options:*

- 1. Return to Israel in accordance with an annual quota and become Israeli citizens.*
- 2. Stay in the Palestinian state that will be established in the West Bank and Gaza Strip and receive a fair compensation for the property taken over by Israel and for other losses and suffering.*
- 3. Receive Palestinian citizenship and return to designated areas inside Israel that would be swapped later on with Palestinian areas as part of a territorial exchange and receive compensation.*
- 4. Receive fair compensation for the property, losses, and suffering and stay in the host country receiving its citizenship or Palestinian citizenship.*
- 5. Receive fair compensation for the property, losses, and suffering and immigrate to a European country or the US, Australia, or Canada and obtain citizenship of that country or Palestinian citizenship.”*

A majority of refugees in the three areas expressed the belief that Israel would reject the proposed solution to the refugee problem. But a majority of 55% in Jordan, 63% in Palestine, and 67% in Lebanon believed the PLO would accept the solution. However, the respondents were split in their evaluation of the likely response of the majority of the refugees with WBGS refugees split right in the middle, Jordan’s refugees tilting toward acceptance, and Lebanon’s toward rejection. When asked how they themselves feel about the proposal, the respondents in Palestine and Lebanon were divided into two equal groups, rejecting or accepting it, while in Jordan it was accepted by 50% and rejected by 37% with the rest expressing no opinion. When asked how they would react to a Palestinian-Israeli agreement embracing the proposal, the overwhelming majority tended to approve such agreement even if most felt they would do so for the lack of better alternative. A small percentage (15%, 9%, and 8% in WBGS, Lebanon, and Jordan respectively) said that it would

not only oppose such a solution but would also resist it.

While a majority of Lebanon's refugees believe that the WBGS is unable to absorb refugees from other countries, the percentage drops to 27% in the WBGS and 26% in Jordan.

When asked if they would like to play a role in building the Palestinian state, the percentage of those wishing to do so was very high among refugees in WBGS (84%) going down to 61% in Lebanon and 52% in Jordan.

While a two-thirds majority of refugees in WBGS supported the reference in the roadmap to "an agreed, fair, and realistic" solution to the refugee problem, the level of support dropped to 46% among refugees in Jordan and 45% in Lebanon.

A second possible political settlement was proposed to respondents. In this settlement, the issue of refugees would remain unresolved and postponed while all other issues would be permanently settled. A majority of refugees in WBGS supported such settlement, but the majority of refugees in Lebanon and Jordan did not support it. However, the level of support for this "permanent-minus" settlement increased when refugees were told that refugees would be provided housing projects while waiting for a resolution of their problem. When asked whether they would like to move to the Palestinian state under such settlement and wait there for a permanent resolution of the refugee issue, two-thirds of refugees in Lebanon and Jordan preferred to stay in Lebanon and Jordan. But 25% of Jordan's refugees and 31% of Lebanon's refugees expressed willingness to move temporarily to the Palestinian state and wait there for a solution.

Refugees were asked about the side they would choose to represent them in negotiations over the refugee problem. The overwhelming majority of refugees in Lebanon and WBGS chose the PLO (86% and 73% in Lebanon and WBGS respectively). But in Jordan, only 40% chose the PLO while 28% selected the government of Jordan and 16% did not express an opinion. However, the confidence in the PLO drops when it comes to the management of the compensation process. The largest percentage (42%) in WBGS favored a joint team from the PLO,

the UN, and representatives of refugees. But in Lebanon, the largest percentage (45%) favored the PLO, and in Jordan, the joint team received 28%, the PLO 22%, and the Jordanian government 23%. It should be mentioned that the questions regarding compensation were asked only to those whose choice for the exercise of the right of return involved compensation.

No significant differences were found between the attitudes of refugees and non-refugees in WBGS.

### E) Expected Behavior

After reading the proposed solution to the refugee problem (full text above), respondents were asked to choose the option or options they preferred or reject all options and describe, in their own words, what would constitute an acceptable solution.

The following represents the answers of the refugees in the three areas:

**Table 3: Refugees' First Choice**  
(for the exercise of the right of the right of return)

	WBGS %	Jordan %	Lebanon %	Total (% of total population in the three areas)
1. Return to Israel and become (or not become) an Israeli citizen	12	5	23	10
2. Stay in the Palestinian state that will be established in the West Bank and Gaza Strip and receive a fair compensation for the property taken over by Israel and for other losses and suffering	38	27	19	31

	WBGs	Jordan	Lebanon	Total (% of total population in the three areas)
	%	%	%	
3. Receive Palestinian citizenship and return to designated areas inside Israel that would be swapped later on with Palestinian areas as part of a territorial exchange and receive any deserved compensation	37	10	21	23
4. Receive fair compensation for the property, losses, and suffering and stay in host country receiving its citizenship or Palestinian citizenship	-	33	11	17
5. Receive fair compensation for the property, losses, and suffering and immigrate to a European country or the US, Australia, or Canada and obtain citizenship of that country or Palestinian citizenship	1	2	9	2
6. Refuse all options	9	16	17	13
7. No opinion	2	8	0	5

Based on the percentages listed above, the number of refugees wishing to move from Lebanon and Jordan to the Palestinian state in an exercise of

the right of return would be 784,049. The number of those wishing to exercise the same right by returning to Israel from the three areas under examination would be 373,673. The numbers in these two categories would vary however depending on several considerations related to the conditions and circumstances of return and residency. For example, the surveys found that 45% of Lebanon's refugees, 52% of Jordan's, and 47% of those in WBGS would change their choice and exercise the right of return in the swapped areas of the Palestinian state if their homes and villages were demolished. The overwhelming majority of the refugees wishing to exercise the right of return to Israel refuse to become Israeli citizens and prefer to stay refugees or select other options if carrying Israeli citizenship is mandatory.

Those who opted for an option entailing compensation were asked to make their own estimates of what they thought would actually be paid to each refugee family and what they thought would be a fair compensation. The estimates for a fair compensation were much higher than the estimates of what would actually be paid. For example, 66% in WBGS believed that \$ 100,000 or less would actually be paid, while 65% believed that a fair compensation should be between \$100,000 and \$ 500,000.

The surveys also showed that more than one-third of refugees in Lebanon and Jordan (from among those who would accept their compensation in the form of land or houses) would accept land and houses located in evacuated settlements. But this percentage rises to 48% among the refugees in WBGS.

With regard to immigration to third countries, an option selected by a small minority, the most popular third country in Lebanon was a European one while the U.S. was the most popular among refugees in Jordan and the least popular in WBGS.

These findings clearly show the significance of national identity in leading the majority of refugees to choose to exercise the right of return to the Palestinian state. The findings also show that the perception of relative equality enjoyed by refugees in Jordan (compared to those in Lebanon) increased the percentage of those selecting Jordan as the place where they would permanently reside, while only a small minority

opted to stay in Lebanon. In Lebanon in particular the results show the significance of family links: the highest percentages of Lebanese refugees demand immigration into third countries and demand to live in Israel, as Lebanon's refugees have more relatives in these areas than do the refugees in Jordan and WBGs. Finally, the findings show that the percentage of those who opt to stay in their host countries increases among refugees living outside refugee camps and that those wishing to go the Palestinian state increases among those with lower and middle levels of income compared to those with a higher level of income. Moreover, those who own homes and land in their place of residence tend to want to stay in that place.

### 3. Summary of the Aix Group 2007 Paper on the Refugees

Over the course of two years, from 2005 to 2007, the Aix Refugees Working Team exchanged ideas on various aspects of a possible permanent resolution for the Palestinian refugees, within an overall “Two State” solution. As in the other parts of the Aix Group’s work, we had to imagine a political solution which seemed to some observers, and sometimes also to some in the Group, as a very remote possibility. Still, despite all the reservations that we have, we assume throughout the work that an agreement acceptable to the two peoples will be reached. Only in that context do our detailed discussions make sense. Thus, we would like the readers of the paper to assess the arguments below while imagining that an agreement on all issues except for that of the refugees has been reached.

This paper summarizes the major points in our discussions. However, not every sentence necessarily reflects the views of all the participants. As much as possible, the emphasis in the paper is on a professional, forward-looking economic perspective, and less on the legal, historical and philosophical dimensions that are so important to our subject.

The Aix Group Refugees Team emphasizes in its work the issues that will have to be resolved in any practical implementation of a “Two State” solution, focusing attention on the economic aspects related to the refugees. On a practical level, abstracting from the legal, philosophical, historical and ethical levels, the Clinton parameters imply that unspecified numbers of refugees will move from where they currently live to new places of residence; others will be rehabilitated in their present locations; and some form of compensation will be given, whether in kind or in money, to individuals or collectively.

Our analysis assumes that future agreements and the achievement of a practical solution will be based on choices made by the refugees

themselves: the refugees will assess what is best for them and will choose between alternative locations for residency, as explained in the Clinton parameters. Individual refugees will choose from among the different options in a well-organized process supervised by the International Agency for the Palestinian Refugees (IAPR), an international administration that will be created for this purpose. We propose that individuals will choose more than one alternative and rank their priorities. A timeframe for this process will be agreed upon.

The IAPR will be responsible for implementing an agreed-upon mechanism to ensure that the final decisions satisfy the wishes of the refugees as much as possible and are in line with the overall agreements to be signed between the representatives of the two sides, and in coordination with the relevant host countries and other countries.

The IAPR will also supervise the various arrangements, mechanisms and programs that will address the following four critical topics:

- Resettlement/Repatriation, or what we describe sometimes as Relocation programs
- Rehabilitation programs
- Claims concerning properties
- Compensation for Refugehood

In its 2007 paper, the Aix Refugees Working Team estimated separately the costs of relocation and the costs of rehabilitation (i.e. expenses covering those programs intended for refugees who choose not to change residency).

In order to implement comprehensive resettlement programs, the IAPR will need funds in the order of US\$8 to US\$19 billion over a period of ten years, depending on the number of refugees who choose to relocate.

In order to implement rehabilitation programs, the IAPR will need funds in the order of US\$10 to US\$14 billion, depending on the number of refugees who decide not to relocate and on whether those who so decide currently reside in or outside camps.

The question of settling claims concerning lost properties, and the financial dimension of such a question, is very complicated. Under international law, and similar to reparation programs pursued to respond to other situations, reparations can take many forms. The Aix Group has discussed the options of restitution and compensation. These, among others, are appropriate forms of reparations for Palestinian refugees. The Group introduced a concept of “full and fair compensation” to be determined objectively by a board of experts associated with the IAPR that will administer the lost properties claims process. Restitution will be considered in those cases where “full and fair compensation” has not been offered and where the properties exist in a form that can make restitution practical and equitable.

The funds needed for full and fair compensation for the expected property claims are not clear. The wide range of estimates reflects conceptual gaps as well as gaps in data.

We recommend the establishment of a fourth fund, beyond the three funds for resettlement, rehabilitation and compensation for lost properties. This fourth fund will require approximately US\$22 billion. Compensation for Refugeehood not related to property claims or to the above programs would be settled by the fourth fund in the following ways:

- All registered refugees<sup>24</sup> will receive uniform sums. Each refugee will receive a sum when s/he registers with the IAPR at the start of the process and an additional sum when decisions concerning the individuals are completed.
- The main responsibility for compensation for refugee property taken over in 1948 and 1967 will lie with the state of Israel. If the state of Israel fails to provide adequate compensation, then the rule of restitution will prevail. Similarly, the future state of Palestine will be responsible for compensation/restitution for Jews who lost their property in the West Bank.

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24 Bona fide as registered; there are many refugees who are not registered because, among other things, they do not live in UNRWA areas

- A long-term resolution of the Palestinian refugee issue should be based on all relevant UN resolutions, including GA Res. 194, while recognizing that a literal application of this Resolution is no longer possible given the substantial changes on the ground. As in the Clinton parameters, the parties would agree that the measures recommended in the paper implement Resolution 194. The Aix Group considers that the right of return of Palestinians to their homeland, even in a modified and limited sense, together with the other measures discussed in this paper, should be an essential component of closure to this issue.
- The magnitude of the financial dimensions of an agreed-upon resolution for the refugees is very significant; we estimate it as between US\$55 billion and \$US85 billion over the period of implementation. The financial estimates are explained in the 2007 paper; one has to remember that resettling/relocating/rehabilitating around four and half million people and settling 60 year-old claims on many lost properties is an enormous task.

## 4. Conclusions of the Aix Group's 2007 Paper

The Palestinian refugees are located mainly in Jordan, Gaza and the West Bank, Lebanon and Syria. In 2006, nearly one third of the registered refugees – about 1.3 million people – lived in 59 recognized UNRWA refugee camps in Jordan, Lebanon, Syria, the West Bank and Gaza; a significant number also live in informal settlements near camps. Additional numbers of refugees live in non-UNRWA territories, mainly in Egypt and Iraq.

Table 4 presents figures of the Palestinian refugees as of 2006, published by UNRWA, which were used in our estimates. We quote UNRWA's figures, which are the most updated available, although they are considered by some as an underestimate of the real numbers and by others as an exaggeration of the number of refugees in certain locations.<sup>25</sup> The main reasons for the various estimates are lack of coverage of unregistered refugees and missing data on refugees outside the camps and outside UNRWA's coverage, as well as missing information about people who have moved. However, for our purposes the data presented in Table 4 is a good approximation of the demographic scope of the refugee problem.

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25 In a recent paper, "Statistical data on Palestinian refugees: What we know and what we don't", Abu-Libdeh (2007), a former head of the PCBS, explains that there are three reliable sources of data: UNRWA, PCBS and FAFO. Each has some weaknesses and strengths. See definitions there.

**Table 4: Palestinian Refugees<sup>26</sup> - Figures as of September 2006<sup>27</sup>**

UNRWA Fields of Operations	Registered Refugees	By Location %	Official Camps	Registered Refugees in Camps		Percent In Country
				Families	Individuals	
Jordan	1,835,704	42%	10	61,063	316,549	17%
Lebanon	405,425	9%	12	49,836	214,093	53%
Syria	434,896	10%	10	25,740	116,253	27%
West Bank	705,207	16%	19	38,954	185,121	26%
Gaza Strip	993,818	23%	8	92,322	474,130	48%
<b>Total</b>	<b>4,375,050</b>	<b>100%</b>	<b>59</b>	<b>267,915</b>	<b>1,306,191</b>	<b>30%</b>

One should also recall the fact that refugees constitute about one half of all Palestinians, as can be seen in Table 5.

26 We used UNRWA data based on their definitions: "Under UNRWA's operational definition, Palestine refugees are persons whose normal place of residence was Palestine between June 1946 and May 1948, who lost both their homes and means of livelihood as a result of the 1948 Arab-Israeli conflict. UNRWA's services are available to all those living in its area of operations who meet this definition, who are registered with the Agency and who need assistance. UNRWA's definition of a refugee also covers the descendants of persons who became refugees in 1948." See <http://www.un.org/unrwa/english.html>.

27 <http://www.un.org/unrwa/publications/index.html>.

Table 5: Palestinian Population 2007/8<sup>28</sup>

	Total Palestinians	Registered Refugees	No. of Camps	Registered Refugees in Camps
West Bank			19	
Gaza			8	
Jordan	2,281,714	754,263	10 (+ 3 unofficial)	191,408
Syria, Lebanon and other Arab countries	1,416,543	1,059,584		492,299
	2,867,000	1,930,703	12	335,307
Foreign Countries	1,632,000	416,608	10 (+ 3 unofficial)	220,809
Israel	580,000	456,983		123,646
	1,200,000 <sup>1</sup>			
Total			59 (+ 6 unofficial)	
Total in Diaspora*	9,977,257	4,618,141		1,363,469
	5,079,000	2,804,294	32 (+ 6)	679,762

\* Outside of historic Palestine, i.e. the total number excluding those living in the West Bank, Gaza and Israel.

28 Refugees' figures are from UNRWA's June 2008 records; total Palestinians from PCBS end 2007  
[http://www.pcbs.gov.ps/Portals/\\_PCBS/Downloads/book1526.pdf](http://www.pcbs.gov.ps/Portals/_PCBS/Downloads/book1526.pdf)  
[http://www.pcbs.gov.ps/Portals/\\_pcbs/PressRelease/gaza\\_census\\_e.pdf](http://www.pcbs.gov.ps/Portals/_pcbs/PressRelease/gaza_census_e.pdf)  
[http://www.pcbs.gov.ps/Portals/\\_PCBS/Downloads/book1530.pdf](http://www.pcbs.gov.ps/Portals/_PCBS/Downloads/book1530.pdf)  
 Palestinians in Israel end 2007:  
<http://www.cbs.gov.il/reader/>.

## 4.1 Individual Choices, the Agreements and a Possible Relocation Matrix

The Aix Group has examined the economic dimensions of possible solutions for the refugees. The economic components generally stem from two different processes that will follow any agreement on refugees:

1. Resettlement/repatriation (sometimes referred to below as relocation) and rehabilitation;
2. Financial arrangements concerning reparations for losses and suffering and for covering the costs of relocation.

It is assumed that these two processes will be pursued parallel to one another through a comprehensive mechanism designed especially for implementing a permanent status agreement on refugees. The process will be supervised and managed, as we proposed above, by an international body, the International Agency for the Palestinian Refugees (IAPR).

### A) Relocation and Rehabilitation

There are over 4.5 million Palestinian refugees,<sup>29</sup> the majority of whom reside outside historic Palestine. To both ensure that the decision of a permanent domicile is made voluntarily and to meet political and practical exigencies, the refugees should be given real options. The Palestinian refugees should be presented with options for electing a place of permanent domicile through which, or in parallel with which, they can normalize their status, gain citizenship and begin the process of rebuilding stable, prosperous lives. It is worth noting that this study does not relate to displaced persons after the 1967 war; it is assumed

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29 See discussion in Abu Libdeh (2007). In this study we use UNRWA figures for September 2006. The figures can be debated, of course, both those concerning specific locations and the totals. They serve us as a point of reference; revision of the figures will change the results.

that those displaced in 1967 who were not refugees of 1948 will have the right to return to their homes following the establishment of a Palestinian state.

These options include:

- The Palestinian state (borders on the basis of pre-1967 borders);
- An agreed-upon and limited land swap, added to the territory of the Palestinian state;
- Israel;
- The present host countries;
- Other third countries.

The IAPR will prepare a comprehensive list of all refugees. It will collect written statements from each refugee concerning his or her past and present conditions and preference regarding future residency. As previously discussed, the process of implementing the agreements and achieving a practical solution will be based on choices made by the refugees, who will assess their own best interests and choose between alternative locations for residency, as explained in the Clinton parameters. As explained above, this choice will be made individually, in a well-organized process supervised by the IAPR and according to an agreed-upon timeframe; each refugee will choose more than one alternative and rank them according to his or her priorities. The goal of this process is that the final decisions will satisfy the refugees as much as possible and will be in line with both the agreements to be signed between the representatives of the two sides and with the relevant host countries and other countries.

These decisions will have to take into account not only the final destinations but also the timetable for relocation and rehabilitation. Obviously not all the refugees will be processed at once and priorities will have to be assessed, taking into account each refugee's wishes, the urgency of his or her situation (based on his or her present conditions), the economic situation at each location and the time needed to prepare the new locations for absorption. The refugees who have claims concerning lost properties will file their preliminary statements at this

stage.

The relocation, repatriation, and rehabilitation processes will be a major logistical undertaking, involving significant institutional resources. For instance, institutional arrangements will need to be set up in order to disseminate information about their options to the refugees and to register their choices. Responsibility for this process will rest with the IAPR and with domestic ministries and organizations that will have to support and facilitate the movement and/or integration of the refugees.

## B) Targeted Programs

Targeted programs will have to be put in place to help the refugees' transition to their new lives. These programs, in the West Bank, Gaza, Swap WB, Swap Gaza etc. (see Tables 5 & 6), should include housing, employment and infrastructure programs as well as educational and health services. Regional administrations will be created by the IAPR to deal with the various aspects of implementation of resettlement/relocation/rehabilitation:

- *Housing and infrastructure:* Improved and/or new housing will have to be provided to refugees to replace their temporary, inadequate shelters and/or to house relocating refugees.
- *Education and health services:* Creating or improving education and health services for the new as well as the existing population will be an important part of the project.
- *Direct rehabilitation assistance:* In addition to the generalized measures listed above, directed assistance may be provided through stipends to refugee families for the early period of resettlement, until they adjust to their new lives (a practice that Israel uses with new Jewish immigrants). Other forms of direct rehabilitation assistance may be identified depending on particular return/resettlement needs.

These components carry costs that should be factored into an assessment

of the economic dimension of a solution. While it is obvious that the components might vary from one state to another according to need, this difference would mainly be in the cost of a certain component and to what degree it is needed.

In addition, the provision of services and rehabilitation assistance should be integrated with the overall macro-economy and management policies of the receiving state. The integration and rehabilitation of refugees should be part of the overall development goals of the state, particularly in the case of the future Palestinian state. The economic component of refugee resettlement should be integrated with national Palestinian development goals. Third countries will share responsibility for these costs by either absorbing refugees directly or providing financial assistance to receiving states, including the Arab host states. The financial aspects will be managed by the IAPR.

### C) Macroeconomic Implications:

The macroeconomic implications will depend crucially on the nature of the agreements, as well as on the reaction of the population that is affected by the agreements. Thus, the socio-economic characteristics of the refugees, their current places of residency, their level of integration in the various countries, and of course the size of the populations, should be discussed. The number of persons who would become eligible for IAPR assistance under the various scenarios was disputed for many years, but it seems that we are now approaching a consensus on the figures.

Thus, the agreement and the refugees' decisions will result in changes in places of residency. We present below four relocation scenarios, some more acceptable to one side, some more acceptable to the other, and some unacceptable to both. We use these scenarios in order to clarify the challenges that the implementation of a possible agreement presents and to argue that the scenarios are feasible. The results of the four scenarios, presented in terms of the total numbers of refugees in each location, are presented in Table 6.

**Table 6: Number of Refugees at Each Location under the Four Scenarios (in thousands, rounded figures)**

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
In:				
Jordan	1101	1101	1469	1101
West Bank	1904	1729	1094	1330
Gaza	497	497	596	596
Syria	87	87	174	174
Lebanon	0	0	81	81
Swap WB	325	325	325	325
Swap G	199	199	199	199
Israel	44	219	219	350
R o W	219	219	219	219

The scenarios reflect a summation of the many decisions of the refugees and represent “net” outcomes; thus, for example, in Scenario 1 the refugee population in the West Bank (1,904,000) includes those who decided to stay and rehabilitate and those who opted to come to the West Bank from other locations, minus those who left for other places. Among the options for the refugees, we include what we called “Swap West Bank” and “Swap Gaza”, two areas where new specific development projects are planned. Thus, the number of refugees in the West Bank does not include those who opted to settle in the new construction projects in the “Swap WB” areas.

Table 7 presents the changes in the numbers of refugees in each location under each scenario.

**Table 7: Changes (inflow and outflow) of Refugees at Each Location under the Four Scenarios (in thousands, rounded figures)**

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
In:				
Jordan	-734	-734	-367	-734
West Bank	1199	1024	389	625
Gaza	-497	-497	-398	-398
Syria	-348	-348	-261	-261
Lebanon	-405	-405	-324	-324
Swap WB	325	325	325	325
Swap G	199	199	199	199
Israel	44	219	219	350
R o W	219	219	219	219

## 5. Refugees' Lost Properties Claims

The issue of compensation for lost properties is very complex, even if we focus only on the economic aspect and ignore the national, emotional and legal aspects. First, there is a wide range of estimates for the original scope of the properties. Second, there are several methods for calculating the current value of past properties, and each of these methods leads to a different result. Finally, there are several questions regarding the micro level, or how the compensation would be distributed to the original owners and their descendants. This section briefly summarizes the research and analysis that has been done so far. It also adds details regarding the estimates of the value of movable properties, and expands the description of the technical part of the estimates.

### 5.1 Estimations of Past Value of Lost Properties

Surveying the results of different studies will help to reach rough estimates of the aggregate financial compensation for lost properties. Since 1948, several studies have attempted to document, evaluate and measure the size and the values of the lost properties. In the brief survey below, we rely on the comprehensive studies of Fischbach (2003, 2006). According to Fischbach, estimates of the potential sum of compensation vary widely among the parties that have estimated the property (the UN estimates, Israeli estimates and Arab estimates). The divergence between the estimates results from:

1. Different conceptual definitions of land (should the definition include only privately-owned property which is registered, or also land held collectively without being registered?);
2. Different assigned values (should the value be based on market factors or taxation assessment, and when did Israel become liable for compensation - immediately after the refugees left or only after the Israeli authority took control?).

## 5.2 Estimation of Past Value of Lost Land

The most important data set was prepared during the years 1952-1964 by the UN Conciliation Commission for Palestine (UNCCP - Technical Program); this data set covers about 450,000 recorded claims on properties inside Israel. The study covers all Arab-owned land in Israel as of 1948 according to the British records, and does not differentiate either between refugees and Palestinian who stayed, or between Palestinian Arabs and foreign Arabs who owned land in Palestine at that time. Although the UNCCP did not manage to produce documentation for every parcel of land, it remains the most detailed source of records to date. The Technical Office's methodology was to make use of official land and land taxation records from the British administration in Palestine in order to determine the value of the property. According to UNCCP Technical Program, 1964, the value of refugees' land abandoned in Israel was less than one-half of the UNCCP's 1951 Global Estimate, since it did not include the Beersheba district as Arab-owned property confiscated by Israel. The micro level details on individuals' property were kept secret, and only the macro level statistics were publicly available.

**Table 8: Comparative Israeli, Arab and UN Figures for Scope and Value of Abandoned Land<sup>30</sup>**

Study	Year	Scope (in dunums)	Value2 (US \$)
<b>UN estimates:</b>			
1. UNRWA survey	1951	3,508,540	None
buildings		51,981	None
2. UNNCP	1951	19,083,921	404,546,448
3. The Technical Program	1964	6,057,032	824,780,808
<b>Israeli estimates:</b>			
1. Report of Settlement for the Arab Refugee	1948	2,008,114	328,445,000
2. Ministry of Agriculture	1949	16,593,000	None
3. Custodian of Absentee Property	1950	3,299,447	36,681,935
4. Ministry of Foreign Affairs	1953	3,600,000	None
5. Custodian of Absentee Property	1954	4,450,000	None
6. Ministry of Justice	1962	None	Over 564,200,000
<b>Arab Estimates:</b>			
1. Sa'ib Baydas	1951	9,150,000	129,342,850 (1948\$)
2. Arab Higher Committee	1955	None	89,866,000 (1951\$)
3. Arab League	1956	None	6,553,183,000
4. Yusif Sayigh	1966	6,611,250	7,789,990,999 (1948\$)
Buildings		173,000	5,412,400,000 (1956\$)
Total			
5. Hadawi-Kubursi	1988	19,031,012	1,625,702,000 954,304,000 2,580,006,000 2,131,467,000

Source: Fischbach (2006) Table 21, p. 44.

30 From Fischbach (2006). U.S dollars for the date chosen for valuation, which in most cases was 1947-48.

### 5.3 Estimation of Past Value of Lost Movable Properties

In 1961, UNCCP Land Expert Frank Jarvis came up with three different estimates for the total value of movable properties, based on three different methodologies. He came up with a figure of £P 42,069,000 based on a calculation of movable property as a percentage of the value of Arab land in pre-1948 war Palestine; £P 17,400,000 based on movable property as a percentage of the Arab national income in Palestine; and £P 19,125,000 based on movable property as a percentage of Arab capital ownership in Palestine.

### 5.4 Current Value of Lost Properties

The issue of assigning the current value out of a historic value is open to discussion. In order to simplify the calculations, we are using two measures to define the range of the multiplier from 1948 to the present. To do so, we took the aggregate returns of both the U.S. Dollar 3m T-bills and U.S. Dollar Treasury 10y bonds, from 1948-2008. This gives a multiplier from 16 (3m T-Bill) to 32 (10y Bonds). Relying on this assumption, the current value of the lost land is estimated to be in the range of \$13.2B to \$26.4B, using December 2008 prices. The exchange rate of the U.S. Dollar and the British Pound in 1948 was 0.24814. Hence, the current value of lost movable properties, according to the estimations of UNCCP Land Expert Frank Jarvis and the above assumption, is estimated to be in the range of \$69M to \$334M, using December 2008 prices. The range of our estimates for the current value of lost properties is from \$13.9B to \$26.8B, using December 2008 prices. These numbers are relatively close to the past estimates of the Aix Group (stage 3), which totaled from \$15B to \$30B.

## 5.5 Distribution of the Compensation to the Original Owners and their Descendants

The IAPR will be responsible for identifying and compensating each of the refugees' households, subject to the household's acceptance of the authority of the IAPR and of its mechanism of relocation. It is important to note that the value of compensation will not be dependent on the location preferences, or final location, of the refugees. For further description of the compensation and relocation process, please see the section below regarding the IAPR mechanism.

## 6. Assessments of the Range of Compensation for Lost Properties

The question of reparations to the 1948 Palestinian refugees is one of the most difficult and sensitive issues in the Palestinian-Israeli peace process. Nevertheless, some economic simulations can be made in order to help estimate the range of reasonable compensation schemes for the refugees' lost properties. Recently, a joint research group of Palestinians and Israelis published *Survey of Palestinian Refugee Real Estate Holdings in Israel: Validation of the Database and Developing a Feasible Compensation Formula* (in short, the Survey),<sup>31</sup> the result of extensive work done to calculate the present value of the expropriated Palestinian assets by the state of Israel in 1948. In their methodology they used historical British tax reports to evaluate the 1948 market price of real estate held by refugees. The tax rate levied on various real estate assets during the British mandate was a fraction of the market price of the asset; for example the tax rate on agriculture was 1.33% of the current value of the land. Therefore in order to calculate the value of the

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31 The Middle East Center for Legal and Economic Research in cooperation with The Israeli Institute for Economic and Social Research (2005).

assets held by Palestinians in 1948 one can multiply the tax revenues on assets by. The authors then decided to add 20% to the 1948 properties value since, as they argue: "... we believe that this supplement equals to the average difference between the market price of the property and the value attached to it by the absentees" (p.96).<sup>32</sup> The major effort and achievement of the Survey is in establishing a high correlation between the specific claims as recorded in the UNCCP archives and the land registration in Israel.

In order to assess the appropriate present-day value for compensation of each specific claim, the authors of the Survey propose a formula that then links the above 1948 value to the present value via the changes in the Israeli price level since 1948 (CPI) and the interest that the property could have accrued since 1948 (in other words, they in fact use an approximation based on the nominal interest rate from 1948 to the present).

In Table 2 of the Survey (pp.98-99) the authors summarize the compensation per dunam by type of land, calculated in current values. However, the most interesting question – that related to the total value of the land in 1948 and the amount of the entire compensation – is missing. We believe it is important to present an assessment of the range of the aggregate sum of the value of lost properties; we therefore suggest the following methods as a benchmark framework for assessing the range of reasonable values of lost properties of the refugees.

## 6.1 Calculating Present Values

Our framework assumes a basic agreement on a "Two State" solution along the lines described in the various Aix Group papers, including financial compensation that is "full and fair" for the refugees' lost properties. On that basis, the calculations attempt to assess the current value of the lost Palestinian properties. The assessment is done so that a range of reasonable estimates can be established; they can be used for the aggregate values as well as for individual ones. The first method starts

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32 This seems a peculiar argument since the market price generally reflects the agreed values of an exchange between a willing buyer and seller.

from an assessment -- acceptable to both sides -- of the market value of the assets in 1948, and then reaches their present value using different assumptions. Obviously, the central question in calculating present value is determining the “right” approach or, more modestly, finding a reasonable method to assess the current values. More specifically, should an acre of land in Shaykh Muwannis now in Tel Aviv or in the Negev desert be valued at its current (Israeli) market price?

The answer to this question is not a simple one for several reasons. First, as we shall see below, land prices in Israel have risen significantly and far beyond the average increase in the CPI; apparently this increase is due to the unique economic development of Israel including factors like its population growth and capital imports. In some urban centers the increase has been very dramatic. Is it reasonable to assume therefore that property owners should be compensated by the current market values of their lost properties or by using a formula that will calculate the present values using conventional present value calculations?

If the country of Israel had not been established in 1948 and the land and properties had not been lost, the rise in the prices of these assets would probably have been much more moderate. In addition, there are significant differences in the current market prices of properties in Israel (i.e. the value of land in central Israel is much higher than lands in the Negev or the Galilee); this implies a very uneven compensation for the refugees. Thus, the compensation for a property that is in the area of Tel Aviv would be considerably higher than for property elsewhere.

For these two reasons we recommend calculating the compensation upon the criteria of present value of lost real values. This approach states that appropriate compensation would be the value of the lost assets in 1948 assuming that the owners would have invested the compensation then; thus, the calculation is bringing the sums in 1948 to the present. Such adjustment must compensate for inflation, so as to compensate for the value of the property eroded due to the rise in the cost of living, and also for the lost real yield, the alternative interest that the refugees have lost since 1948. We think that an appropriate measure of this alternative interest can be the real growth rate of income (real growth of GDP).

In order to consider the options open to investors in 1948, we calculated the yield since 1948 for several relevant countries: Israel, the U.S., Jordan and Egypt. This enables a comparison between the results of investing the funds -- assuming they were received in 1948 for the lost property -- in the different economies, receiving today what was their average performance. In Table 9 we present several alternative ratios measuring the adjustment factor; i.e. the present value in 2007 of 1 US dollar of 1948 assets:

**Table 9: The Adjustment Factor**

Currency	A. Currency conversion (5)	B. Inflation adjustment	C. Real income growth adjustment	D. A*B*C Total adjustment	E. Sum in US\$ (6)
Israeli Shekel (1)	3.36E-05 NIS/\$	31,305,861.52	34.07	358.42 NIS	87.25\$
U.S. Dollar	1	8.93	7.179049	64.13571\$	64.13571\$
Egyptian Pound (3)	0.35 Pound/\$	5.855463	16.99377	34.82724 EGP	6.16\$
Jordanian Dinar (4)	0.35 Dinar/\$	7.904942	13.80239	38.18748 JOD	54\$

1. Inflation data are from 1951, Income growth data are from 1950.
2. Data are from 1948.
3. Data are from 1950.
4. Data are from 1954.
5. The exchange rates are from 1950 (Yearly average).
6. The exchange rates are from 2007 (Yearly average).

Sources: U.S. data are from the BLS (Bureau of Labor Statistics) and from the BEA (Bureau of Economic Analysis). Israeli data are from the CBS (Israel Central Bureau of Statistics). Egyptian and Jordanian data are from the Penn world data table 6.3. Exchange rate data for all countries are from the Penn world data table 6.3.

Column A transforms the asset into the preferred “local” currency; Column B compensates for the inflation rate, assuming the investment

is linked to the “local” CPI; Column C measures the average real growth of the “local” economy; Column D presents the accumulated value in terms of the “local” currency; and Column E translates all the local currencies back to one measure: the dollar. The range of “multipliers”, each for the economy chosen, is large: from 6.2 in Egypt to 87.3 in Israel.

The aggregate value of properties in 1948 in what became Israel is not known; neither is the value of the properties held by absentees. One possible method is to aggregate the database collected by the UNCCP; however, we did not have access to that database. Instead we tried an indirect approach: assessing the value of properties relative to the GDP. From various estimates we know that a plausible ratio of the value of housing stock to GDP fluctuates between 50%-150% of GDP.<sup>33</sup> We know the GDP in the Arab economy of Palestine in 1947 was 353.4 millions of U.S. dollars (current prices of 1947).<sup>34</sup> We therefore assume the value of the properties to be between the range of 50%-150% of GDP (Table 10).

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33 See Appendix I, Table I and Figure I.

34 Metzger and Kaplan (1990).

Table 10: Household Real Estate Assets as % of GDP (1947 US Dollars)

	GDP(1947)	Household real estate assets (US\$)				
		50%	60%	70%	80%	90%
Jewish-Economy	488,120,000	244,060,000	292,872,000	341,684,000	390,496,000	439,308,000
Arab-Palestinian Economy	353,468,000	176,734,000	212,080,800	247,427,600	282,774,400	318,121,200
		Household real estate assets (US\$)				
	100%	110%	120%	130%	140%	150%
Jewish economy	488,120,000	536,932,000	585,744,000	634,556,000	683,368,000	732,180,000
Arab-Palestinian Economy	353,468,000	388,814,800	424,161,600	459,508,400	494,855,200	530,202,000

In Table 11, we link the adjustment factors presented in Table 9 to the asset values in Table 10 to get the present value of the properties in 2007, adapted to the various inflation and real returns. Finally, we estimate the lost assets of the refugees as follows: the Arab-Palestinian population in 1947 was 1.3 million, out of which about 900,000 lived in what became the State of Israel. Around 750,000 people become refugees. A possible estimate for the value of the assets of the refugees (in 1948) out of the total value of the properties is thus  $750/1300$  of the total Palestinian household assets. Table 11 contains the present value of the assets of 1948's refugees.

Table 11: Present value of refugee's assets

		Household real estate assets (U.S.\$)							
		Adjustment factor	50%	60%	70%	80%	90%	100%	
Israeli Shekel (1)		87.25	8,896,177,788	10,675,413,346	12,454,648,904	14,233,884,462	16,013,120,019	17,792,355,577	
U.S. Dollar		64.14	6,539,399,310	7,847,279,172	9,155,159,034	10,463,038,896	11,770,918,758	13,078,798,620	
Egyptian Pound (3)		6.16	628,085,446	753,702,535	879,319,625	1,004,936,714	1,130,553,803	1,256,170,892	
Jordanian Dinar (4)		54	5,505,943,846	6,607,132,615	7,708,321,385	8,809,510,154	9,910,698,923	11,011,887,692	
<b>Cont.</b>			Household real estate assets (U.S.\$)						
		Adjustment factor	110%	120%	130%	140%	150%		
Israeli Shekel (1)		87.25	19,571,591,135	21,350,826,692	23,130,062,250	24,909,297,808	26,688,533,365		
U.S. Dollar		64.14	14,386,678,482	15,694,558,344	17,002,438,206	18,310,318,068	19,618,197,930		
Egyptian Pound (3)		6.16	1,381,787,982	1,507,405,071	1,633,022,160	1,758,639,249	1,884,256,338		
Jordanian Dinar (4)		54	12,113,076,462	13,214,265,231	14,315,454,000	15,416,642,769	16,517,831,538		

## 7. The IAPR: Mission, Structure and Mechanisms

We propose the following stages for the creation of the IAPR and the implementation of its program:

**Stage I:** Drafting of a bilateral agreement on the principles for resolution between Israel and Palestine.

**Stage II:** Establishment of the IAPR in line with the bilateral agreement and under the coordination of the international community.

**Stage III:** Establishment by the IAPR of its program and structure.

**Stage IV:** Implementation of the program by the IAPR.

The role, structure and mechanisms to be adopted by the IAPR are of the utmost importance. How will the IAPR function? Who will participate in its decisions? What will its legal authority be? We propose the following answers to these critical questions:

The IAPR structure will be created in an international conference on refugees in which the Palestine Liberation Organization/Palestinian Authority (PLO/PA) and Israel will be constituent parties. The structures and functions of IAPR will take international precedents into account (e.g. Kosovo, Bosnia, Namibia, South Africa). The IAPR will have direct representation among Palestinian refugee communities in the Arab host countries, in PA areas, and in the remaining diaspora countries.

The mission of the IAPR is to bring an end to the period of Palestinian refugehood by forming an agreed-upon long term solution. As mentioned, the solution will be based on the Clinton parameters and on the scenarios that were presented in the Aix phase III paper.

As discussed above, the IAPR will be responsible for implementing an agreed-upon mechanism to ensure that the final decisions satisfy the wishes of the refugees as much as possible and are in line with the overall agreements to be signed between the representatives of the two

sides, and also with the relevant host countries and other countries. The IAPR will also supervise the various arrangements, mechanisms and programs that will be implemented.

The huge number of refugees, the complexity of their situation, and the inability of the two direct parties – Israel and the PLO/PA – to solve the problem on their own, requires the involvement of other countries and international organizations in both the practical aspect (e.g. financing and providing permanent places of residence) and the organizational aspect (e.g. the institutions/bodies that will manage the various processes of collecting information, registering claims and requests, checking and assessing them, and deciding on and distributing the different benefits).

## 7.1 The Legal Authority and Framework of the IAPR

The legal basis for both the solution and the IAPR can come from two sources: the bilateral and the international. The first (bilateral) level is the peace agreement: a chapter on the refugees in the peace agreement will include the principles of the solution and the understanding that it will be implemented through an international agency. It will also call upon the broader international community (represented by the UN); various bodies that can participate in financing (such as the U.S., the EU, and the G8); the host countries; and potential countries that may have some refugees resettle within them, to adopt the agreed-upon principles; to take part in the IAPR; and to participate in the actual solution through finance, by receiving refugees, or by other means, in accordance with the role envisaged for the country in the principles.

This chapter of the peace agreement will be formulated after consultation with the host countries. Another possibility is that the agreement or this part of it will be formulated on the basis of the Arab peace initiative, and will include the host countries.

Either during the drafting of the agreement or after it is signed, the UN will adopt the agreed-upon principles and will commit to participate in their implementation; other organizations and individual countries will

adopt similar resolutions (this is the second, or international, level).

The IAPR will be the organization responsible above all others for the agreement's implementation, and should be empowered to set up subsidiary bodies that will be responsible for various aspects of the solution. The IAPR will set procedural rules for the operation and work of these subsidiaries.

The IAPR will have to negotiate with each of the various countries and international organizations regarding their financial contribution (for the solution itself and for the IAPR operations like manpower, research, planning, computerization, etc.) and its distribution over time; the number of refugees each country will agree to take; and its prerequisites.

## 7.2 The Structure of the IAPR

The IAPR will include all the main parties involved in the solution, primarily the refugees themselves and the absorbing countries. The IAPR will be constructed from representatives of the following bodies/countries:

- a. The UN.
- b. The G8.
- c. The World Bank.
- d. The Palestinian representatives from the PLO/PA.
- e. The host countries.
- f. The absorbing countries, as indicated in Table 3, i.e. Palestine (in the West Bank, Swap West Bank, Swap Gaza), Israel, and other countries who will participate in the process.
- g. Canada as the leader of the multilateral refugees' discussions.

### 7.3 The Functioning of the IAPR

The three main functions of the IAPR are:

1. Assigning each refugee a permanent “target country”, either his or her current location or another country.
2. Assigning each refugee an amount of money for his or her individual compensation.
3. Assigning each “target country” the amount of money that is needed for the relocation and rehabilitation process.

In order to fulfill these functions, the IAPR will have to develop and operate a mechanism that will achieve a solution, considering both the individual will of the refugees and the different interests of the relevant countries, all under a fixed budget.

### 7.4 The “Comprehensive Plan”

The Comprehensive Plan will be developed in the following way:

- a. The IAPR will map the current number and location of the Palestinian refugee population worldwide.
- b. The IAPR will accept from each refugee his or her priorities; will agree with each refugee on the place of permanent residency; and will sign agreements with individual refugees.
- c. The IAPR will reach agreements with the absorbing countries and the host countries on the number of refugees each country will receive and rehabilitate.
- d. The IAPR will formulate a “Comprehensive Plan” that will address absorption in the absorbing areas and rehabilitation in the host areas. This “Comprehensive Plan” will be the optimal plan as the IAPR sees it. The plan should refer to groups, by current and future locations, and not to individuals.
- e. The IAPR will receive and process all property claims.

## 7.5 The “Absorbing Areas”

For each “Absorbing Area” and each “Host Area”, the IAPR will form its own comprehensive project so that both the relocation and rehabilitation of the Palestinian refugees will end with positive results in a reasonable amount of time. The projects will have to follow several guidelines common to all participants. These guidelines will provide civil rights and eventual citizenship to all the refugees.

Gaining citizenship for refugees will be one of the goals of the projects to be administered by the IAPR. It may be that citizenship in the receiving countries will not be granted to the refugees immediately, but only after a certain time and subject to certain terms. However, the receiving countries must agree to grant the refugees, from the first day, equal rights in education, employment, health, social services, etc.

Host countries should also be required to grant such rights to the refugees within their borders as soon as the agreement with them is enacted, and to later grant citizenship to the number of refugees who they have agreed will be rehabilitated in their territory.

The current “Host Countries” will be an integral part of the IAPR and will be responsible for the connection between the IAPR and the refugees. The “Host Country” will perform a census that will address several issues:

- a. Mapping the refugee population within the country:
  - Who they are (names, family connections, etc)?
  - What is their current economic and social situation (jobs, wages, etc.)?
  - What is their attitude toward the IAPR’s objectives? This is important in order to identify and address obstacles before implementing the plan.
- b. Giving the refugees the official information from the IAPR regarding their rights, the mechanism that is about to be implemented, and the timetable for implementing the mechanism.

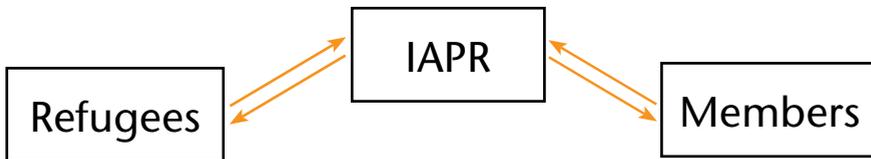
## 7.6. The Host Countries

The role of the host countries is also critical on two issues:

- a. The legal status of refugees in the context of permanent residency, dual citizenship, mobility, etc.
- b. The cost accruing to host countries over the term of settlement, including the rehabilitation of refugee camps, the rehabilitation of refugees, and the cost of relocation.

## 8. Schematic Decision Structure of the IAPR

We propose the following schematic structure:



### Preparatory Stage

- a. Collecting statements from the refugees concerning their priorities on permanent places of residency.
- b. Collecting applications for property claims.
- c. Disbursement of 30% of Refugehood fund to all refugees who file claims.

### Planning Stage

- d. Signing individual contracts on permanent places of residency, including agreed-upon timetables (between the IAPR, the refugees and the relevant Members).
- e. Disbursement of additional 70% of Refugehood funds.
- f. Developing the overall Relocation and Rehabilitation plan as well as the specific plans of the sub-authorities responsible for the absorption projects in the West Bank, Swap West Bank, Swap Gaza and Israel, and the sub-authorities responsible for rehabilitation.
- g. Assessing the property claims and presenting them to the Expertise

Forum to reach conclusions.

### Implementation stage

- h. Implementing the relocation and rehabilitation plans in cooperation with the members.
- i. Concluding the property claims assessments.

### Final Stage

- j. Refugees are citizens in the places of their choice.
- k. Property claims are officially closed.
- l. UNRWA is dissolved.

## 9. Conclusion

After discussing the major dimensions of an agreed-upon solution for the refugees, the Aix Refugees Working Group concluded that a solution for the Palestinian refugees along the main lines described above, although an enormous task, is feasible. Under reasonable assumptions, the process of choice, the agreements between the two sides, and the resulting scenarios of relocation/rehabilitation that we described can become a positive experience that is also feasible from an economic point of view.

A long-term resolution of the Palestinian refugee issue should be based on all relevant UN resolutions, including GA Res. 194, while recognizing that a literal application of this resolution is no longer possible given the substantial changes on the ground. As in the Clinton parameters, the parties would agree that Resolution 194 must be implemented. The Aix Group considers that the right of return to their homeland, even in a modified and limited sense, together with the other measures discussed in this paper, should be an essential component of closure to this issue. In actual implementation, both the Israeli and Palestinian sides should take into consideration realities on the ground, as we did in this paper. The passage of time has not eliminated the relevance of this resolution but requires that we examine its practical application, necessitating a combination of measures as we described above.

The experience will become less painful as the uncertainties related to the process decrease; the more stable the political environment and secure the financial resources, the better the probabilities of success. Clearly, the decisions made by the refugees, by the parties to the agreements and by the international community will be crucial. The agreements should address the concerns of all those who might be affected, first and foremost the refugees, and create incentives that will guarantee success.

From an economic point of view, it will prove very important to determine the number of probable relocations as early as possible and

to arrange the time of their resettlement with the refugees themselves. Although it is impossible to plan for every contingency in such an effort, some broad plans should be recommended and several agencies should be created that will be capable of efficiently implementing those programs under the inevitably uncertain circumstances. The programs for relocation and rehabilitation will need the coordinated efforts of many strong, capable and flexible agencies. The settling of lost properties claims should be done in an equitable and efficient manner by objective professionals.

We strongly recommend the creation of The International Agency for The Palestinian Refugees to manage and coordinate the political and economic efforts; this agency is critical to the success of these efforts. Through such an institution the agreements will be multinational and not restricted to the direct parties involved. Such an institution can make an important contribution in raising the necessary funds.

The Aix Refugees Working Group, after surveying various published estimates prepared over the years by Palestinian, Israeli and international experts, and based on its own work, has tried to assess the financial magnitudes necessary to implement a comprehensive solution. Such assessments are naturally open to criticism since they are based on assumptions and “guesstimates”. However, it is better in our view to have some numbers than none. The most divergent estimates relate to property losses since the basic principles on which to base the assessment are debatable. As we explained, we adopted a concept of a “fair and full” offer to be determined by the IAPR.

The question of refugees is often identified as one of the most difficult and sensitive issues in any Palestinian-Israeli peace process. For Palestinians and Israelis alike, it touches upon both deeply-held historical narratives and even existential values: the partition of Palestine, the establishment of the state of Israel, the displacement and refugee experience of the Palestinian people, the Palestinian right of return, and Israel’s fundamental desire to remain a Jewish state.

For these reasons, the refugee question proved particularly problematic throughout the Madrid and Oslo eras, and into permanent status negotiations at Camp David, Taba, and elsewhere. These difficulties,

however, should not blind one to the very real progress that was made. Should the parties once more find themselves in permanent status negotiations, they will undoubtedly find themselves further apart than they were at Taba in January 2001—but perhaps still closer than they were when the peace process began in Madrid a decade earlier.

## Appendix A: UN Resolutions

### **UN Commission on Human Rights Resolution 1987/4, 1987**

Affirms the “right of the Palestinians to return to their homeland Palestine and their property, from which they have been uprooted by force.”

### **General Assembly Resolution 3089 D (XXVIII), 7 December 1973**

“The General Assembly,

“Recognizing that the problem of the Palestine Arab refugees has arisen from the denial of their inalienable rights under the Charter of the United Nations and the Universal Declaration of Human Rights,

“1. Reaffirms that the people of Palestine is entitled to equal rights and self-determination in accordance with the Charter of the United Nations;

“2. Expresses once more its concern that the people of Palestine has been prevented by Israel from enjoying its inalienable rights and from exercising its right to self-determination;

“3. Declares that full respect for and realization of the inalienable rights of the people of Palestine, particularly its right to self-determination, are indispensable for the establishment of a just and lasting peace in the Middle East, and that the enjoyment by the Palestine Arab refugees of their right to return to their homes and property, recognized by the General Assembly in resolution 194 (III) of 11 December 1948, which has been repeatedly reaffirmed by the Assembly since that date, is indispensable for the achievement of a just settlement of the refugee problem and for the exercise by the people of Palestine of its right to self-determination.”

**General Assembly Resolution 3236 (XXIX), 22 November 1974**

“The General Assembly,

“Having considered the question of Palestine,

“Recognizing that the Palestinian people is entitled to self-determination in accordance with the Charter of the United Nations,

“1. Reaffirms the Inalienable rights of the Palestinian people in Palestine, including:

(a) The right to self-determination without external interference;

(b) The right to national independence and sovereignty;

“2. Reaffirms also the inalienable right of the Palestinians to return to their homes and properties from which they have been displaced and uprooted, and calls for their return;

“3. Emphasizes that full respect for and the realization of these inalienable rights of the Palestinian people are indispensable for the solution of the question of Palestine.”

**General Assembly Resolution 35/169 A, 15 December 1980**

“The General Assembly,

“5. Reaffirms the inalienable right of the Palestinians to return to their homes and property in Palestine, from which they have been displaced and uprooted, and calls for their return;

“11. Expresses its opposition to all policies and plans aimed at the resettlement of the Palestinians outside their homeland.”

**Annex to General Assembly Resolution 35/169 A, 15 December 1980**

“Recommendations of the Committee on the Exercise of the Inalienable Rights of the Palestinian People, endorsed by the General Assembly at its thirty-first session:

“60. The legitimate and inalienable rights of the Palestine people to return to their homes and property and to achieve self-determination, national independence and sovereignty are endorsed by the Committee

in the conviction that the full implementation of these rights will contribute decisively to a comprehensive and final settlement of the Middle East crisis.

## “II. Right to Return

The natural and inalienable right of Palestinians to return to their homes is recognized by

resolution 194 (III), which the General Assembly has reaffirmed almost every year since its adoption. This right was unanimously recognized by the Security Council in its resolution 237 (1967). The time for the urgent implementation of these resolutions is long overdue. Without prejudice to the right of all the Palestinians to return to their homes, lands and property, the Committee considers that the program of implementation of the exercise of this right may be carried out in two phases.

### *Phase one*

The first phase involves the return to their homes of the Palestinians displaced as a result of the war of June 1967 ...

### *Phase two*

The second phase deals with the return to their homes of the Palestinians displaced between 1948 and 1967. The committee recommends that:

While the first phase is being implemented, the United Nations in co-operation with the States directly involved, and the Palestinian Liberation Organization as the interim representative of the Palestinian entity, should proceed to make the necessary arrangements to enable Palestinians displaced between 1948 and 1967 to exercise their right to return to their homes and property, in accordance with the relevant United Nations resolutions, particularly General Assembly resolution 194 (III);

(b) Palestinians not choosing to return to their homes should be paid just and equitable compensation as provided for in resolution 194 (III).”

## Appendix B: Tables and Graphs

**Table 1: The Ratio between the Value of Dwellings and Land to GDP in Low Income Countries**

Low income countries	Net worth (all assets)	Net worth (dwellings and land)**	Gdp per capita	Ration
Angola	577	432.75	737	0.587177748
Azerbaijan	1,237	618.5	654	0.945718654
Bangladesh	1,250	625	347	1.801152738
Benin	950	475	345	1.376811594
Burkina	419	209.5	195	1.074358974
Burundi	327	163.5	108	1.513888889
Cambodia	753	376.5	287	1.311846669
Cameroon	1,262	631	551	1.145190563
Central	428	214	252	0.849206349
Chad	329	164.5	183	0.898907104
Comoros	1,026	513	362	1.417127072
Congo, Democratic Republic	180	90	86	1.046511628
Congo, Republic	1,127	563.5	1,022	0.551369863
Côte	1,589	794.5	586	1.355802048
Eritrea	577	288.5	203	1.421182266
Ethiopia	193	96.5	98	0.984693878
Gambia	945	472.5	323	1.462848297
Georgia	1,371	685.5	592	1.157939189
Ghana	775	387.5	258	1.501937984
Guinea	1,062	531	407	1.304668305
Guinea-Bissau	409	204.5	180	1.136111111
Haiti	1,611	805.5	466	1.728540773
India	1,112	556	458	1.213973799
Indonesia	1,440	720	729	0.987654321
Kenya	966	483	346	1.395953757
Kyrgyzstan	433	216.5	268	0.807835821
Laos	1,164	582	328	1.774390244
Lesotho	848	424	441	0.961451247
Madagascar	633	316.5	249	1.271084337

Malawi	546	273	165	1.654545455
Mali	383	191.5	212	0.903301887
Mauritania	1,231	615.5	409	1.504889976
Moldova	1,155	577.5	301	1.918604651
Mongolia	1,164	582	379	1.535620053
Mozambique	545	272.5	215	1.26744186
Nepal	1,164	582	227	2.563876652
Nicaragua	1,248	624	473	1.319238901
Niger	329	164.5	169	0.973372781
Nigeria	377	188.5	325	0.58
Pakistan	1,255	627.5	430	1.459302326
Papua	1,004	502	645	0.778294574
Rwanda	638	319	211	1.511848341
Sao	773	386.5	315	1.226984127
Senegal	1,172	586	459	1.276688453
Sierra	353	176.5	127	1.38976378
Solomon	1,004	502	774	0.648578811
Sudan	577	288.5	367	0.786103542
Tajikistan	298	149	140	1.064285714
Tanzania	681	340.5	268	1.270522388
Togo	645	322.5	270	1.194444444
Uganda	725	362.5	257	1.410505837
Uzbekistan	1,164	582	552	1.054347826
<b>Average</b>				<b>1.236113416</b>

Source : Davies et.al 2008.

\* Data are for the year 2000

\*\* We estimate that the value of dwellings and land is 75% of the total value of assets.

Figure 1: Household Real Estate Assets



\*In the U.S., for most of the sample (1951-2008) the value of household real estate assets was between 80-120 percentages of GDP

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# The Territorial Link between the West Bank and Gaza Strip: Examining the Alternatives<sup>1</sup>

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1 Because of the scope and complexity of such a project, its contributors are too numerous to be mentioned here. Please see the acknowledgements section for more details.



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## Executive Summary

For the past two decades, the West Bank and Gaza Strip are de-facto territorially disconnected, with the result of a significant harm to the Palestinian economy, society, politics and identity. As agreed upon in past interim agreements, a final agreement between Israel and Palestine will include a territorial link, connecting the two Palestinian territories. Such a link will contribute significantly to the Palestinian economy, allowing improved international and intra-Palestinian trade and economies of scale. We urge the professional and political authorities to initiate a detailed plan of this link, as the possibilities for a new route in the relevant area are already limited, and the process will last several years. As both parties' interest regarding the route of the link and its nature are not dissimilar, there should be no refrain from beginning the planning and construction of the link as soon as possible, even if the future agreement will be finalized at a later time.

In the following working paper we suggest that the link should be constructed as an overland car road and railway, between the Karni Crossing and El Majed Crossing. The construction of a tunnel or a bridge is not feasible, and the use of a monorail or a train alone will not satisfy the core interests of the Palestinians. Three routes were examined in detail, as we analyzed their statutory, engineering, financial, environmental and security implications. All three routes should be presented to the planning authorities, with the proposed Road 33 Route as the preferred alternative. The construction of the route is expected to cost about 700 Million USD, with additional 180 Million USD for the expected security measures. We recommend that the territorial link will be financed by the World Bank as a long term loan to Palestine.

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## 1. Introduction

The Palestinian Territories of the West Bank and the Gaza Strip have been separated geographically since 1949, when Jordan gained control over the West Bank, and Egypt over the Gaza Strip. Both areas were ruled by the British from WWI to 1948. Following the Israeli occupation of the Territories in the 1967 War, from 1967-91 Palestinians enjoyed fairly free mobility between the two regions. But since 1991 mobility restrictions increased, and since the disengagement from Gaza in 2005 and later developments, the two regions have been completely cut off from one another. The lack of mobility and transport between the West Bank and Gaza is problematic in the present, as it violates the 1993 Oslo Agreement that recognizes the West Bank and Gaza as a single territorial unit, but it is especially problematic for a future final agreement. It is clear that a territorial link is necessary for the independence and contiguity of a future Palestinian state. This territorial link should pass through Israel in an approximately 50-km-long corridor. Because of its importance to the future of a Palestinian state, this link is a principal topic on the negotiation agenda for the final status agreement.

This document puts forth a bold suggestion that follows our general approach of starting today what is required by a viable, future agreement. We believe that rather than waiting for the signing of a final status agreement, now is the time to begin constructing a territorial link, as it is integral to a future “Two State” solution, and construction time will be long (seven to ten years). We do not believe that extensive negotiations with the Palestinians are needed for Israel to begin building this link. In this document we will detail the reasons for this stance, which we present here briefly. First, the location of the link should be left to Israel’s preferences, being that it cuts through Israeli territory and has implications for Israel’s contiguity, and because it is in the interest of both sides for the link to be as short as possible. Second, the type of link should mainly reflect the preferences and needs of the Palestinians, since they will be the ones using it and since in the future it should

be completely under their jurisdiction. Third, as we show below, potential differences between the sides can be overcome if we take into consideration various criteria such as cost and timeframe of construction, security, and mobility of commerce and passengers, among others. The issues of sovereignty, maintenance, and other technical matters could be agreed upon in the final agreement. In Section 1 of this paper we discuss these aspects, as we briefly present the historical background of the issue, and its legal and security aspects. The last part of Section A deals with potential socio-economic benefits of a direct link between the two territories.

Section 2 presents an engineering analysis of workable options for a territorial link. After detailing the underlying assumptions of the analysis and planning principles, alternative means of transport and construction methods are discussed. Of these, it seems that an overland motorable road combined with a rail route is the best option. Full-length tunnels or bridges are not feasible, and rail alone is unsatisfactory. We then offer a detailed description of suggested routes, each analyzed from a statutory, engineering, security, environmental, and financial perspective. We complete the paper with a summary of three possible routes and a recommendation to present these options, with a preference for Road 33, to planning authorities. The cost of construction of this route is estimated at US\$700 Million, and it is suggested that the construction will be financed by the World Bank as a long term loan to Palestine.

## 2. Political, Legal, Security and Socio-Economic Aspects of the Link

### 2.1. A Short History

The West Bank and the Gaza Strip were completely disconnected during the period of 1949-1967. After 1967, mobility and transportation became quite free, but with the closures of the territories that began with the Gulf War in 1991, mobility became progressively limited. Since the disengagement from Gaza in 2005 and the rise of Hamas to power in Gaza, the West Bank and Gaza have become completely disconnected.

This state of affairs violates agreements made during the peace process. In both the Camp David Accords (September 1978) and the Declaration of Principles (September 1993), Israel accepted the principle that Gaza and the West Bank together form a single territorial unit.<sup>2</sup> The practical significance of this principle was embodied in arrangements regarding overland safe passage between Gaza and the West Bank within the framework of the Interim Agreement (September 1995). The concept of safe passage refers to a physical connection between the West Bank and Gaza Strip facilitating the movement of goods, services, and people between the two areas. Safe passage was repeatedly demanded by the Palestinians during the Oslo Process, but was only implemented for a brief period.

The Protocol Concerning Safe Passage between the West Bank and the Gaza Strip, signed in October 1999, was intended to create temporary arrangements for passage between Gaza and the West Bank. This

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2 The phrase Single Territorial Unit first appeared in the Declaration of Principles (9/93) (Article IV – Jurisdiction), and was reaffirmed in the Gaza-Jericho Agreement (5/94) (Article XI – “... arrangements for safe passage of persons and transportation between the Gaza Strip and Jericho Area...”) and the Interim Agreement (9/95) (Annex I, Article I – “...movement of people, vehicles, and goods between the West Bank and Gaza Strip.”).

protocol included the following:

- a. Israel will ensure safe passage for persons and merchandise during daylight hours (from sunrise to sunset) or as otherwise agreed, but in any event not less than ten hours a day.
- b. Israel shall signpost safe passage routes clearly and shall take all necessary measures to ensure ease of movement while preserving safety and security on the route or routes in use on any specific day.
- c. Israel may for security or safety reasons temporarily halt the operation of a safe passage route or modify passage arrangements while ensuring that at least one of the routes is kept open for safe passage.
- d. Nothing in the protocol will be construed as derogating from Israel's right to apply inspection measures necessary for ensuring security and safety at crossing points.

A similar protocol was signed in 2005, but these agreements were implemented for very short periods of time, if at all; the majority of time Israel has not allowed safe passage for security reasons. Along with the issue of currently providing safe passage, Israeli-Palestinian negotiations raised the issue of a territorial link, namely a passage that would cross Israeli territory but be under Palestinian jurisdiction. The extent of that jurisdiction was negotiated as well. This territorial link would not be controlled, opened, or closed by Israel, but would be a linkage through which Palestinians could move freely 24 hours a day, as well as an established infrastructure corridor allowing the free passage of resources.

## 2.2. Legal Aspects of the Territorial Link

There are three possible solutions to the issue of the legal status of a future territorial link:

- a. Israeli sovereignty over the territorial link with Israeli jurisdiction.

- b.** Israeli sovereignty with Palestinian jurisdiction.
- c.** Palestinian sovereignty with Palestinian jurisdiction.

As the link cuts across Israel from east to west and therefore endangers the country's contiguity, we assume that Israel will wish to keep its sovereignty over the area used for the link. Therefore Option C, Palestinian sovereignty over the territorial link, is not likely to be agreed upon by Israel within the framework of a final status agreement. Imposing Israeli jurisdiction over the territorial link will require continuous Israeli involvement in the link and, accordingly, ongoing enforcement of Israeli law and transport regulations. This would be problematic and undesirable for both parties.

Thus, the option most likely to be implemented is Option B, in which sovereignty and jurisdiction are divided between Israel and Palestine respectively. Note that a split between sovereignty and jurisdiction is the general principle, but such an arrangement requires careful attention to a number of important details and potential scenarios that must be settled as well.<sup>3</sup>

Interestingly, this solution has historical precedent. Such a solution was successfully implemented in the case of the Berlin Road, which linked West Germany to West Berlin in the 1950s, and in the case of the Alaska Highway, which links the United States with the state of Alaska, passing through Canada.

The option of a split between sovereignty and jurisdiction seems optimal, but requires settling a number of smaller legal issues, among them the following:

- a.** Deciding upon physical barriers separating a territorial link under Palestinian jurisdiction from Israeli infrastructure and population.
- b.** Does the source of funding for the territorial link, be it international, Palestinian or Israeli, hold legal significance?

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<sup>3</sup> An example of such a scenario is the case of a large accident in the link that would require Israeli rescue vehicles to enter through designated access points.

- c. Does the identity of the operator of the territorial link (whether international or Palestinian) affect legal considerations?
- d. Under what circumstances does the principle of servitude apply: by lease or by evident practice of long-term use of the territorial link?

### 2.3. Security and Safety Aspects Regarding the Link

The establishment of a politically and technically complex link raises security and safety issues for both sides. From the Palestinian point of view, the link must be secure from possible disruption of traffic by Israel. The link should also be as secure as possible from potential attack. In addition, the link should be constructed in a way that answers safety concerns as much as possible, despite the fact that at times safety and security concerns may contradict each other. For example, maintaining motor safety requires points of access to Israel, in case of emergencies like large accidents or problems with hazardous materials. Yet points of access from Israel may leave the road exposed to closure by Israel. Required safety measures might add to the security cost of guarding the link.

From the Israeli point of view, a territorial link built on Israeli land and crossing Israel from east to west raises concerns as well. First, there is the possibility of illegal entrance to Israel. Second, there is the possible use of the link itself as a platform for carrying out hostile activities against Israel, like opening fire or blocking Israeli roads in the area of the link. These concerns are relevant for the entire length of the link, and especially at the designated access points required for safety reasons.

We believe that the best way to deal with the security concerns of both sides is by constructing a solid system of isolation using fences and a military presence both inside the territorial link (Palestinian) and outside it (Israeli). We strongly believe that any type of link, even a tunnel, will have to be well-guarded until relations become more peaceful.

Security requirements are similar for the various options for linkage. It

is important to remember that security has a long-term aspect: A well-functioning territorial link that significantly improves the Palestinian quality of life, sense of independence, and economic well-being will contribute to Israel's long-term security in a way that greatly outweighs the short-term risk of infiltration from the link.

## 2.4. Socio-Economic Benefits of the Link

### Current Hardships Stemming from Territorial Separation

Israeli and international recognition of the territorial integrity of the Palestinian Territory is incompatible with the current, ongoing economic isolation and division of the West Bank and Gaza. The impediments imposed by Israel on the movement of goods and people between the West Bank and Gaza not only prevent linking both territories but also prevent economic recovery within them, causing the fragmentation of both the land and the economy, and by doing so compromising future statehood. The economic situation is dire, with Gaza having been transformed from a potential trade route to an insular hub dependent upon humanitarian aid. Palestinian businesses cannot grow economies of scale, with over 95% of businesses numbering ten employees or less.

Any sense of normalcy in Palestinian life has been disrupted: Gazans do not have access to sufficient medical and health services, as the transfer of medical equipment to Gaza is hampered and for a Gazan to travel to a West Bank hospital for treatment is nearly impossible; the delivery of food and basic necessities to Gaza is severely restricted; Gazan students cannot reach West Bank universities and vice versa; laborers cannot move from one territory to another; and families, often divided between the two sides, are unable to see one another.

As long as a direct territorial link does not exist, it is important to strive for safe passage in the way of a fully normalized interim transit system between the West Bank and Gaza utilizing existing Israeli road and rail infrastructure. It is in Palestinian interest that the cumbersome system of loading and unloading Israeli trucks with Palestinian goods not be

used, as the consequence of these measures is an increase in costs and delays that affects both competitiveness and predictability.

### Key Socio-Economic Benefits of a Direct Link

Safe passage of people and goods between Gaza and the West Bank will advance the development of a viable Palestinian state, whose citizens can identify with a single nation, a central government, and effective institutions of government. Safe passage, with proper security measures in place, will also help the Palestinian economy to recover and grow without endangering the security of Israel. The territorial link will facilitate trade between the West Bank and Gaza Strip, influencing the Palestinian market and its ties with neighboring countries. Among others, a dedicated link could create a larger effective internal market, increase opportunities for labor and production, provide a pathway between the economy of the West Bank and future sea- and airports in Gaza, and reduce transaction costs. The free flow of goods in Palestinian territory could also lessen dependence on Israeli companies for raw materials and industry inputs.

It is true that a scenario of free passage of people and goods requires marked improvement in the political and economic relations between Israel and Palestine. However, using such a passage would cut transaction and distribution costs significantly. Currently, Israeli regulations require Palestinian haulers to completely unload their cargo and reload it onto Israeli trucks at each border crossing for passage through Israeli territory. This policy adds significant transaction costs to Palestinian commerce due to delays and additional shipping expenses, as waiting times can be up to 24 hours, leading to the spoilage of fresh produce and flowers. In the case of merchandise traveling from Gaza Strip to the West Bank, it is estimated that the transit policy adds 50%-100% to transit costs.

A territorial link would open a new market for products of both the West Bank and Gaza, and could enable West Bank industries easier access to Egypt and through it (via Port Said) to Africa and the Mediterranean. Similarly, Gazan producers would enjoy improved access to desirable local markets of east Jerusalem and Ramallah, with export opportunities to Jordan and the Gulf. Access to new markets

could improve even more with the possible establishment of an airport or a seaport in Gaza. Any widening of trading possibilities is critical for the Palestinian economy, which due to its small size and limited resources is highly dependent on trade: the total value of traded goods and services (both imports and exports) is equal to its GDP. Exports to Israel account for about 90% of Palestinian exports, while only 6% of Palestinian exports reached neighboring Arab countries, and only 4% reached the EU. Expansion of trade, as well as tilting the trade balance away from Israel could reduce dependence on Israel and lessen vulnerability to political and security shocks.

A better intra-Palestinian economic connection could reduce the price that Gazan consumers pay for West Bank exports of olives, fruits, vegetables and limestone and increase profit margins that Gazan producers receive for their principal exports of citrus, flowers, and textiles. Extensive trade between the two regions can lead to greater specialization, increasing the net effect to a greater total value of goods. Two strategic resources that could be transferred from Gaza to the West Bank are gas and water. There are signs of large deposits of natural gas near the Gaza shore, which could be provided to the West Bank for private and industrial uses, and for generating cheaper and cleaner electricity. In addition, the sea of Gaza could be an important source for desalinated water, transferred through an infrastructure corridor to the much drier West Bank. In addition to the above resources, Gaza could become the principal provider of perishable products such as vegetables and fish, requiring fast transit to the West Bank, thus eliminating the need for Israeli products. Moreover, the Gaza Strip could become the main supplier of sand to the Palestinian construction sector, again cutting costs and dependence upon Israel. Gazan laborers, both skilled and unskilled could travel easily to the West Bank, helping local industries develop and boost production rates. Increased trade could ultimately generate more employment opportunities and increase wages, contributing to a positive business atmosphere. Currently across Palestinian industry there is difficulty in accessing capital, a lack of transportation and distribution channels, and complete dependence on Israel for import and export. The economic infrastructure is in poor shape, and there are no research and development activities taking place. Specifically in

Gaza, the measures taken by Israel as of 2006 are extremely restrictive and make any real economic development impossible.

We now turn to a short review of some of the main Palestinian industries, noting possible implications of a territorial link<sup>4</sup>. The cut flower industry, one of the major industries in Gaza, relies heavily on export. Today it is fully dependent on Israel for export, as well as import of all key inputs. Independent export could make this industry flourish. The same is said for the stone industry, located mainly in the West Bank. The food and furniture industries are examples of locally oriented industries, as the products are not export quality. Such industries could benefit from an expanded market. The Gazan furniture industry today depends on Israel as its only source for wood. This could change with the link, as is the case in other sectors. Another mainly local industry is olive oil production. Olive oil is a typical regional product with a large potential in the arid Palestinian land. Today most oil is sold locally, as products are not yet export-quality. The Gazan market could be a first step, followed by export-oriented production. Another industry that could benefit greatly from access to the Gazan market is the active West Bank pharmaceutical sector. The largest industry in the Palestinian Authority today is the textile industry. The majority of the textile manufacturers are subcontractors for Israeli or foreign firms, and greater mobility of people and goods could incorporate a new labor force into this industry.

Though the vast majority of tourist attractions are in the West Bank (in East Jerusalem, Bethlehem, and Jericho) direct passage to Gaza, with its Mediterranean beaches, could help the city enjoy its share of tourists and foreign exchange income. Moreover, tourists would be able to come from Egypt and travel directly to sites in Palestine without entering or exiting Israel. This could increase the number of tourists in Palestine, as movement restrictions between Israel and Palestine are and always will be sensitive to political climate. Internal tourism could be a growth-motivating factor as well.

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4 Some of the data is based on a study that was done during the 1990's by the Palestinian Ministry of Planning and International Cooperation (MOPIC).

In addition to reducing transaction costs and catalyzing productivity and trade, the link could also reduce the risk and uncertainty faced by Palestinian suppliers and consumers. Drastically shorter waiting times will allow for an increased volume of movement between the two territories. This new efficiency can also create a more reliable transportation schedule that will benefit Palestinians planning to make the journey themselves. A more efficient and reliable schedule will save Palestinians time that can be used for other income-generating activities, while encouraging those who previously found the difficulty insurmountable to make the trip.

With a territorial link, Palestinians could freely visit family and friends in the discontinuous territories, a significant emotional benefit that would help ease current hardship. Yet if the cost of passage were too high, the poor would not be able to take advantage of the link. The free movement of people between the two territories would also allow Palestinians to engage in basic democratic activities such as campaigning within the Palestinian area. Increased movement would grant Gazans better access to the higher-quality West Bank schools and hospitals, helping to reduce vulnerability.

Finally, it is worth mentioning that Israeli security measures may potentially exclude certain Palestinians from using the link, as was the case in the Rafah crossing deal. In this context it is important to note that increases in Palestinian living standards may translate to a reduction of support for violence; thus, the link may actually have spillover effects beneficial to Israeli security.

### Short-Term Benefits of Establishing the Link

The construction of an infrastructural and transportation link will generate new Palestinian employment opportunities by introducing a labor-intensive project that will attract poor workers. Estimates place the total number of jobs created to be in the hundreds over a five-year construction period. About half of the Palestinian poor live in localities in close proximity to the project—Khan Yunis and Gaza City in the Gaza Strip, and Hebron in the West Bank—making it reasonable to surmise that many of the workers will hail from these poor communities.

If this project were contracted in full or even in part to the domestic private sector, an additional benefit would be the development of private Palestinian construction firms. Mixed foreign and domestic management of construction could facilitate the transfer of project management skills and construction technologies, augmenting the domestic construction industry.

### Increased Palestinian Trade in the Regional Perspective

The low volume and weakness of Palestinian exports is in marked contrast with the fast growth of trade throughout the Middle East. This weakness is apparent when compared with the fast growth of Jordanian trade volumes, as Jordan and the Palestinian Authority have a similar basic resource base. As the P.A. is a member of the Arab Free Trade Area, and has free trade agreements with both the E.U. and the U.S.A, it could capitalize greatly on improving its trade abilities. In recent years there has been a rapid build-up of inter-Arab trade based on the Arab Free Trade Area, integrating all major Arab economies into the global economy. As a member of this community the P.A. enjoys free access to this trade bloc and this potential trade capacity should be fully realized.

Moreover, in light of the close ties of the Palestinian economy to Israel, substantial Palestinian exports to Arab markets would involve a large volume of Israeli-made inputs, machinery, etc. Thus, Arab market-oriented export growth would actually open a potentially large indirect export channel for Israel. Furthermore, under a stable Israeli-Palestinian political arrangement, these markets will open to the direct export of joint Israeli-Palestinian products as well.

### The Cut Flower Industry: An Example of The Growth Potential for Palestinian Trade

The Palestinian flower industry began in Gaza in the second half of the 1990s and was based on Israeli know-how and marketing. Palestinian flower growers specialize in labor-intensive types of flowers, earning yearly revenues of about US\$10 million from a flower growing area of some 1,000 dunams (approximately 247 acres). Palestinian flower export

continued during 2000-2005, in spite of the conflict, though at lesser volumes. Palestinian potential in this field is considerable, as immediate access to Israeli know-how, logistics, and marketing places Palestinian growers in an advantageous position compared with African competitors. From the standpoint of Israeli growers and marketers, the movement of labor-intensive flower growing (i.e. roses, carnations, etc.) from Israel to the P.A. is a much better alternative than to distant countries, such as Kenya or Ethiopia. Moreover, Palestinian growers have better access to the fast-growing Gulf market. With political stability and Israeli-Palestinian cooperation, the Palestinian labor-intensive flower growing area can reach close to 10,000 dunams within a few years. A dunam of these types of flowers generates an annual income of about US\$10,000. However, these flowers require swift transit and delicate maintenance. Thus, with proper transport, export capabilities, and infrastructure, this industry has the potential of generating US\$100 million annually. A dunam with these kinds of flowers demands hundreds of working days per year. Hence, a Palestinian flower growing industry of this scale would create about 20,000 new jobs. Similar calculations could be made with the vegetable and fruit industries. In order for all of these industries to fulfill their potential, quick and stable passage from Gaza to the West Bank and on to other countries is necessary.

### 3. An Engineering Analysis of Possible Territorial Links

In this section a physical and statutory analysis of possible links is presented. After a brief review of the principles of analysis means of transport and roads are examined, followed by a detailed analysis of possible routes.

#### 3.1. Underlying Assumptions of Analysis and Planning Principles

##### Underlying Assumptions

The assumptions for the engineering analysis are as follows:

1. Operating the connection will be possible only after a political agreement between Israel and the Palestinian state.
2. A central Palestinian entity will govern both the West Bank and Gaza.
3. In the framework of the agreement, procedures regarding control and use of the link will be settled, including among others: the issue of sovereignty and civil powers; the system of laws and regulations; the right of free movement, interference procedures, and criminal and traffic law enforcement; the handling of casualties, security incidents, and hazardous material leaks; procedures for passage of goods, and for transferring firearms, weapons, and troops; and procedures for infrastructure establishment and maintenance.
4. The territorial link will be established as a separate road system between the West Bank and the Gaza Strip and will not allow connection to Israel.
5. The territorial link will allow a continuous flow of goods and passengers according to Palestinian demand, and will also handle the transit of goods and passengers between Egypt and the Arab

East.

6. The territorial link will not interfere with Israeli territorial contiguity and will not disrupt the traffic system within Israel.
7. Planning will include an infrastructure corridor for transportation, railway, electricity, water, natural gas, etc.
8. The approval of the route will require a statutory process within Israel.
9. Donor countries and institutions will fund the planning, establishment, and operation of the passage.

Full, continuous, and free movement will exist within the West Bank, allowing easy access from Palestinian cities and economic centers to the passage. This includes a convenient connection to Jordan bridges and to Jordan, and continuous movement in the Gaza Strip toward the terminal to Egypt and to the seaport, if established.

### Planning Principles

1. There will be only one link from the West Bank to the Gaza Strip assigned for Palestinian traffic.
2. The passage will be part of the Palestinian State transportation system between different areas of the country and between Palestine and neighboring countries.
3. The link route will adhere to civil planning principles, such as safety, security, environmental concerns and protected areas, land use, future plans, existing and planned infrastructure, and other considerations.
4. The passage through Israel will be as short as possible.
5. The infrastructure will be flexible enough to endure various political and security scenarios:
  - Significant improvement in relations with Israel.
  - An improved Palestinian economic situation, resulting in greater transport needs.

- Deterioration of the security situation.
  - Governmental split between the West Bank and Gaza.
6. The planned route should be coordinated with the national, regional, and local statutory plans in Israel, even if a special law is legislated for that matter. The route and the process will be subject to public objections.

Palestinian usage forecast for 2020:

1. Data will be based on a forecast of growth in the socio-economic level and growth of Palestinian transportation, under the assumption of an agreement and a centralized Palestinian government.
2. A response to traffic demands of at least 50,000 journeys a day, 15% of which by heavy commercial vehicles and another 15% by public transport.
3. Taking into account peak and off-peak travel times.
4. In order to meet service level C, the road must be planned with three lanes in each direction, with two lanes being built in the first stage.
5. The link should meet the demand for international traffic from Egypt to the Arab East (not taken into account in calculating transportation forecasts).
6. Planning should allow for an infrastructure corridor for rail, electricity, water, and natural gas.
7. The highway should be planned with the service level of a national road.

## 3.2. Alternate Means of Transportation and Construction Methods

### Alternate Means of Transportation

1. **Highway.** A highway offers unlimited movement of all types of vehicles, in all weather conditions, in the original vehicle without having to transport goods and passengers from one vehicle to another. Although the speed limit is 110 km/h, it saves waiting and loading/unloading time. The separate passage of each vehicle allows continuous movement in case of technical problems. On the other hand, autonomous vehicular traffic does not allow control of each vehicle. In addition, infrastructure is required to prevent the flow of vehicles and passengers from the main route to the surrounding area. Due to the length of the passage, gas stations and rest stops should be integrated along the route.
2. **Train.** A train is characterized by one route of journey, with no option of changing directions or routes. It allows the transit of a large number of passengers and cargo and travels at a speed of up to 145 km/h. The railway infrastructure requires a limited right of way from the road. Train monitoring is easily carried out, and could prevent passengers and cargo flowing from the train to its surroundings. Additionally, it is easy to control a train's location and to monitor deviations. The infrastructure and actual trains should be under the ownership and operation of a central responsible body, which is an advantage control-wise but can be a disadvantage due to high operating costs. The use of one track is limited to one train in any given section so there is a limit to the amount of trains and to schedules. The major disadvantage of a train is that it requires the loading/unloading of people and goods, from vehicles to train and train to vehicles. It also requires an appropriate infrastructure for stations, parking lots, and storage on both sides. It requires means of protection to prevent direct or indirect shooting from

the train to the surroundings and vice versa. The railway is sensitive to sabotage that could stop traffic and cause damage to passengers and cargo.

- 3. Monorail.** This rapid transit system is based on a single rail-track that employs powerful electromagnets. The idea has been tested in many places in the world and found to be less effective for commercial use. Today monorail systems are mainly used on limited routes at tourist sites and airports. The advantages of the monorail system are very high speed (up to 250 km/h) and an elevated system that reduces topographical impact and shortens routes significantly. Another important advantage is the lack of air pollution. The main disadvantage of the system is the limited weight the system can bear. The monorail emits a very strong magnetic field that can affect both the use of electronic devices in its area and the health of users.

### Alternate Construction Methods

- 1. Surface.** This is the conventional method for roads and railways. Its advantage is in the optimal geometry of the transport system and how it integrates with the environment in which it passes in terms of other roads, geology, and drainage. In this method, the road can be tailored to fit topographical needs with a local bridge or tunnel. The transport system is separated from the area by physical means unrelated to the road's geometry.
- 2. Underground.** Locating the transport system in a tunnel is advantageous in that it is not visible on the surface and traffic is not affected by aboveground events. The tunnel has a number of prominent disadvantages: very high cost and timeframe for establishment; high ongoing maintenance costs; negative psychological impact on drivers (which is why long tunnels are generally for rail transit); need for ventilation and escape shafts; danger in the event of accidents or fires; in the event of an accident a tunnel is easily blocked; restrictions on traffic volume and size of overload. The tunnel has advantages from a security perspective as it is difficult for people traveling in it to

get out, but a tunnel is very sensitive to bombings as it creates a thrust effect that amplifies damage.

3. **Bridge.** Establishment of roads and railways on bridges is acceptable worldwide for short distances, but can be applied for long distances as well. The advantage of the system is that it allows life and movement under the bridge to go on relatively normally. However for the establishment of the system, the surface land must be expropriated, and the temporary damage is similar to that of paved roads. Vehicles and people can easily be prevented from exiting the bridge to the surrounding area, however emergency exits are required. The most obvious disadvantage of a bridge system is that it has very limited options for future development. If the demand for traffic increases significantly, another bridge is required. The bridge traffic system is extremely sensitive to certain attacks, and damages during such attacks may be extensive. Another disadvantage of a bridge is damage to the landscape, as a system so large and visible passes through open agricultural landscape.
4. **Submerged Highway.** This concept was developed by engineer Giora Shilony with the intention of hiding the transportation system from the ground. According to this concept, the road would pass through an artificial channel based on existing stream beds coming down from Mount Hebron to the Gaza Strip (Adoraim Stream followed by Besor Stream). The separation between traffic and environment is achieved by lowering the level of the road by six to ten meters. At points where the system crosses other roads, local interchanges or tunnels would be built. The advantage of this method is the reduction of visibility and the vertical geometry of the construction. A disadvantage is the damage done to ecological systems around the road, including drainage systems, which require drainage solutions both lengthwise and crosswise. The lengthwise solution is conceivable by a concrete channel along the route. An additional disadvantage is associated with the high cost of establishment and the need to transport large quantities of dirt from the channel. This system requires surface emergency traffic connections.

**Table 1: Comparison of Transport Systems and Construction Methods**

Criterion	Road			Train			Monorail
	Surface	Tunnel	Bridge	Surface	Tunnel	Bridge	Bridge
Response to Predicted Traffic Needs	Good	Good	Good	Medium	Medium	Medium	Barrier
Transport Autonomy in Passage	Medium	Good	Good	Good	Good	Good	Good
Surface Texture Disturbance	Good						
Palestinian Security Preferences	Medium	Good	Medium	Medium	Good	Medium	Medium
Israeli Security Preferences	Medium	Medium	Medium	Good	Medium	Medium	Medium
Safety	Good	Barrier	Medium	Good	Medium	Medium	Good
Ecology	Medium	Good	Medium	Medium	Good	Medium	Medium
Flexibility for Changes in Situations	Good	Barrier	Barrier	Good	Barrier	Barrier	Barrier
Land Expropriation	Medium	Good	Medium	Medium	Good	Medium	Medium
Construction Costs	Good	Barrier	Medium	Good	Medium	Medium	Barrier
Operation and Maintenance Costs	Good	Medium	Good	Good	Medium	Good	Medium
Execution Time	Good	Barrier	Medium	Good	Barrier	Medium	Medium

## Transportation Method Conclusions

1. The monorail will not answer the Palestinian need for transfer of goods and cargo, and thus is not being considered.
2. The use of train alone has multiple advantages. However, the need for the loading/unloading of goods and passengers from vehicles to train creates long delays and high costs, and requires parking lots and transportation terminals on both sides. As there is currently no internal railroad system in the West Bank and Gaza, the train would operate solely between the two points. A train will not completely satisfy anticipated traffic demand, and therefore we recommend integrating rail into the infrastructure corridor.
3. The tunnel and bridge alternatives were found to be problematic and expensive, especially in the flexibility parameter allowing for greater development and changing use of infrastructure in different political situations.
4. A 50-kilometer-long tunnel could lead to serious safety issues, and therefore it is acceptable worldwide that in long tunnels vehicles are transported on trains. It is also the norm to build an aboveground bypass road in case the tunnel is blocked for reasons of maintenance, safety, or security. In our case, such a road cannot be established. Despite the many advantages of a train or vehicle tunnel, the limitations are too great to ignore, and thus prevent the use of this method along the route.
5. Utilizing a bridge overcomes the limitations of the tunnel but has its own set of difficulties and limitations in the way of landscape and environment, implementation and operation costs, and flexibility.
6. The best alternative, according to the criteria we set, is a surface road, combined with a railroad throughout, because of the combination of positive parameters without major constraints.
7. For the conventional planning of the territorial link, unique characteristics should be added: physical isolation, different

heights when meeting existing and planned roads, emergency entrance and exit ramps, and a central control and command system. In specific places where required due to abovementioned conditions, or where friction with Israeli needs occurs, a bridge or tunnel bypass of limited length may be implemented.

### 3.3. Possible Connection Points of the Territorial Link

#### Possible Connection Points in the Gaza Strip

1. **Erez.** Located in northern Gaza Strip, with convenient access from Israel (National Highway 4) and from the Palestinian side (main road), Erez is a busy crossing for pedestrians and goods. For operational and security reasons, it is best to separate the territorial link from the connection point with Israel. The proximity to Highway 4 is an advantage when considering the traffic towards the land crossing with Egypt.
2. **Karni.** Found in northeast Gaza, Karni has a large terminal for transferring goods between Israel and Gaza. Its advantage is its easy access to Gaza City and its nearby open areas that can be enlisted for future development.
3. **Kerem Shalom.** The site is located in southwest Gaza and serves as a main transit terminal between Gaza, Egypt, and Israel. Its advantage is in the possible connection to Egypt; its disadvantage is in multiple functions already located onsite, and in its relative distance from Gaza City and the West Bank.

Map 1 below presents the possible connection points in the Gaza Strip.



### Possible Connection Points in the West Bank

1. **Tarkumiya.** The site is located in the eastern part of Hebron District in the southern West Bank on Route 35, which is the only good road in the area due to the steep topography of the Hebron Mountains. Onsite is a large passage terminal to Israel, yet the space would allow separating the terminal to Israel and the territorial link to Gaza.
2. **El Majed.** El Majed is located southwest of Hebron District, between Shekef and Shomria, at the closest point to the Gaza Strip. Its advantage is in its minimal passage through Israeli territory, and in the relative isolation from other functions. Its disadvantage is the need to pave a new road that would connect it to the central Mountain Road (Highway 60). Such a road is already planned and has passed statutory procedures for its

approval, but has not yet been paved. This section is currently under the security and civil responsibility of the Palestinian Authority, a fact that may make the land expropriation proceedings more difficult. A significant advantage of the site is the possibility to continue the railroad into the West Bank at a reasonable gradient, connecting to the mountain ridge or continuing down through the desert to Jericho and from there to Jordan.

3. **Kramim Crossings.** The site is located south of Hebron District and serves as a major crossing point from the southern West Bank to Beer Sheva and the Negev. Its advantage is its connection to the Mountain Road and the open spaces around it. Its disadvantage is in the road's proximity to the Israeli villages of Meitar and Kramim, and in the proximity between the passage to Israel and the overland link.
4. **Latroon area** (Beit Sira). Located in the west of Ramallah District, its foremost advantage is in its convenient access to the northern and central West Bank using convenient transportation routes, as well as its relative isolation from the passage system to Israel. The main disadvantages are the length of the route required within Israel and the crossing of essential Israeli infrastructure.
5. **Tul Karem** (Kaduri site or Sha'ar Ephraim). These sites are located near the city of Tul Karem in the northern West Bank. The sites allow very easy access to this area (Nablus, Jenin, Tul Karem). The prominent disadvantage is the long journey inside Israel, which goes through sensitive areas.

Map 2 below presents the possible connection points in the West Bank.



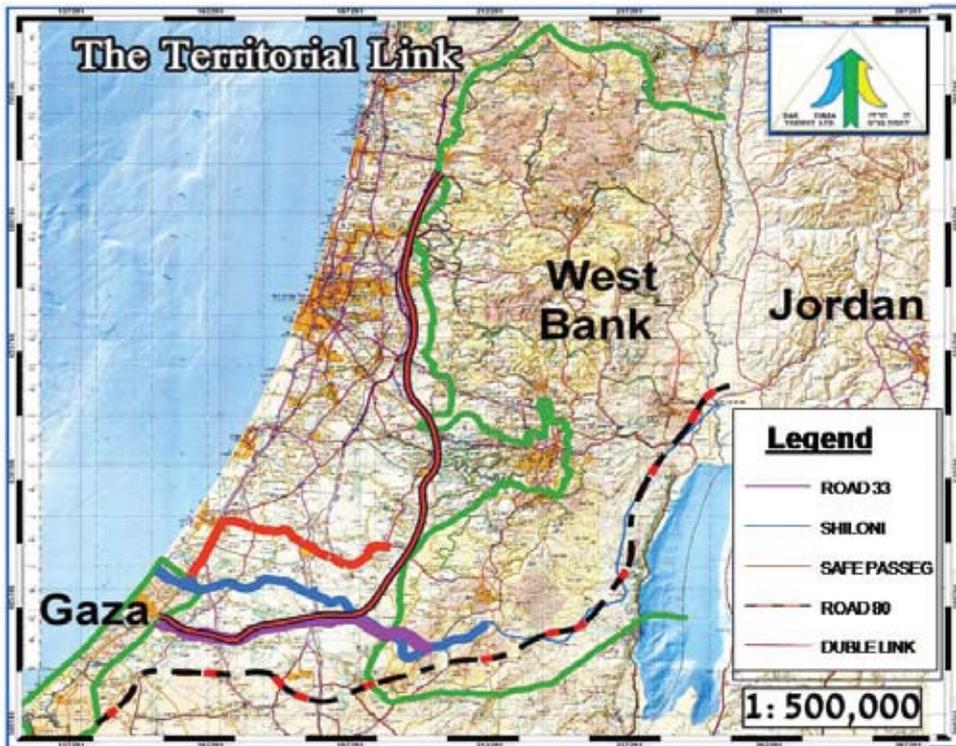
### 3.4. The Analyzed Routes

#### General Presentation of the Routes

1. **The Safe Passage Route.** This route is based on the expansion of the existing road system in Israel: Route 4 from Erez crossing to Berekhya intersection, and Route 35 from north of Kiryat Gat to Tarkomiya.
2. **The Shiloni Route (Submerged).** This proposed new route is based on stream channels, from Karni crossing through Besor Stream and Adoraim Stream to El Majed. Another alternative is to go to Beit 'Awa, south of Tarkomiya.

3. **Road 33 Route.** A proposed new route connecting Karni Crossing to El Majed, cutting north of the Israeli town of Netivot.
4. **Road 80 Route.** A proposed southern arc from Kerem Shalom through Kramim crossing, and from there through Horkaniya Valley to the Allenby Bridge.
5. **The Double Link.** A proposed road from Karni Crossing to Tarkomiya, and from there through the Israeli lowland to Tulkarm Crossing, parallel to the Trans-Israel Highway.

Map 3 below presents the different discussed routes.



## Detailed Route Description

1. **The Safe Passage Route.** The origin of this route is in the Interim Agreement and it served as one of two connections between the West Bank and Gaza until the outbreak of violence in 2000. The central idea of the route is the Palestinian use of the Israeli road system in a joint journey. This meant concentrating the bulk of traffic on public vehicles, performing security checks and accompanying and monitoring convoys so as to prevent them from entering Israel. This method prevents Palestinian transportation autonomy and contradicts the principles of the current work. However, we examined the possibility of paving the overland connection adjacent to the existing road. This route is based on the expansion of the existing road system in Israel so that it could contain the expected Palestinian traffic.

**Route Description:** from Tarkomiya via Route 35 north of Kiryat Gat, Berekhya intersection, Route 4 through Erez crossing (see map below).

Map 4 below presents this route in detail.



- The Shiloni Route** (Submerged Highway). A new route based on the streams channels, from Karni Crossing along the Besor Stream and Adoraim Stream, to El Majed. Another alternative is to connect to Bet 'Awa, south of Tarkomiya. The route was originally proposed by the engineer Giora Shiloni, and is planned for road and railway. The central idea is to pave a new separate road for the exclusive use of the Palestinians, based on stream bed channels, so that it is hidden from its surroundings.

From El Majed, there is an option to pass Daharia from south, connecting to the mountain ridge on the central road, and to Jericho Valley via the Judean Desert step.

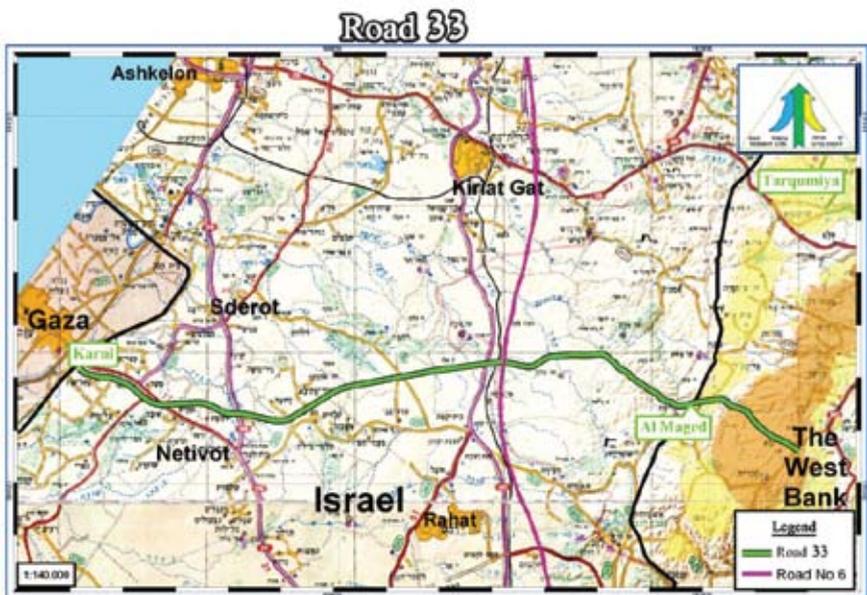
Map 5 below presents this route in detail.



- The Road 33 Route.** This is a proposed new route, going from Karni Crossing, north of Netivot to El Majed. The route was proposed by Mr. Shimon Farhang of Landuse, and is planned for road and railway. The central idea is to pave a new road for the exclusive use of the Palestinians, based on the most convenient

engineering connection, while separating the road levels from Israeli roads and maintaining secure physical isolation from its environment. From El Majed, a connection is planned to the main Mountain Road (no. 60), north of Daharia, allowing continued traffic to the West Bank.

Map 6 below presents this route in detail.



4. **The Arc Route (Road 80).** A new proposed international route, connecting Kerem Shalom Crossing, cutting north of the city of Be'er Sheva, and entering the West Bank at Kramim Crossing. From there it bypasses the mountain ridge from the east, and connects to Jordan through the Allenby Bridge. This route was not fully planned but was presented as an idea by the Rand Institute, for the use of road and railway. The central idea is to pave a new separate road, exclusively controlled by the Palestinians and connecting Egypt, Gaza, the West Bank, and Jordan. In the area of Mishor Adumim, a split is planned, as the central route will turn to Jericho and the secondary route continues north to Qabatiya, south of Jenin. The road will

replace the Mountain Road as the central road for Palestinians in the West Bank.

Map 7 below presents this route in detail.



- 5. The Double Link Route.** The route was presented in some Palestinian proposals. It goes from Karni Crossing, south of Sderot to a connection in Tarkomiya on Road 35. From there it continues north, as it passes east to Beit Shemesh and east of Latroun. The road connects to Ramallah via road no. 443 and continues in parallel the Trans-Israel Highway (no. 6), connecting to Qalqilya and later to Tul Karm. The central idea is to allow a connection of the Gaza Strip to the southern and northern West Bank, using a Palestinian corridor that will include a road and railway. The route will allow rapid movement by utilizing the convenient topography of the eastern lowland. The route was presented as a conceptual line without an engineering plan and without examining its implications.

Map 8 below presents this route in detail.



### Interim Conclusions

1. The Arc Route does not enter the Gaza Strip and only meets it in Kerem Shalom Crossing. The arc does not meet the minimum requirements and needs of the Palestinians and mainly serves the international context with a long passage in Israel, without regard toward Israeli internal texture. The arc does not connect to the existing road system in the West Bank but offers to change the internal system from the Mountain Road to an Eastern Road, and to link all the Palestinian cities to this new road. For these reasons, we decided not to examine this idea.
2. The Double Link considers only Palestinian needs, disregarding Israeli considerations. This route was not planned in detail but was outlined as an idea. This route crosses Israel horizontally and vertically, traveling through its most sensitive areas. The main gist of this alternative is to transfer traffic between the northern and southern West Bank from the mountain ridge to

the eastern Lowland within Israel. A railway alone is possible in this route, but it is not reasonable for rail and road. Due to the length of the road in Israel, we have decided not to advance to a detailed examination of this route.

3. The three remaining routes are feasible and therefore we examined each one.

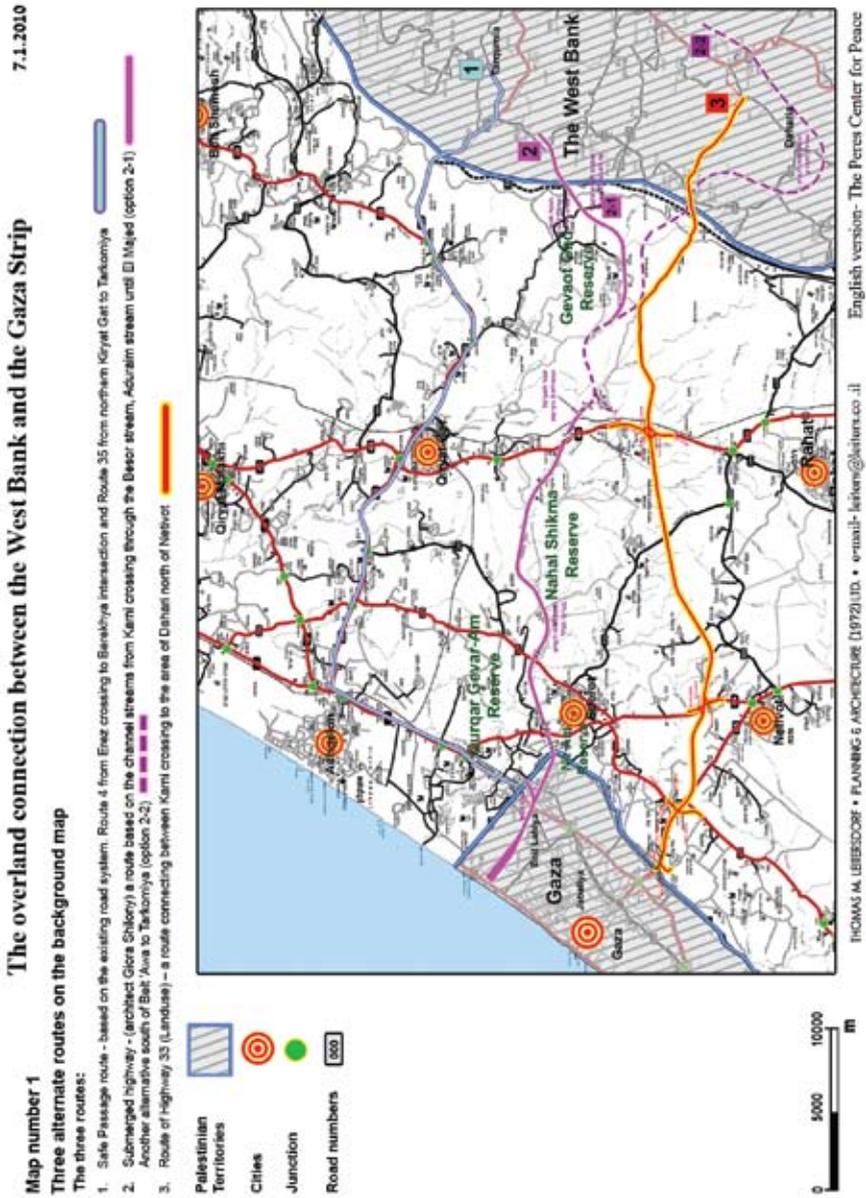
### 3.5. A Statutory Review of Territorial Link Options

This section presents the planned and approved statutory layout of expanding towns, new settlements, and nature reserves in various hierarchical levels in order to show potential conflicts that each route entails. Over the past decade, towns and road networks have developed, areas have been declared environmentally sensitivity, and different limitations were added. Possible alternatives for the link's route are narrowing. The alternatives were examined according to several criteria:

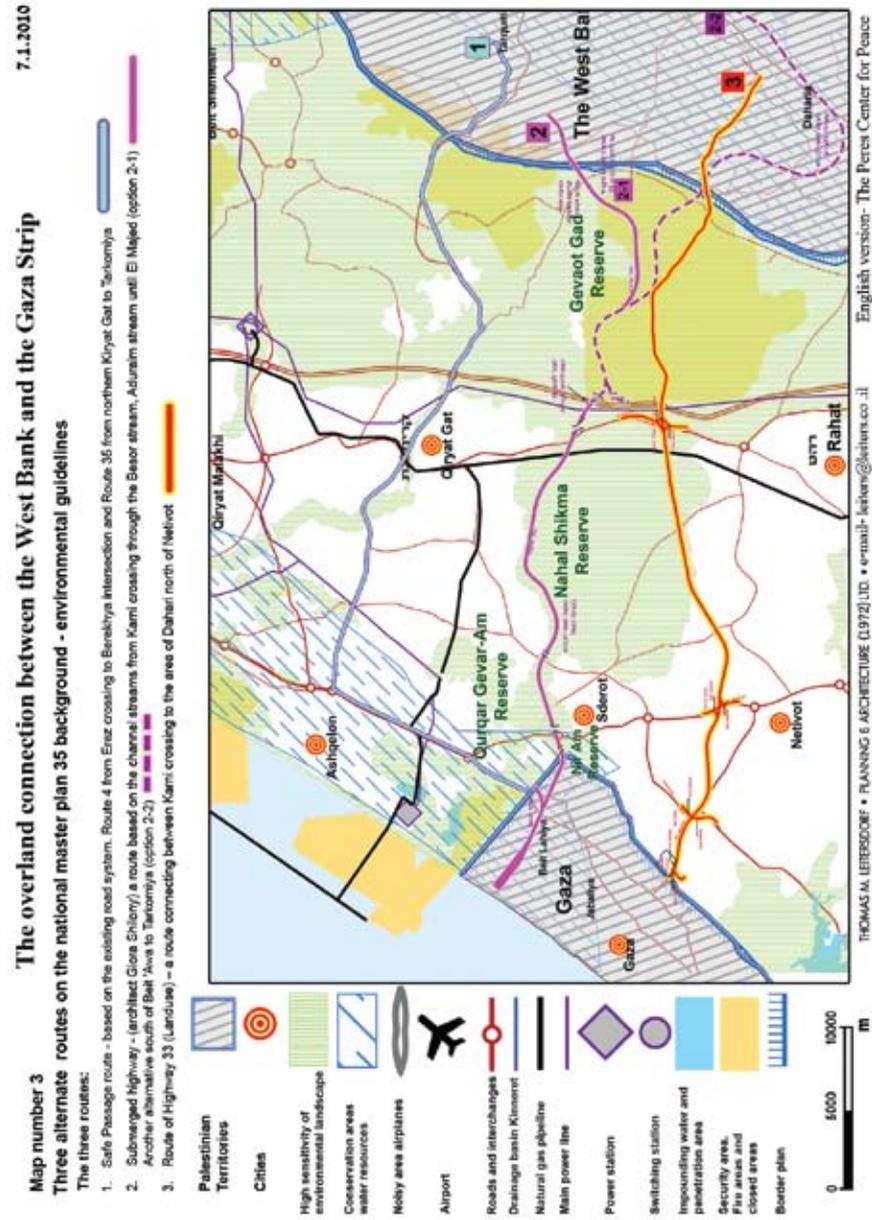
- a. Suitability for existing approved statutory layout.
- b. Suitability of planned programs (a preliminary examination of main planned projects).
- c. Environmental sensitivity.
- d. Suitability for the existing transportation and infrastructure layout.

Below are a few maps of the proposed routes, with the relevant statutory data. Additional maps are attached in Annex A. Map 9 presents the three routes on the background of an orientation map. Map 10 presents the three routes with the environmental guidelines of national master plan #35. Map 11 presents the three routes with the roads in the region, as outlined in national master plan #3. Map 12 presents the three routes and their potential conflicts with the district planning map #14/4.

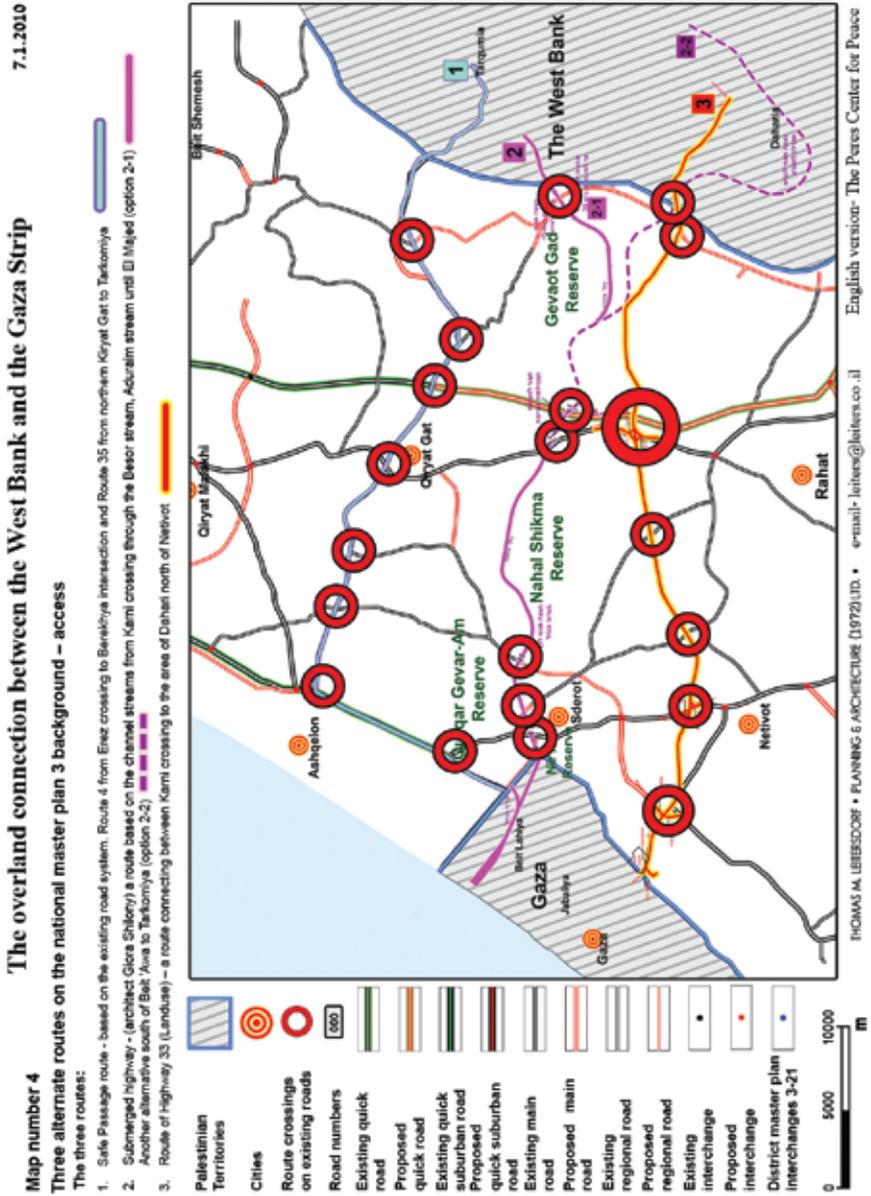
Map 9: The three routes on the background of an orientation map



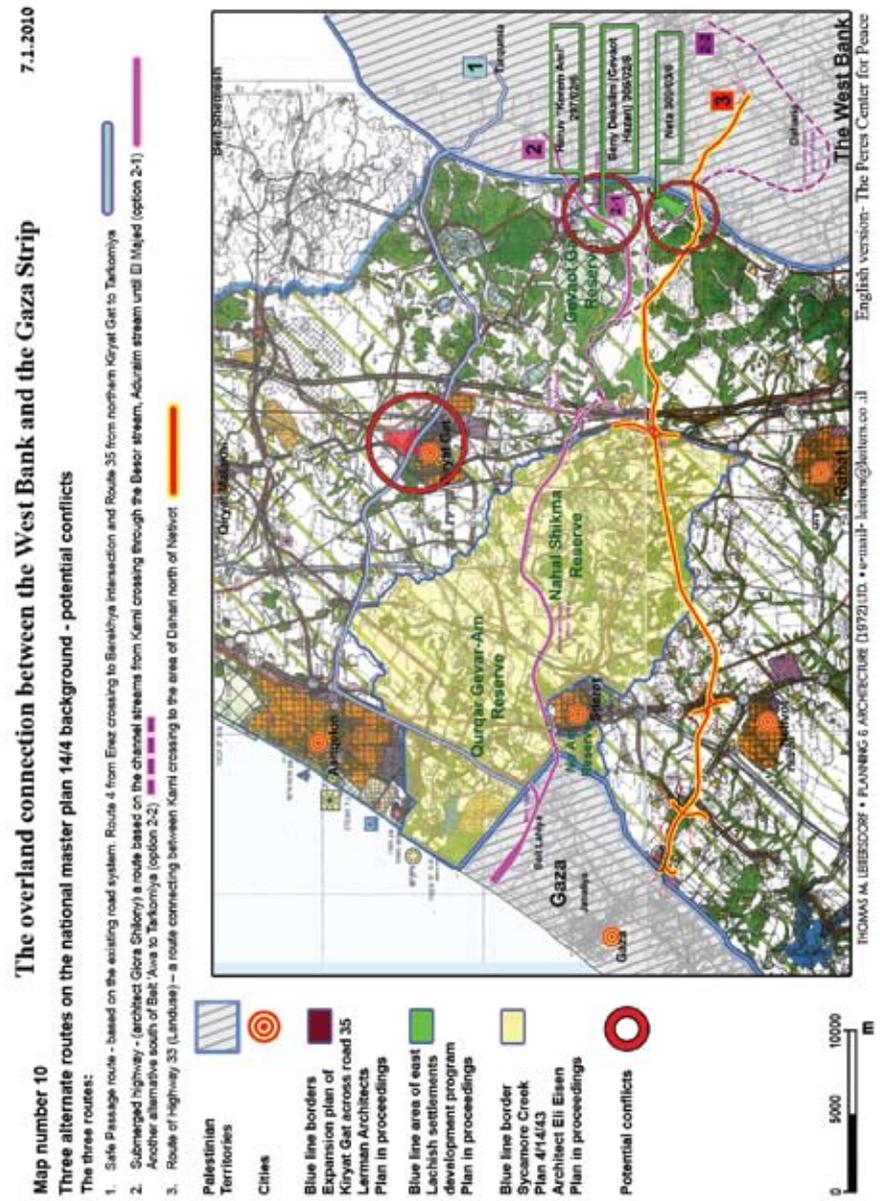
Map 10: The three routes with the environmental guidelines of national master plan #35



Map 11: The three routes with the roads in the region, as outlined in nat. master plan #3



Map 12: The three routes and their potential conflicts with the district planning map #14/4



## Summary Tables of Statutory Implications of Routes

**Table 2: Statutory Implications of Safe Passage Route**

Statutory anchoring the route in the existing road layout based on highway 35 and highway 4.	Urban development, approved statutory status	Plans in preparations	Environmental sensitivity	Intersection with existing transport routes	Infra-structure lines	Other barriers
<p>The route is tangent to two urban centers: Kiryat Gat and Ashkelon.</p> <p>It also passes near 14 moshavim and kibbutzim in the Lachish Regional Council.</p>	<p>An outlined plan to expand Kiryat Gat to the north is about to be submitted to the District Planning Committee.</p> <p>The approval of the plan will make the route in this area irrelevant.</p>	<p>Near the nature reserve of Beit Guvrin. But establishing the route on an existing road layout is less problematic environmentally.</p>	<p>Route 4</p> <p>Route 6</p> <p>Route 38</p> <p>Route 40</p> <p>Route 352</p> <p>Route 323</p> <p>Crosses the railroad to Be'er Sheva and the Kiryat Gat – Ashkelon railway.</p>	<p>The route crosses a power line corridor near Ashkelon at two points and also crosses an infrastructure corridor along Route 6.</p> <p>Tangent to the Eilat - Ashkelon pipeline (continuous along Route 4 and crosses it).</p> <p>Crosses twice the natural gas pipeline route.</p>	<p>Other barriers</p>	

**Table 3: Statutory Implications of Shiloni Route**

Statutory anchoring	Urban development, an approved statutory status	Plans in preparations	Environmental sensitivity	Intersection with existing transport routes	Infra-structure lines	Other barriers
A new road on the basis of the Besor and Adoraim channels.	The route passes an open space of agricultural areas and forestland (two preserved forest polygons and three planting areas on banks of streams).	<ol style="list-style-type: none"> <li>As part of the planned settlement of eastern Lachish, two new villages are planned on the proposed route.</li> <li>The route crosses the Shikma Park, a unique area of consecutive and high quality open lands.</li> <li>Another alternative for the eastern part of the route distances it from the new villages but places it next to another planned village.</li> </ol>	<ol style="list-style-type: none"> <li>The route is based on Besor and Adoraim channels. Crosses large open areas that are defined in the National Master Plan #35 as a "combined preserved texture" and as "environmentally highly sensitive area." This texture is a statutory anchor of the biosphere space of Judea lowland.</li> <li>The route enters the core areas of Hashikma Park, the most valuable natural areas in which the level of conservation is maximal.</li> <li>Another alternative for the eastern part of the route crosses areas with high environmental values in the biospheric area of Ruhama Gorges.</li> </ol>	<p>Route 6</p> <p>Route 40</p> <p>Route 34</p> <p>Route 38 (being paved)</p> <p>Route 323</p> <p>Crosses the railroad to Be'er Sheva.</p>	<p>The route crosses an infrastructure corridor along Route 6 and a power line near Sderot.</p> <p>The route crosses several power lines near the village of Ahuzam.</p> <p>The route crosses the natural gas pipeline route.</p>	<p>The route enters the northern part of an active firing range.</p> <p>The other alternative for the eastern part of the route penetrates even deeper into the firing zone.</p>

Table 4: Statutory Implications of Road 33

Statutory anchoring	Urban development, an approved statutory status	Plans in preparations	Environmental sensitivity	Intersection with existing transport routes	Infra-structure lines	Other barriers
A new road, except for the connection to the Gaza Strip, which is based on road 25.	The route passes on agricultural land and forest areas (11 existing forest polygons and 2 proposed forest polygons – National Master plan 22).  The route does not meet urban centers (approaches to 6.1 km away from Netivot) but crosses a rural area with many kibbutzim and moshavim in the Sha'ar HaNegev area.	1. The route passes near the planned village of Neta. 2. The route enters Shikma Park, a unique area of contiguous, high quality open lands.	1. The route crosses the biospheric area of the Judean lowland. 2. The route penetrates two non-violated open spaces of high environmental and landscape sensitivity: the Gad – Lachish Hills (the eastern section of the route) and part of the core area of the Shikma Park.	Route 4 Route 6 Route 38 (paving) Route 40 Route 34 Route 25 Route 334 Route 323  Crosses the railroad to Be'er Sheva.	Six crossings of power lines.  The route crosses the natural gas pipeline route.	The route passes through the heart of an active firing zone.

## Conclusions from the comparison of spatial impact

1. **The Safe Passage Route** is based on the expansion of the existing road system and hence its advantages and disadvantages. This alternative is close to the greatest number of communities, including two major cities, but it passes through an already violated area and therefore has the lowest sensitivity. The planned expansion of Kiryat Gat will require substantial changes to this alternative.
2. **The Submerged Shiloni Route** is tangent to Sderot and crosses two planned new villages along the Judean lowlands. The proposed route crosses a sequence of open, non-violated lands, which are statutorily protected and therefore a strong opposition of green organizations is expected. In addition, constructing the route in streambed channels is expected to cause severe engineering difficulties concerning drainage.
3. **Route 33** crosses through the heart of a rural area and is not attached to any existing communities. The eastern part of the route crosses non-violated areas of high environmental value and therefore it is expected to stimulate the opposition of green organizations. This alternative crosses an active firing zone. In the past, this route was included in the District Master Plan for the Southern District, but eventually it was removed due to pressure from the security establishment.

### 3.6. Security Considerations: Implementation and Cost

This section focuses only on planning and engineering considerations, and therefore does not include a reference to the complex political and military implications involved in the actual establishment of an overland connection between Gaza and the West Bank. We focus on security means and arrangements to be taken directly, assuming that a decision was made to establish the territorial link. The section was written from the Israeli perspective, which seeks to allow the territorial connection while minimizing damage to Israel.

The main security threats are attacks on Israel from the link; the use of the link for transferring troops, weapons and arms inside Palestinian territory as opposed to an agreement or into Israel; and attacks on the link's infrastructure and passengers from Israel or transfer of weapons to the link from Israel. The relevant attacks are done by different groups who seek to sabotage any agreement between the parties and to harm civilians while using small groups of attackers; or military actions by official and authorized forces, Palestinian or Israelis. These forces are characterized by standard weaponry and corps designated to protect borders and territory of the country by way of defense or attack.

There is no real difference between the various routes as far as troop transfer is concerned. The main response to this threat is in the political agreement and in the verification and monitoring systems agreed upon between the parties. We assume there will be attempts to damage the link and those crossing through it. These attacks can be both from Israelis and Palestinians. There will be attempts to exploit the link to exit into Israeli territory, to smuggle weapons, and to attack from the link into Israel and from Israel into the link area.

The principles for an optimal response to these threats are maximum reference to the threats in the agreement between the parties; coordination and focused intelligence cooperation; operational coordination and liaison with the Palestinian Police and other relevant authorities to ensure the fulfillment of the final agreement; physical isolation of the route from its surroundings during construction and

protection from possible attacks. Below is a list of major components of the required security response. In any overland or submerged road, all of the components should be used.

**Table 5: Major Components of Security Response**

Action Components	Cooperation and Coordination Components	Infrastructure Components
Intelligence and observation forces.	Maximal reference to security in the agreement	Palestinian monitoring points before entering the link
Patrol and response forces.	Sharing intelligence information	Indicative fence along the connection, on both sides
Command and control forces.	Operational coordination and cooperation	A physical shield against gunfire in sensitive places
Headquarters	Police forces within the link	Array of measures and sensors in water pipelines and drainage infrastructure
Logistics and assistance	Palestinian control	A sensoric system.
		An open space and deep paths for forces
		Barriers in rescue points, with Israeli infrastructure interface
		Security in sensitive points.

## Implications for the Different Routes

1. The safe passage route will require a physical wall along its length to prevent firing on nearby Israeli roads. In certain points, additional barriers will be required to prevent firing at Israeli towns and infrastructure. The proximity to Israeli communities will require placing manned forces in immobile positions to prevent direct fire or “leakage” to Israel.
2. A submerged route requires placing an electronic fence along both sides of the overland connection; placing electronic sensors for control and supervision; physical security positions in the emergency connections to Israel; and the deployment of response forces in the link and outside.
3. A surface road requires an array such as the one needed in the case of a submerged highway, with additional protective walls or dirt mounds in sensitive locations.

**Table 6: Estimated Costs of Security Measures<sup>5</sup>**

Means	Calculation Unit	Unit Cost in Millions of USD	Safe Passage Route Cost in Millions of USD	Submerged Route Cost in Millions of USD	Route 33 Cost in Millions of USD
Control Point	Terminal	1	2	2	2
Electronic Fence	km	0.4	15	25	25
Patrol Roads	km	0.3	30	30	30
Defensive Wall	km	1.5	75	20	22.5
Rampart Shield	km	1	20	40	70
Intelligence Network	Position	0.75	10	10	10
Command and Control Centers:					
2 Israeli & 1 Palestinian	Facility	3	9	9	9
Security Forces	Squadron	2.4	7.2	7.2	7.2
Barriers in Rescue Points	Checkpoint	1	8	4	4
Security Towers in Sensitive Locations	Position	0.2	20	6	6
<b>Total</b>			<b>196.2</b>	<b>153.2</b>	<b>185.7</b>

5 Notes: (1) 15% to 25% should be added to this amount to estimate annual maintenance cost; (2) These sums are a rough estimation; (3) Infrastructure for army camps and regional logistics were not taken into account.

### 3.7. Engineering and Construction Costs and Estimated Timeline

This section deals with a rough estimate of the costs and timeline for the different routes. Pricing data and time evaluation are general and based on cost and timeframes of similar projects, such as the Trans-Israel Highway. Annex B outlines the special criteria used to evaluate construction costs.

#### Estimated Costs

Based on the Trans-Israel Highway experience and the National Roads Company experience, the basic price for all routes is US\$8 million per km (NIS32 million). This price is in 2009 terms, and it covers a two-way road with two lanes on each side and an option to expand the road with an additional lane. To this price, one should add the cost of expropriations, planning, administration and supervision, unpredictable expanses (20%), and VAT (16%). For the submerged highway section, an addition of about 20% for water carriers should be taken into consideration. Expanding existing roads, which requires more agricultural paths and interchanges could add 10%.

For the railways, a price of about US\$6 million per km (NIS25 million) should be calculated. This price includes double railways and infrastructure, routing means, supporting walls, expropriation, planning, administration and supervision, and VAT. It does not include the construction of stations and a maintenance depot, infrastructure for an electrical train, and the train itself.

Integrating the cross-section and construction of the road and railway could set the cost at US\$13 million per km (NIS50 million).

**Table 7: Estimated Costs of the Different Routes**

Prices in M\$	Safe Passage Route	Submerged Highway	Route 33
Basic Cost per km	14.3	15.6	13
Length of Route	52 km	65 km	53 km
Estimated Construction Costs	743	1,014	689
Estimated Combined Construction and Security Costs	939	1167	874

Note on land expropriation:

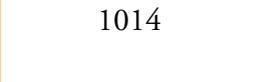
In order to calculate exact cost of land expropriations, a survey and assessment must be performed. These amounts should be added to the above totals. Special legislation should be enacted in order to promote the issue of expropriations, similar to the one made with the Trans-Israel Highway. Such legislation has two key advantages: reducing the cost of land and shortening the duration of the expropriation proceedings and negotiations.

### Estimated Timeline<sup>6</sup>

1. Completion of initial planning of the three alternatives and statutory process (under the assumption of an accelerated process): approximately three years.
2. Detailed planning: one year
3. Expropriation, under the assumption of a special law: at least one year
4. Construction by six contractors (approximately 8 km per contractor). Each contractor performs about US\$1.5 million per month, total of about US\$9 million per month = 5 to 6 years.

<sup>6</sup> This timeline does not include unexpected interruptions.

**Table 8: Statutory and Engineering Route Comparison**

	Good 	Medium 	Barrier 
	<b>The Safe Passage</b>	<b>Submerged Highway</b>	<b>Route 33</b>
Response for the Palestinian Needs			
Length in Israel			
Length in Palestinian Area			
Compliance with Engineering Criteria			
Proximity to Israeli Communities			
Engineering Feasibility			
Conflicts with Existing Planning			
Environmental Conflicts			
Estimated Cost without the Security Costs, in Millions of US\$	743	1014	689
Security Response			
<b>Final rank</b>			

### Implications:

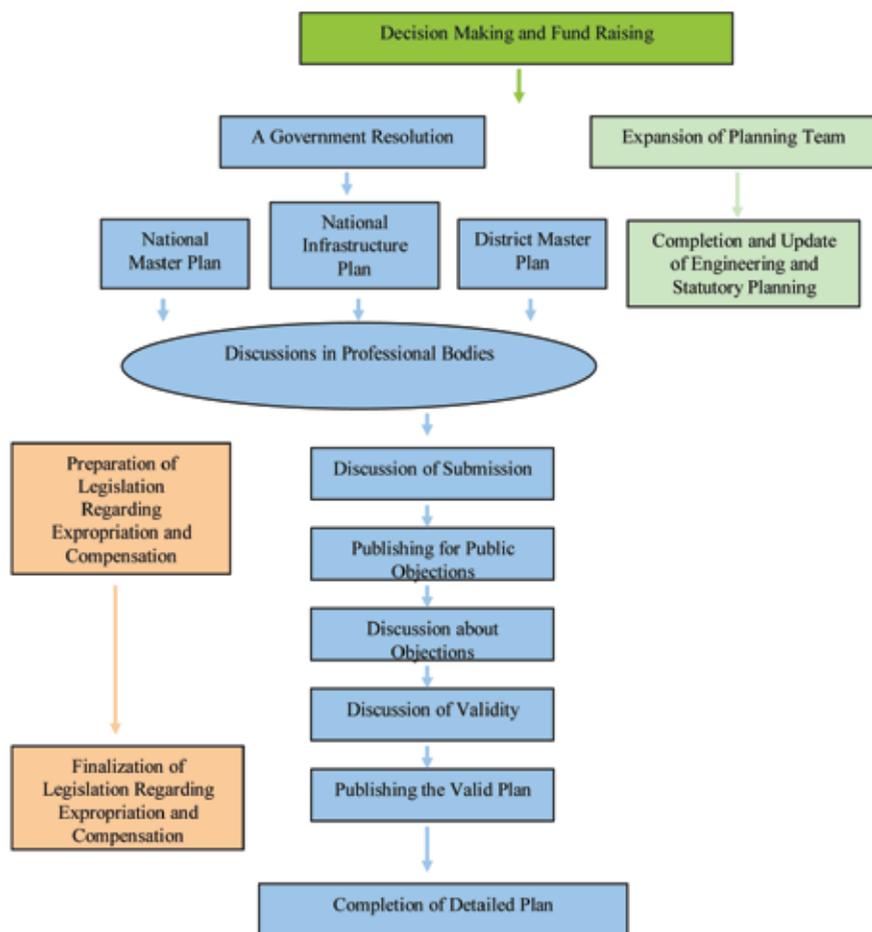
1. All three alternatives are possible, as each one of them has advantages and limitations.
2. The Route 33 alternative has many advantages but also some limitations that should be addressed and improved.
3. We recommend presenting the three alternatives to the statutory authorities while indicating the benefits and limitations of each alternative.

### 3.8. Final Conclusions and Recommendations for Further Procedures

- A. All three route alternatives outlined have no statutory status.
- B. Changes in the Master Plan of the Southern District make it nearly impossible to construct significant sections of the three routes.
- C. The competition on the land will only get worse with the approval of proposed programs and with new development initiatives in the district.
- D. From professional and engineering standpoints, it is recommended to abandon the monorail, tunnel, and bridge options, and to focus on an aboveground transportation system that will include a road and a railway.
- E. From an engineering point of view all three alternatives are possible, although Road 33 possesses distinct advantages over the other options.
- F. It is recommended to immediately promote a statutory planning process, supported by an early engineering plan to determine and ensure the route, including examination of the route.
- G. The plan requires a government resolution, therefore:

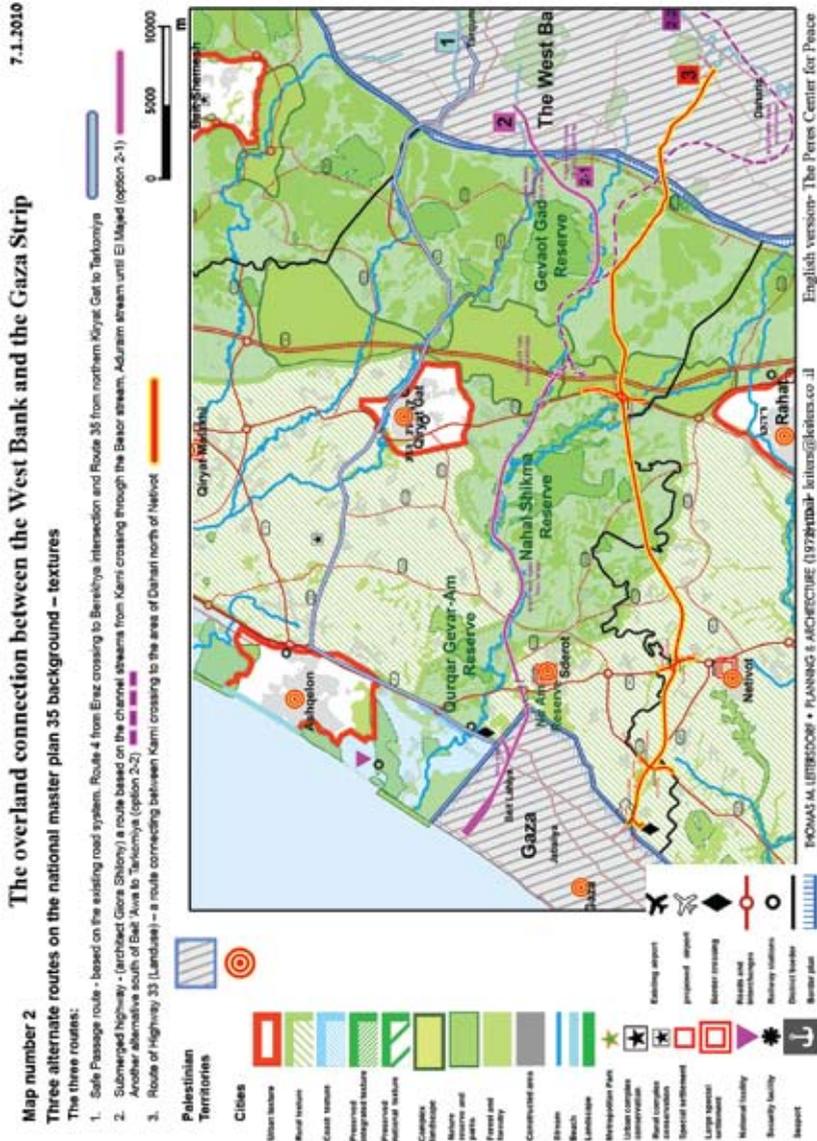
- A draft resolution should be prepared, accompanied by suitable planning and political background, while consulting with the Planning Administration Manager.
  - Until the government's resolution, it is possible to shorten schedules through continued promotion of the planning.
  - This work requires recruiting human and capital resources, including a significant team of consultants.
- H. It is recommended to promote a collaborative planning effort with professional Palestinian representatives and a donor organization representative as soon as possible.
- I. Immediately upon receiving governmental approval and after receiving approval from the suitable minister, proper plans should be prepared: national, district or national infrastructure plan.
- J. The long preliminary processes and duration of construction require early recruiting and impulsion of the project in order to enjoy its benefits as soon as a permanent agreement between the parties is realized.

## Flowchart of Recommendations for Administrative Procedures

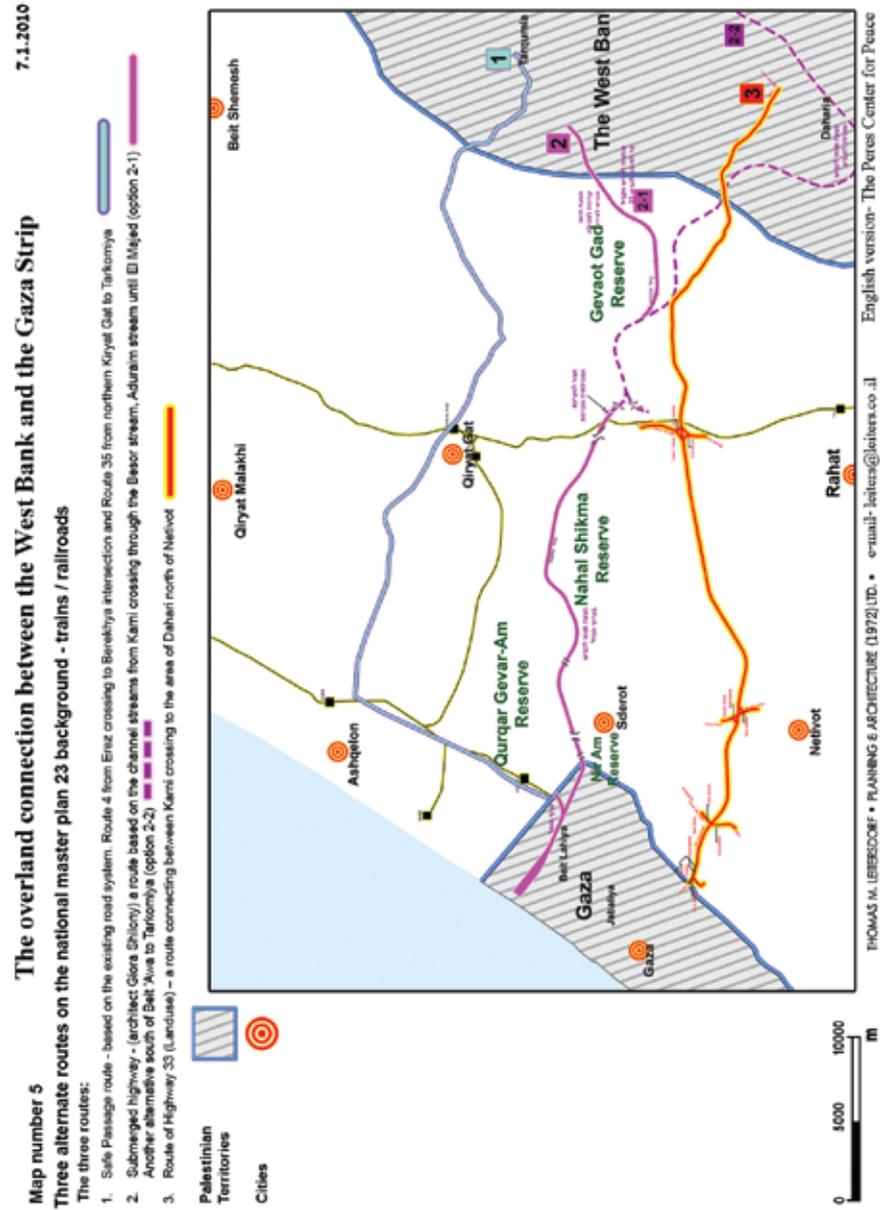


## Appendix A: Additional Statutory Maps of the Proposed Routes

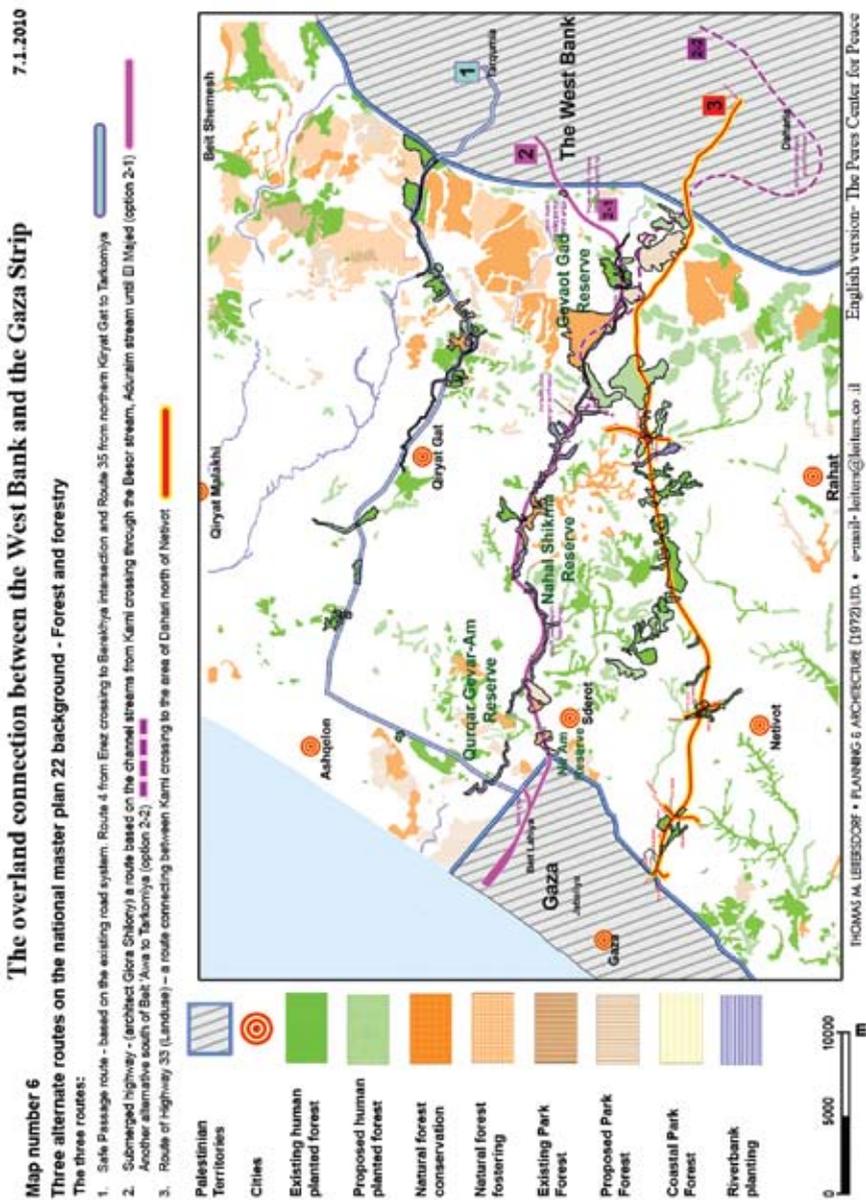
Map 13: Routes with national master plan #35- textures



Map 14: Routes with national master plan #23-railroads



Map 15: Routes with national master plan #22-forestry





## The overland connection between the West Bank and the Gaza Strip

7.1.2010

Map number 9

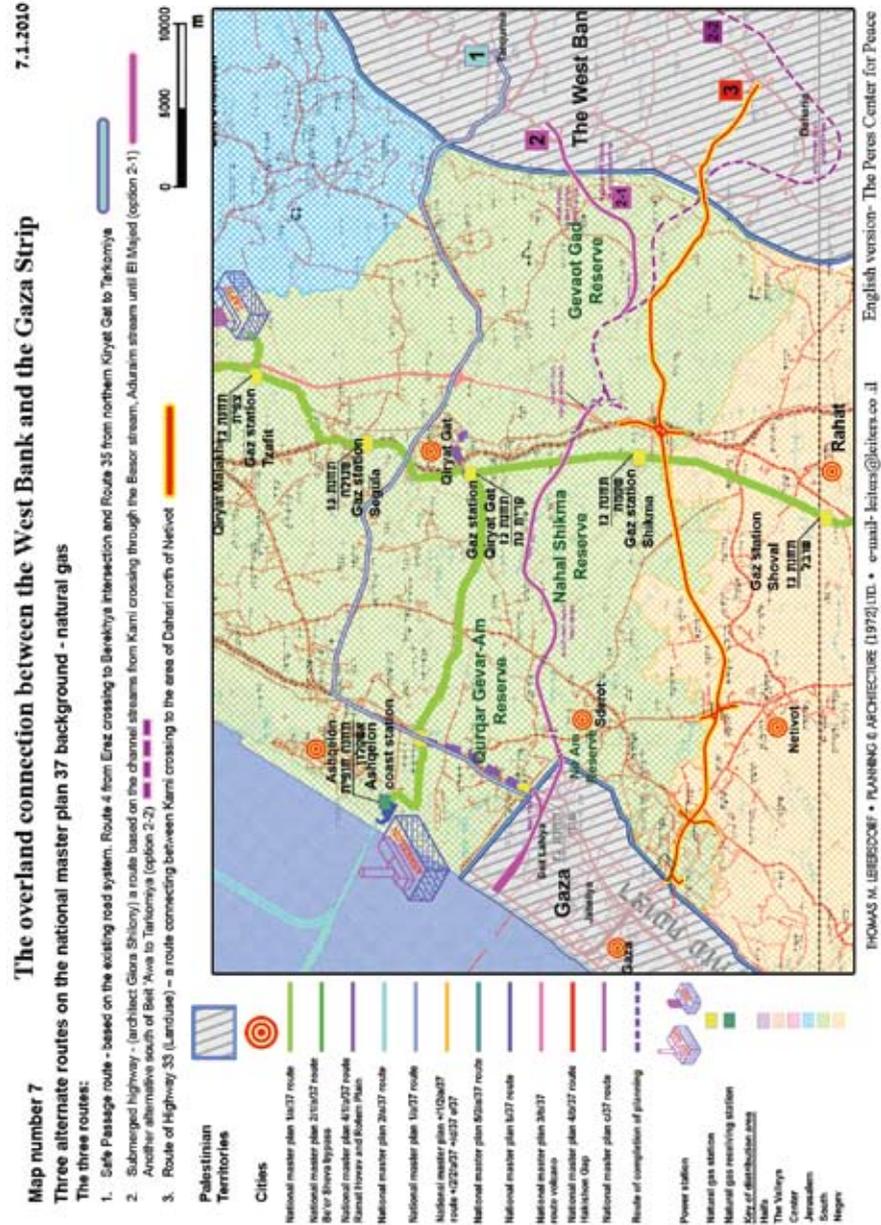
Key:

- Southern District
- National master plan number/4
- change number 14
- 4.2 Designated land
- scale 1:100,000
- Program border
- Province border
- Local authority border
- Existing rural settlement
- Proposed rural settlement
- Regional enterprises
- Urban construction area
- Suburbs construction area
- Metropolitan area of importance
- Space for future planning

- Tourism Planning Area boundary
- Urban tourist attraction
- Specialized tourist attraction
- Rural Tourism Center
- Tourism Site
- Area Hotels & Leisure
- Local Industry Zone
- National Industrial Zone
- Polluting industrial area
- Special Industrial Zone
- Industrial Zone related to raw materials
- Mining and quarrying area
- Mining and quarrying area within the Urban Construction area
- Search and determining site area for mining and quarrying
- Mining and quarrying area in large craters and Ramon
- Evaporation scratch area
- Forest
- Forest on other forestry
- Forest in mining and quarrying area
- Forestry and open areas
- Nature reserve
- National park
- Landscape reserve
- National site and Memorialization suite
- Beach
- Agricultural land
- Open spaces
- Central Hospital
- Institution for higher education
- Cemetery
- Prison

- Franchise border Area
- Fire, and security facilities border area
- border area of land groups in the
- Dead Sea concession
- Border area of land reserved in the
- Dead Sea concession
- Rapid road
- Rapid suburban road
- Main road
- Regional road
- Local road
- Terminal border
- Railroad
- water impound and penetration area
- National water line and sewage purification
- institute national water line
- Local waste disposal site
- Central waste disposal site
- Toxic waste disposal site
- Garbage treatment site
- Power site are
- Site Power
- Nuclear site
- Gas turbines site and others
- Power lines crossing area
- Gas facilities
- Seaport
- Sport and fishing port
- International airport
- Regional airport for international flights
- Airport for domestic flights
- Airport for light aircraft and agricultural
- Airport Area
- Aircraft navigation aids
- Seawater channels
- Channel strip

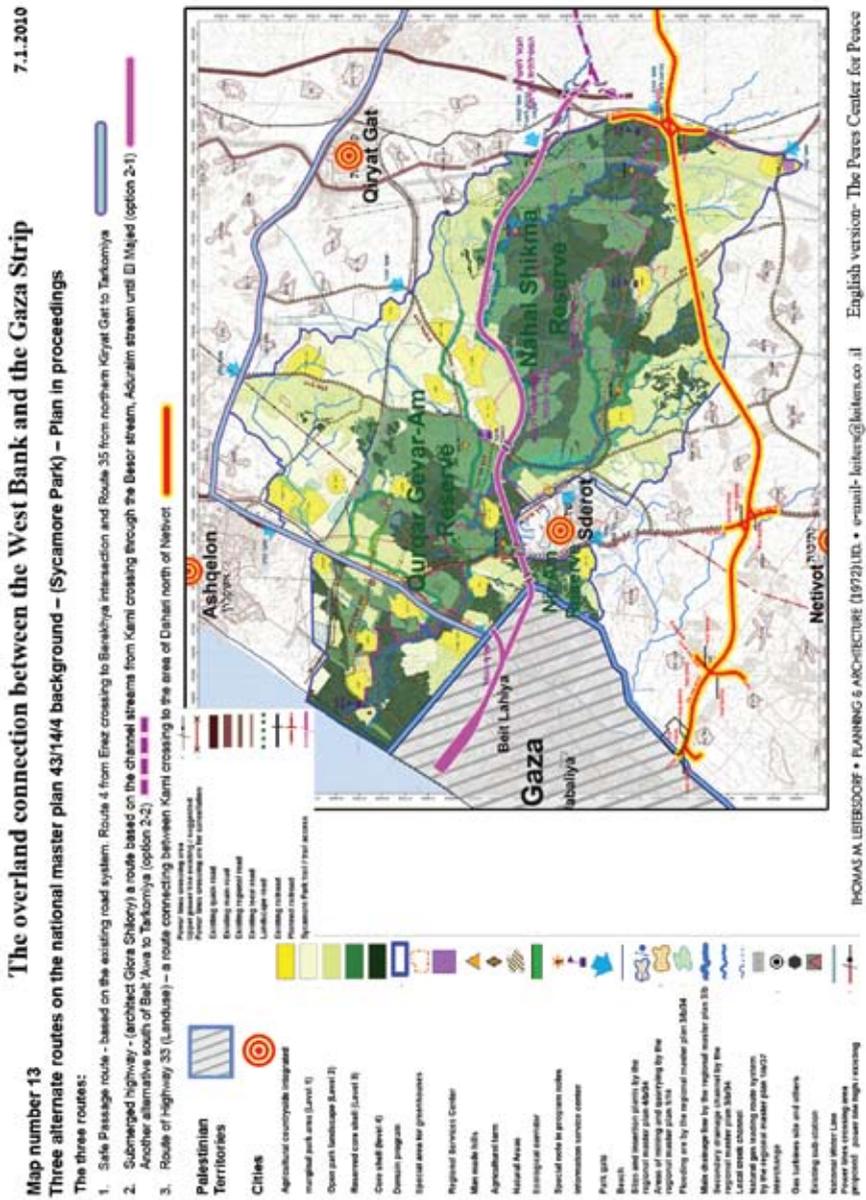
Map 17: Routes with national master plan #37- natural gas



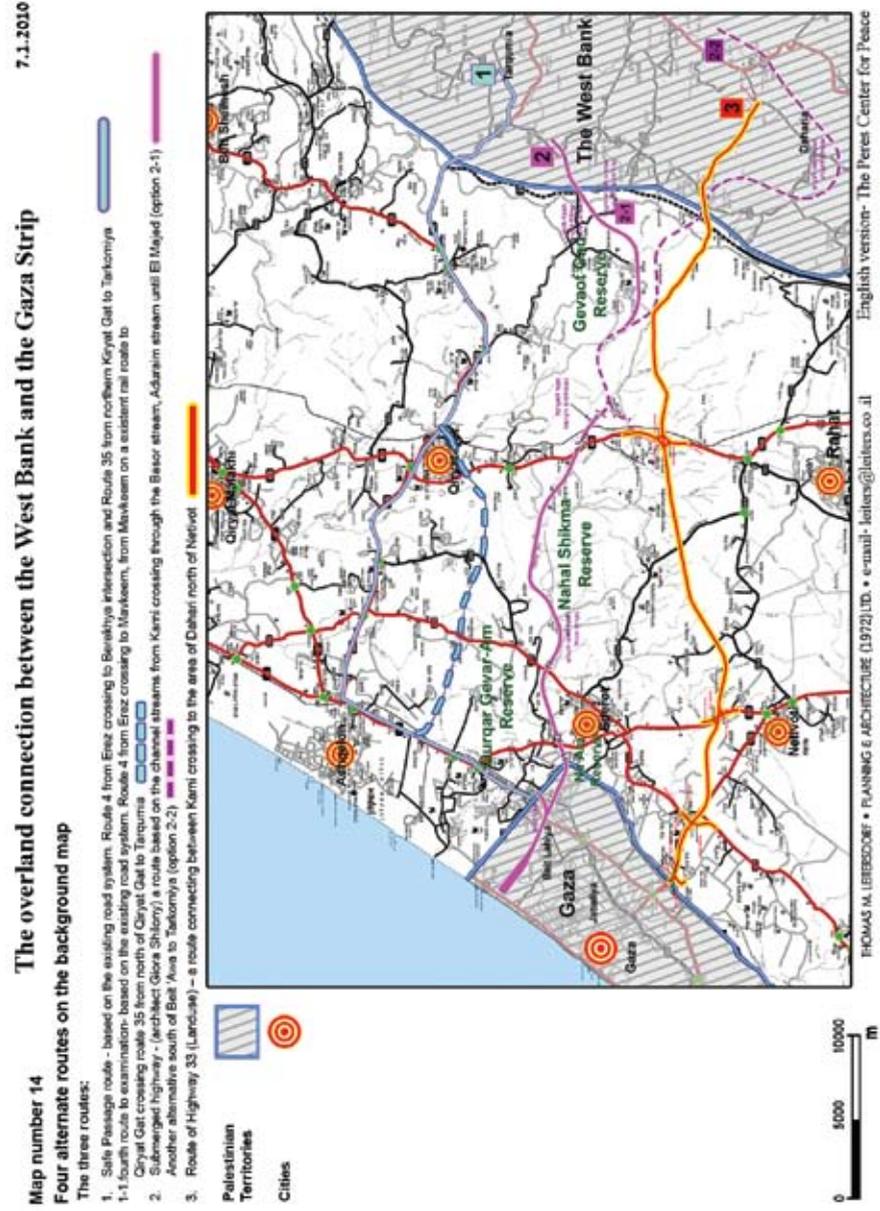




Map 20: Routes with district master plan #43/14/4-Hashikma Park, focus



Map 21: Alternative fourth route for review on the background of an orientation map



## Appendix B: Engineering Criteria for the Costs Estimation

1. Designated speed: 110 km/h.
2. Typical cross-section for a two-way road with two lanes on each side. The road has a 5-meter divider, three-meters margins, and security fences as standards require, with the possibility for future expansion.
3. Correct integration of horizontal and vertical cross sections.
4. Suitable structure for traffic load of 50 thousand movements per day, 15% of which are trucks and heavy vehicles.
5. Minimum interface with road and interchange systems.
6. Minimum crossing of existing and planned roads and infrastructure.
7. Crossing of routes and agricultural roads with flyovers.
8. Maximum suitability for drainage system, and bridges and flood culverts of 1:50 years.
9. Isolation from surroundings by digging the route in suitable locations in terms of drainage and establishment of mounds in the filling areas.
10. Integration of the railway route in the cross section (examining the possibility for a track in the middle of the road).
11. Emergency exits in areas adjacent to crossings of existing roads.
12. Minimum damage to nature and landscape values.
13. Minimum damage to existing and planned infrastructure.
14. Minimum pavement assessment.
15. Creating an infrastructure corridor along the road.
16. Maximum distance from built areas.
17. Employing means of noise mitigation if necessary.

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# The Economic Development of the Jordan Valley

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Saeb Bamyia & Shawqi Makhtoob



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## List of Abbreviations

EU	European Union
GAFTA	Greater Arab Free Trade Area
GCC	Gulf Cooperation Council
GoI	Government of Israel
JCSPD	Joint Council for Services, Planning and Development
JDECO	Jerusalem District Electric Company
JICA	Japan International Cooperation Agency
JRRV	Jordan River Rift Valley
IDF	Israeli Defense Forces
LA	Local Authorities
PIEFZA	Palestinian Industrial Estates and Free Zones Authority
PIPA	Palestinian Investment Promotion Agency
PLO	Palestine Liberation Organization
PNA	Palestinian National Authority
UAE	United Arab Emirates
WHO	World Health Organization
US	United States

## Executive Summary

This paper summarizes a follow-up work to the Jordan Valley section of the Aix Group book, “Economic Dimensions of a Two-State Agreement between Israel and Palestine”. The goals of the paper are to analyze the development potential of the Palestinian Jordan Valley area; portray strategic long-term options for this development; and point to some immediate short-term possibilities.

## Development Strategy Issues

The economic development of the Jordan Valley is a cornerstone of Palestinian economic recovery and development. In addition to its vast potential for agricultural development, the Valley has great potential for industrial development, and comparative advantages in the fields of tourism, transportation and logistics. Moreover, the Jordan Valley is the only region of Palestine that can support substantial population growth and absorption of Palestinian returnees through large-scale urban development, including new cities.

The development strategy for the Palestinian Jordan Valley should focus on creating an integrated process that deals with all economic sectors in parallel, and in a complementary manner. This integrated development process should also be coordinated with the development plans for the Jordanian and Israeli parts of the Jordan Valley and Dead-Sea areas, taking into consideration the strong mutual dependencies between these three parts of the same geographical and economic unit.

The present situation severely handicaps Palestinian economic activity in the Jordan Valley, **as most of the Jordan Valley is Area C, comprised of Israeli closed military areas/ firing zones or settlement areas, and so is almost completely off limits to Palestinians.** The situation is made more difficult by a scarcity of water for Palestinian use, and an overall negative political and business environment.

The combined result of this set of impediments is greatly discouraging. The situation must change dramatically in order to enable sustainable

development and to lure investors into the Palestinian Jordan Valley.

## Water and Water-Resource Development

The potential for local water-source development in the Palestinian Jordan Valley is very limited. **Large-scale urban and agricultural development of the Palestinian Jordan Valley depends on new large water supply sources which must be imported from outside the region. For these reasons, Palestine must turn to water desalination programs as its main water-source.** New water desalination technologies enable fast construction of relatively large desalination plants and supply desalinated water at a cost that can compete with the rising costs of water supply from conventional sources. The use of desalinated water should be combined with new irrigation methods that can cut agricultural water-use up to 80% (per ton of product) compared to “conventional” dripper-irrigation.

## Agriculture

**Palestine can and must develop the Jordan Valley as the powerhouse of its export-oriented high value-added agriculture.** As a member of the Greater Arab Free Trade Area (GAFTA), Palestine has the advantage of free access to the Cooperation Council of the Arab States of the Gulf (GCC) markets. This advantage, combined with the quality-edge gained by the close access to Israeli growing technologies, gives Palestinian growers an important overall comparative advantage in the lucrative Gulf markets, as well as in Western and Eastern European markets. An appropriate mix of new irrigation and growing technologies with “old” greenhouse growing technologies and some open-field crops would enable Palestine to develop, on approximately 50,000 dunam in the Jordan Valley, an export-oriented high-value vegetable, flower, and herb industry valued around US \$1 billion per year.

## Industry

Taking into consideration the agricultural nature of the Jordan Valley, its industrial development should concentrate on food processing and

other industries related to agriculture. A modern food industry based in the Jordan Valley would face four promising markets: the local Palestinian market; the Israeli market; the US and European markets; and the GCC and other Arab markets.

In addition to establishing a profitable food industry, large-scale urban development of the Jordan Valley would enrich the local work-force by attracting a young educated population that would enable the development of new, diversified, modern industries. Here again, the immediate access to Israel may serve as an important advantage.

Many industries based on Dead Sea mineral extraction and specialized packaging could also attract significant investment to this region.

## Transportation and Logistics

The Jordan Valley functions as a west – east corridor from the Mediterranean Sea, Israel and Palestine to Jordan and the eastern Arab world.

**A major facet of the economic development of the Palestinian Jordan Valley would be the upgrading of west – east transportation routes.**

## Tourism

The Jordan River is one of the most outstanding symbols of the “Holy Land” and is in the minds and hearts of hundreds of millions of people all over the Christian world. It has great potential for internal and regional tourism as well.

**Tourism development would include the Dead Sea, Jordan River, and Jordan Valley slopes and mountains, as they offer a unique combination of health, leisure, sport/adventure, ecological, agro, and religious tourism destinations in a single area.**

The development of tourism in the Palestinian Jordan Valley would be possible only as part of a coordinated or joint Palestinian – Israeli – Jordanian plan. A cornerstone of such a plan must be the **restoration and revival of the Jordan River, as well as the eco-system of the Jordan Valley as a whole.**

## The Importance of Developing the Jordan Valley as a Whole

Most of the major components of Jordan Valley development require cooperation between Palestine and Israel, and many of them require trilateral cooperation between Palestine, Israel and Jordan. These major components include, inter alia: (a) agriculture and water management; (b) ecological rehabilitation; (c) logistics and transportation; (d) free trade zones and special economic and trade arrangements; (e) electricity, wastewater treatment, and other basic infrastructure; and (f) rehabilitation and development of tourism infrastructure, major sites and attractions.

In light of the mutual dependencies and inter-relations in all of these major fields, **large-scale development of the Jordan Valley must be both viewed and planned as a closely coordinated project of Palestine, Israel and Jordan. A critical part of such coordination must be the easing of Israeli security and administrative restrictions on Palestinian free movement and on economic activity in the Jordan Valley. The Valley must be gradually transformed from its present status as a half-empty military-controlled border-zone, to a thriving, economically active and densely populated “peace-border” area of both economic and civilian importance.**

## Recommendations

In light of the weighty and politically sensitive nature of the issues which need to be tackled in order to enable large-scale development of the Palestinian Jordan Valley, our first recommendation to the Palestinian Authority and the Donor Community is to start preparing necessary components of development including: (a) **a conceptual plan for the development of the Jordan Valley region as a whole, including the Jordanian and Israeli areas, and (b) a more detailed “master plan” for the development of the Palestinian Jordan Valley.** This “master plan” must include the required Donor-support envelope (financial and technical support, as well as political support), and needs to address, among other issues, the role of Arab parties (mainly the GCC countries); the

involvement of the business sector; the requirements from Israel; and the role of the Palestinian National Authority (PNA).

Since most of the Palestinian Jordan Valley is currently classed as Area C, wherein any development activity needs to be approved by the Israeli side, which is very difficult to obtain in most cases, such a master plan needs to be discussed and negotiated with the Israeli side so as to develop a gradual stage-by-stage approach that will positively influence the advancement of political solutions.

At the same time, we also recommend the **immediate advancement of certain initiatives that can be promoted as stand-alone projects. A short-list of such projects is included in our recommendations.**

# 1. Introduction

This paper summarizes a follow-up work to the Jordan Valley section of the Aix Group book “Economic Dimensions of a Two-State Agreement between Israel and Palestine” (November 2007, p. 241 – 255). The goals of the paper are to analyze the development potential of the Palestinian Jordan Valley area; portray strategic long-term options for this development; and point to some immediate short-term possibilities.

The chapter opens with a short overview of the current situation in the Palestinian part of the Jordan Valley (for a more detailed presentation of some important aspects see Annex A).

Section two analyzes possibilities of constraints to and solutions for large-scale urban development in the Palestinian Jordan Valley

Section three analyzes possibilities of, constraints to solutions for economic development in major branches of the economy:

- Overall economic development strategy and constraints
- Water-resource management and development
- Agriculture
- Industry
- Transportation and logistics
- Tourism

Section four looks at certain cross-sector projects for generating economic development, such as: industrial and agro-industrial parks; free zones; special industrial parks and special economic zones; “soft” investment-support and export-promotion programs; etc.

The Summary focuses on the importance of developing the Jordan Valley as a whole and doing so under **an approach of trilateral coordination**. It also includes certain practical recommendations for immediate and short-term application.

## 2. The Current Situation in the Jordan Valley

### 2.1 Population

The Palestinian population in the Jericho and Al Aghwar area increased from 32,713 in 1997 to 41,724 in 2007, accounting for a 27.5% change in population within 10 years. The percentage change in this area is slightly higher than the percentage change in the West Bank, which showed a population increase of 25.2% during the same period.<sup>1</sup>

Despite the percentage increase, the Jordan Valley is by far the least densely populated region in Palestine. Though the area of the Jericho and Al Aghwar Governorate is about 10 percent of the total area of Palestine (593 km<sup>2</sup> out of 6,020 km<sup>2</sup>), its population is only slightly more than 1 percent of the total Palestinian population and its population density is only 11 percent of the Palestinian average (74 people per km<sup>2</sup> compared to the Palestinian average of 646 per km<sup>2</sup>).<sup>2</sup>

The first settlements in the West Bank were established in the Jordan Valley as early as 1968. Seventeen settlements were established by 1977 and by 2005 the number stood at 32. By 2004, the settler population had risen to 7,380. Although the population is quite small, most settlers in the Jordan Valley are farmers who cultivate large areas of land and use most of the water resources in the area.

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1 Palestine in Figures, 2007; Palestinian Central Bureau of Statistics, May 2008; and PCBS Census 2007.

2 PCBS, Area Statistics, 2006.

## 2.2 Jordan Valley Closure Regime and Palestinian Access to Agricultural Land

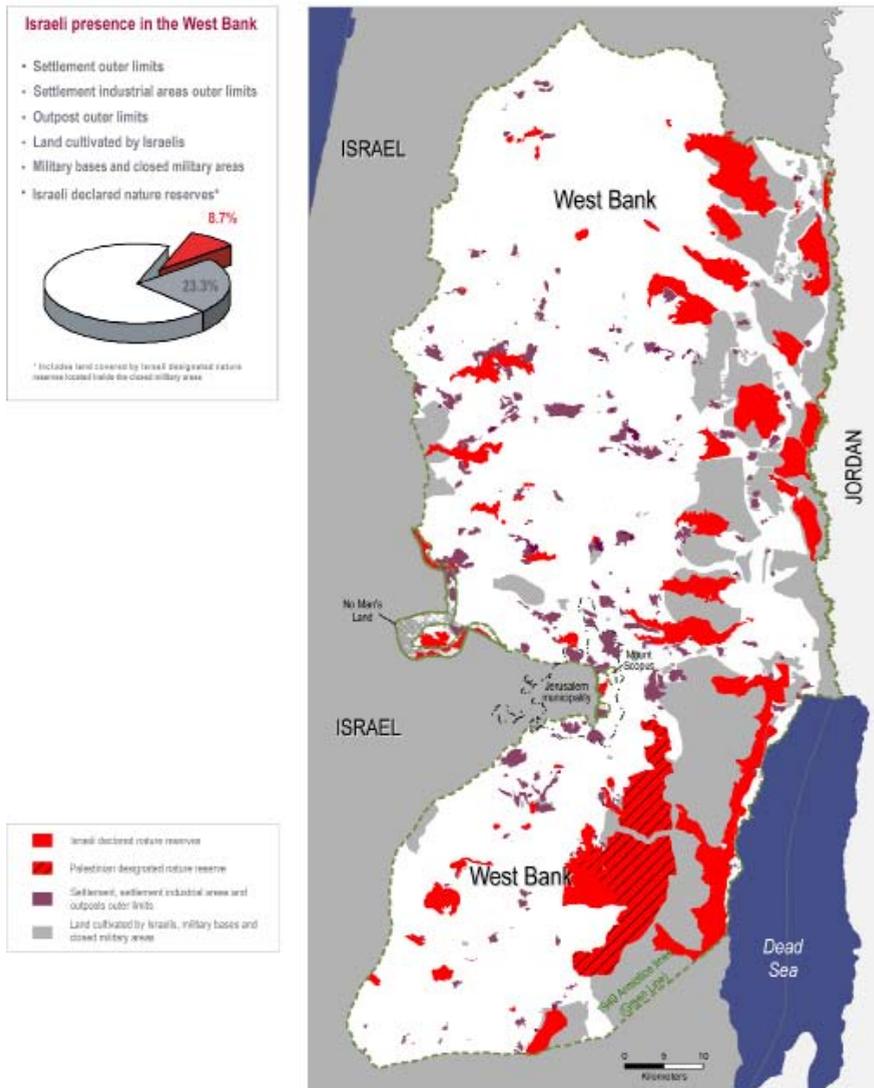
Palestinian access to the Jordan Valley deteriorated sharply from 2005 to 2007, as Israeli authorities imposed increased restrictions. Access to the northern Jordan Valley (north of Jericho) from the rest of the West Bank continued to be controlled by four Israeli Defense Forces (IDF) checkpoints: Tayasir, Hamra, Ma'ale Efrayim and Yitav. With the exception of residents of the Jordan Valley, Palestinians were only allowed to enter the Jordan Valley through two of the four checkpoints (Hamra and Tayasir) and only by foot. Palestinian public transportation was permitted to pass through these two checkpoints but the passengers were required to cross on foot via the pedestrian lanes. Long pedestrian queues are regularly reported at the checkpoints.<sup>3</sup>

While all Palestinians were allowed to access Jericho via the DCO and Yitav checkpoints during this period, residents of four northern districts (Jenin, Tulkarem, Qalqilya, and Nablus) were prevented from leaving the city of Jericho through the DCO checkpoint; they can only travel on the narrow and winding Al Mu'arrajat road to reach the rest of the West Bank. Al Mu'arrajat was recently closed for renovations and all traffic has been rerouted to the DCO.

As shown in the following map and in Annex A-4, the Government of Israel (GoI) has declared much of the Jordan Valley to be a closed military area/firing zone and/or a nature reserve .

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3 THE HUMANITARIAN IMPACT ON PALESTINIANS OF ISRAELI SETTLEMENTS AND OTHER INFRASTRUCTURE IN THE WEST BANK, United Nations - Office for the Coordination of Humanitarian Affairs (OCHA), July 2007.



Source: THE HUMANITARIAN IMPACT ON PALESTINIANS OF ISRAELI SETTLEMENTS AND OTHER INFRASTRUCTURE IN THE WEST BANK, United Nations - Office for the Coordination of Humanitarian Affairs (OCHA), July 2007.

In addition, most of the Israeli settlements in the Jordan Valley rely on agriculture; in many of these settlements land is cultivated outside

the outer limits of the settlement, which increases settler control over agricultural areas and prevents Palestinian access and use. Cultivation of this land by settlers, combined with the massive Israeli presence in the form of closed military areas and nature reserves, significantly limits the land available for Palestinian farming and herding (see Annex A-2 for a more detailed discussion). In fact, it is clear that the driving reason behind such a closure system could be anything except security.

Most of the Jordan Valley is an Area C, which means that an Israeli permit is required to legally authorize any new construction or any development initiative. These permits are extremely difficult to obtain. The combination of the permit and closure systems shows clearly what development within the Jordan Valley means under continuous occupation of the area.

## 2.3 Economic Activity

### Economic Establishments

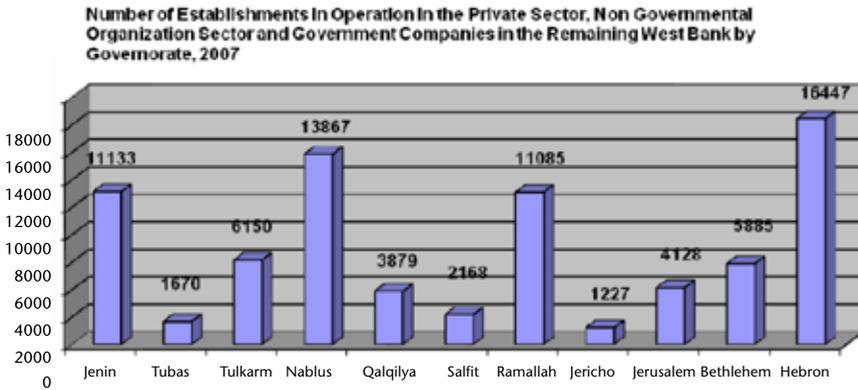
Economic activity in the Jordan Valley is quite low compared to both other areas of the West Bank (and Palestine as a whole), and to its vast development potential. According to the Palestinian Central Bureau of Statistics' (PCBS) 2007 Census of Economic Establishments,<sup>4</sup> the number of operating establishments in the Jericho and Al-Aghwar governorate was only 1,389, while the number of employees in these establishments was only 3,865 – less than 2 percent of the West Bank total of 82,871 establishments and 210,000 employees (and slightly more than 1 percent of the Palestinian total of 116,804 operating establishments employing close to 300,000 Palestinians).

The number of establishments in operation in the Private Sector, Non Governmental Organization Sector and Government Companies in the Remaining West Bank by Governorate (2007) shows that the number of operating establishments in Jericho and Al Aghwar is only 1.5% of

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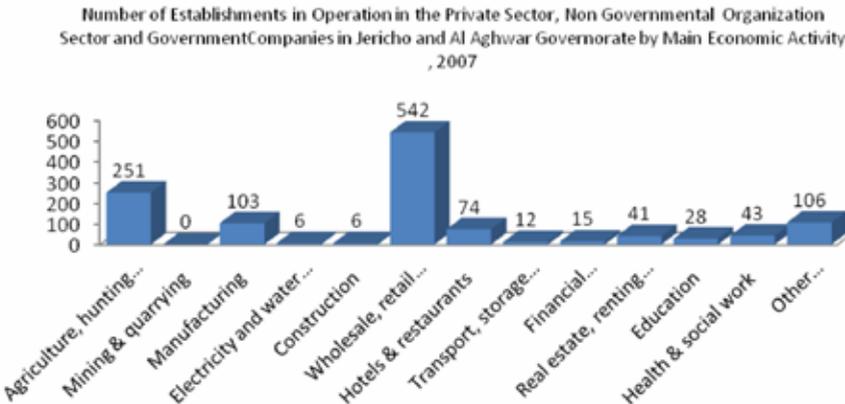
4 PCBS, Census of Economic Establishments, 2007.

the total in the remaining West Bank. ng West Bank<sup>5</sup>.



PCBS data, 2007

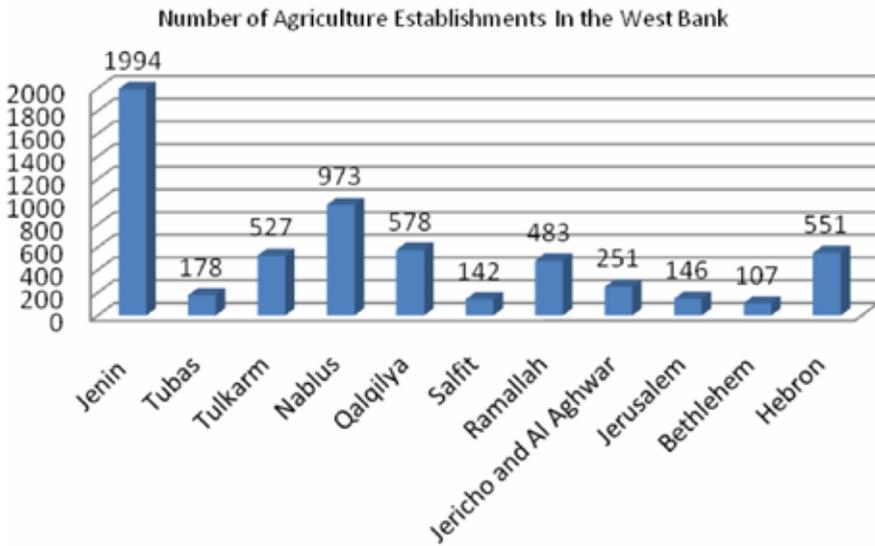
In the figure below, the number of establishments in operation in the Private Sector, Non Governmental Organization Sector and Government Companies in Jericho and Al Aghwar Governorate by main economic sectors (2007) shows that the number of establishments is highest in the wholesale and retail sector, followed by the agricultural sector and the manufacturing sector.



PCBS data, 2007

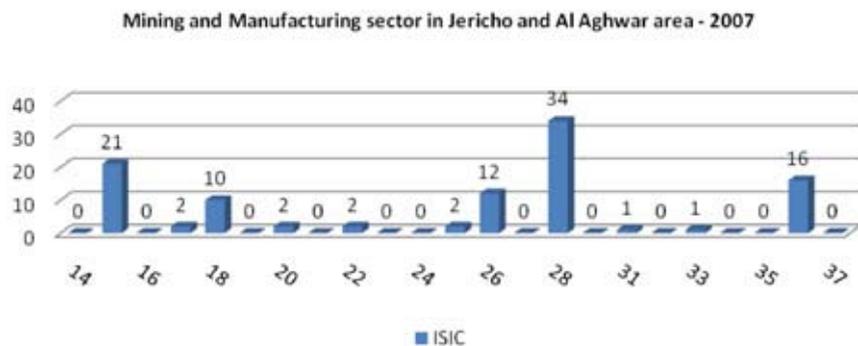
5 Remaining West Bank refers to all the West Bank except those parts of Jerusalem annexed after the 1967 occupation by Israel.

Around 20 percent of economic establishments in Jericho and Al-Aghwar Governorate are in the field of agriculture, compared to only 8 percent for the West Bank as a whole (see the figures below).



PCBS data 2007.

The manufacturing industry is relatively underdeveloped, with only 103 economic establishments in Jericho and Al-Aghwar Governorate, less than 1 percent of the West Bank total of 11,811 establishments. The distribution of establishments by industrial subsectors is shown in the figure below.



The Jordan Valley is unique in its combination of historical and religious sites along both sides of the Valley. With the added appeal of natural and recreational attractions in the Dead Sea area; Jericho's Old City; natural habitats; Hisham's Palace; and Jericho tourism services, the Jordan Valley offers an attractive package for all kinds of tourists. For Palestinians, however, this package is limited to the tourist activities inside Jericho city (area A), as access to places outside of the city is prohibited.

### Business and Investment Environment

The business and investment environment in Palestine in general and in the Palestinian Jordan Valley in particular was best reflected in a 2006 survey about the proposed Agro-industrial Park project in the Jordan River Rift Valley. This survey was conducted by the Japanese Government as part of the "Corridor for Peace and Prosperity" initiative. The aim of the survey was to assess the business and investment environment as reflected by the perceptions, views and opinions of owners and managers of economic institutions in a few targeted markets inside and outside of Palestine (Israel, Jordan, and UAE).

The survey's main conclusions<sup>6</sup> about the Agro-industrial park are summarized below:

- Political and economic instability, the restrictions on movement, and these restrictions' consequences for access of labor were cited by companies as major obstacles to the development of the park.
- If the political situation on the ground does not change, the private sector will not be willing to invest in this region no matter what incentives are offered.
- Companies are expecting significant measures to be taken before approaching this industrial park in order to facilitate their registration, access, legal guarantees, etc.

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6 Feasibility Study on Agro-industrial Park Development in the Jordan River Rift Valley (Phase I), JAPAN INTERNATIONAL COOPERATION AGENCY, KRI INTERNATIONAL CORP. NIPPON KOEI CO., LTD. Main Report, September 2007.

- Companies expect direct financial incentives to be at the core of any investment package related to the park.
- Companies require major business-support services related to logistics and transport services, quality control and testing services.

## 2.4 Agriculture in the Jordan Valley

In spite of its vast agricultural potential, the limitations on access described above and water scarcity have turned the Jordan Valley into the least- cultivated governorate in Palestine. According to a PCBS analysis, only 4 percent of the area of the Jericho and Al-Aghwar Governorate was actually cultivated in 2006, compared to the overall Palestinian average of 25 percent. Thus, although the Jericho and Al-Aghwar Governorate constitutes 10 percent of total Palestinian territory, its share in total Palestinian actual cultivated land is only 2 percent (or 3 percent of total agricultural land, including lands which were not actually cultivated in 2006).<sup>7</sup>

Jordan Valley farmers' expertise is in vegetables; Jericho and Al-Aghwar Governorate represent 18 percent of the total Palestinian vegetable-growing agricultural area (2005/2006 figures); 1 percent of total field crops area; and less than 0.5 percent of total fruit trees area (almost all of it devoted to banana growing).

## 2.5 Water Supply

Water scarcity is a major concern in all of the West Bank, and even more so in the Jordan Valley.

Israeli per capita water consumption is over five times higher than that of West Bank Palestinians (350 liters per person per day in Israel compared to 60 liters per person per day in the West Bank, excluding

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7 PCBS, Area Statistics, Agriculture.

East Jerusalem).<sup>8</sup> West Bank Palestinian water consumption is 40 liters less than the minimum global standards set by the World Health Organization (WHO). Under the Oslo Agreement, nearly six times more aquifer water was allocated for Israeli use than for Palestinian use. For example, of the 362 million cubic meters of water pumped from the Western Aquifer that lies beneath Israel and the West Bank, 22 mcm is for Palestinian use while 340 mcm is for Israeli use.<sup>9</sup>

Israel's agricultural settlements in the West Bank, in particular the Jordan Valley, are large consumers of water. A 1993 report by Peace Now found that, per capita, irrigated settler areas were 13 times larger than the area accorded to Palestinians.

Currently, the main water supply source in the Jericho area is the Ein-El Sultan spring with its capacity of 650 m<sup>3</sup>/hour or 15,600 m<sup>3</sup>/day, which barely meets the total domestic water demand in the area. Therefore, further water recourses should be considered or developed. Wadi Qilt, located five to six kilometers to the west of the southern part of Jericho City, is one of the most probable water sources. Its potential capacity is estimated to be 759 m<sup>3</sup>/hour or some 18,000 m<sup>3</sup>/day. No detailed data are available on actual agricultural water consumption in the area surrounding the wadi.<sup>10</sup>

The current balance between water supply and demand in the urban area of Jericho City shows that supply barely meets demand even when Well No.1, which will be rehabilitated soon, is included in the calculations:

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8 THE HUMANITARIAN IMPACT ON PALESTINIANS OF ISRAELI SETTLEMENTS AND OTHER INFRASTRUCTURE IN THE WEST BANK, United Nations - Office for the Coordination of Humanitarian Affairs (OCHA), July 2007.

9 Same Reference .

10 Feasibility Study on Agro-industrial Park Development in the Jordan River Rift Valley (Phase I), JAPAN INTERNATIONAL COOPERATION AGENCY, KRI INTERNATIONAL CORP. NIPPON KOEI CO., LTD. Main Report, September 2007.

Domestic Water Supply (Jericho Urban Area)					
Spring/Well		Water Rights	Supply/hour	Supply/day	Supply/year
			m <sup>3</sup>	m <sup>3</sup>	MCM
Ein El Sultan	Total		650	15,600	5.69
	1) Agricultural	58.0%		9,048	3.3
	2) Domestic	42.0%		6,552	2.39
Well No. 1 *To be Rehabilitated			70	1,680	0.61
Total *Including Well No. 1	0		70	8232	3.00

Domestic Water Demand (Jericho Urban Area)					
	Population	Demand/day/ capita	Demand/day	Demand/day	Demand/year
	(2005)	liters	liters	m <sup>3</sup>	MCM
Total	42,268	350	13,170,000	13,170	4.81
Urban	19,783	350	6,924,050	6,924	2.53
Rural	14,366	350	5,028,100	5,028	1.84
Camps	8,119	150	1,217,850	1,218	0.44
Urban + Camps	27,902			8,142	2.97

$$\text{BALANCE} = (\text{SUPPLY}) - (\text{DEMAND}) = 0.03$$

Data Source: JICA Study Team for the Feasibility Study on Water Resources Development and Management in the Jordan River Rift Valley.

Calculation: JICA Study Team for the Feasibility Study on Agro-industrial Park Development In the Jordan River Rift Valley (Phase I).

Apart from these resources, there are three springs in the northwest of Jericho City: Dyuk, Nuimeh, and upper Wadi Qilt. Currently, these springs mainly provide water for irrigation.

Given the dire situation, other water sources need to be developed to provide sufficient water for agricultural, industrial and urban development (see more detailed discussion in Annex A-6).

## 2.6 Infrastructure

### Electricity Supply

There are currently two transformer stations in the southern part of Jericho City. One is located near the intersection of Route 1 and the regional trunk road No. 449, and provides the Jericho city center with a

capacity of 15 MW. The other is located close to the Inter Continental Hotel along Road No.449; it has a capacity of 10 MW.<sup>11</sup>

The power supply in the Jordan Valley is not stable due to the insufficient capacity of the facilities. The PNA is trying to increase the supply capacity and provide stability. The solution for the Valley is expected to come from interconnection with Jordan: the PNA and Jordan have agreed to connect the Palestinian power grid to the Jordanian grid with a 33kV transmission line through King Abdullah Bridge. The capacity is 20MW. A transformer substation was constructed in the south of the Jericho City and connected to the existing network.

### Wastewater Collection/ Treatment<sup>12</sup>

There is no wastewater collection system at present in Jericho city. All sewage from residential and public buildings in the area is drained to cesspits.

The sewage network and solid waste collection plans for Jericho city are described in Annex A-7.

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11 Feasibility Study on Agro-industrial Park Development in the Jordan River Rift Valley (Phase I), JAPAN INTERNATIONAL COOPERATION AGENCY, KRI INTERNATIONAL CORP. NIPPON KOEI CO., LTD. Main Report, September 2007.

12 Same reference.

### 3. The Potential for Large-Scale Urban Development in the Jordan Valley

#### 3.1 Palestinian Population Growth and Housing Needs

Palestine has one of the highest fertility rates in the world. If the ongoing negotiations for a two-state solution are successful, the Palestinian population could well double within a very short time due to the potential influx of returnees to the Palestinian state.

Palestine's carrying capacity is stretched to the limit. It is one of the most densely populated places in the Arab world at 645.9<sup>13</sup> persons per square kilometer. Gaza alone has a population density of 3,955 persons per square kilometer, one of the highest rates in the world.

Palestine is near the top of the list of the world's most densely populated nations, which includes countries such as Lebanon and the Netherlands.<sup>14</sup> If population growth projections are accurate, a Palestinian state would surpass even Bangladesh in national density; Gaza is already over four times more densely populated than Bangladesh. On the other hand and as shown in the following figure, most Palestinian cities fall within the middle range of urban population density, and Jericho is among the less densely populated areas.

These figures signify sober realities. Palestinian water consumption is now half the UN minimum daily standard. The physical infrastructure is grossly inadequate, particularly for water, electricity, and sewage. The demands on Palestine's limited land area for agriculture, infrastructure, economic activity and housing are growing.

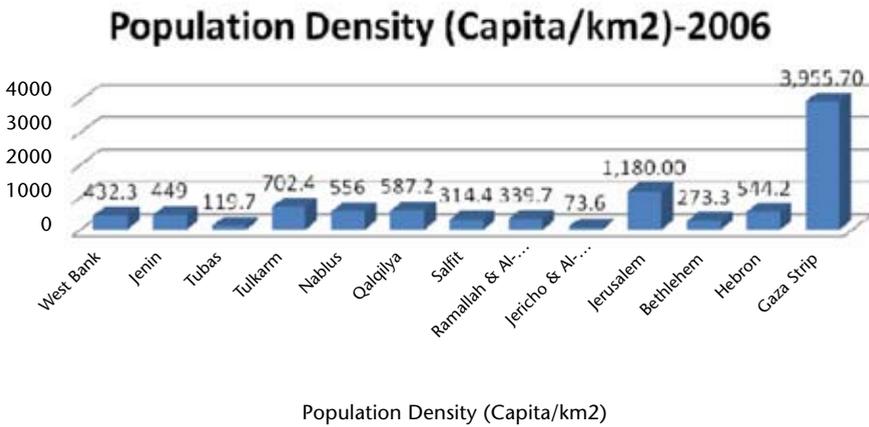
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13 Palestinian Central Bureau of Statistics, 2007. Population Projections, Revised Data 2005, Ramallah-Palestine.

14 The Arc, A Formal Structure for a Palestinian State, DOUG SUISMAN, STEVEN N. SIMON, GLENN E. ROBINSON, C. ROSS ANTHONY, MICHAEL SCHOENBAUM. RAND Corporation, 2005.

But it is with housing that the problems are most pressing. Currently, there are 6.4 residents on average per housing unit in the West Bank and Gaza, a very high figure by developed country standards. If Palestine’s population rises from 3.7 million to nearly 6 million over the next ten years, and if current housing densities are to remain stable, 320,000 new housing units will have to be constructed during this period. Simultaneously, a new state would face demands to upgrade or replace deteriorating physical infrastructure. Solid waste disposal is grossly inadequate, power supply is uneven and sporadic, water supply systems are severely degraded, and the road network is so deteriorated that past investment may be lost.

### 3.2 Suitability of the Jordan Valley for Large-Scale Urban Development

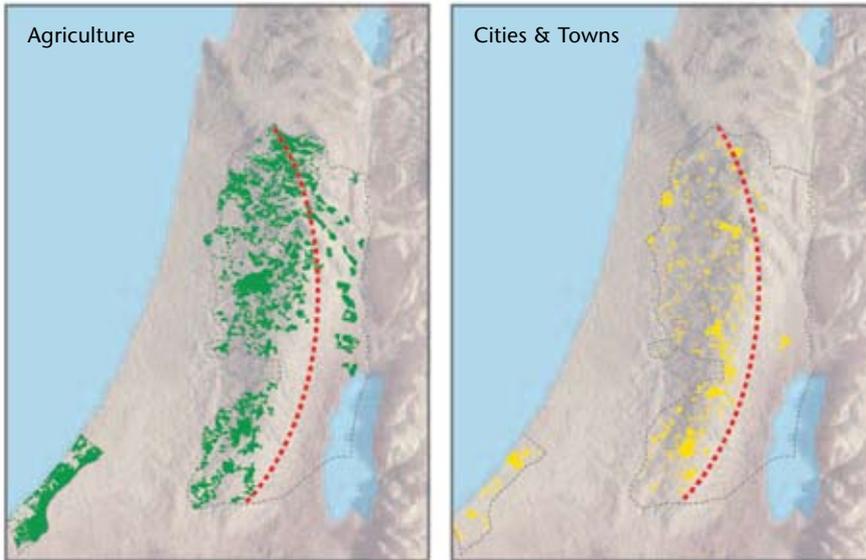


Large scale urban development is constrained by the need for the approval of the Israeli Civil Administration–Central Planning Department; the fact that very few building permits are currently approved; and the reality that most Palestinian localities do not even have master plans. All of these factors are important considerations; however, from a strategic point of view, the Jordan Valley area is very suitable for demographic expansion for the West Bank. With appropriate spatial zoning that maintains an appropriate distance from industrial parks, and with

“Logistics Areas” where warehousing, packaging, and freight services could be provided, and the old city of Jericho or the virgin land that is very suitable for agricultural uses. Large “Housing Areas” could be set aside that would be gradually developed under a long-term plan. These housing areas would accommodate not only employees of the factories/enterprises, but also the future population of the Jericho area. The Jericho Regional Development Study Project in Palestine (Japan International Cooperation Agency-JICA, 2006) sets aside the southern part of Jericho city for future development of a residential zone that can accommodate a population increase.

In addition, there is a large swath of unused land between Jericho and the western side of the West Bank where residential centers – a small city model - could be constructed. Such a model could be visualized as an urban space, with specific areas dedicated to livable, high-density residences capable of supporting the projected increase in population. Connectors such as a main water aqueduct; open park land; telecommunications and electric power lines; gas and fuel pipelines; and mass transportation stations could link these residential centers to Jericho and other cities in the north such as Nablus, and to cities in the middle of the West Bank such as Ramallah.

The West Bank runs about 80 miles north to south at its longest point. At its widest point, between Qalqilya and the Jordan River, it is 35 miles west to east; its narrowest point, from the Old City of Jerusalem to the Jordan River, is only 18 miles wide. The construction of such cities in the proposed location is therefore geographically feasible for several reasons: First the cities will be located on the hilly slopes looking at the Jordan Valley from the west, which are unsuitable for intensive agricultural use, and will facilitate development of the intervening areas. Second, these cities will be close to the Jordan Rift Valley where large employment centers will be developed, and will provide residential areas for the employees and their families close to their work place.



Source: The Arc, A Formal Structure for a Palestinian State, DOUG SUISMAN, STEVEN N. SIMON, GLENN E. ROBINSON, C. ROSS ANTHONY, MICHAEL SCHOENBAUM. RAND Corporation, 2005.

Third, these urban centers will leave the agricultural areas undisturbed and free for agricultural development for both local and international markets.

Fourth, they will reduce the need for the expanding population to live in Old City of Jericho, which will help preserve both the historic sites and the image of the oldest city in the world. These urban centers could provide focus and direction for new economic development while helping to revitalize the principal existing historic centers.

### 3.3 The Palestinian Jordan Valley as an Advanced Urban-Development Center

Since the urban development of the Palestinian Jordan Valley area will begin practically from scratch, it provides an exceptional chance to plan and build an advanced urban-development center like the residential

centers in the new industrial cities of Saudi Arabia, while taking advantage of the unique environmental advantages of the Jordan Valley. For example, generation of electric power in these new urban centers can rely mainly on renewable energy sources such as solar and wind power, using new, economically and technically proven technologies that have been developed over the past several years. When renewable energy is combined with new water resources (see next chapter), compact urban growth, provisions for advanced public transportation, preservation of open space, and environmental regulation, the fundamentals for sustainable regional development are in place.

## 4. Economic Development of the Jordan Valley: Main Sectors

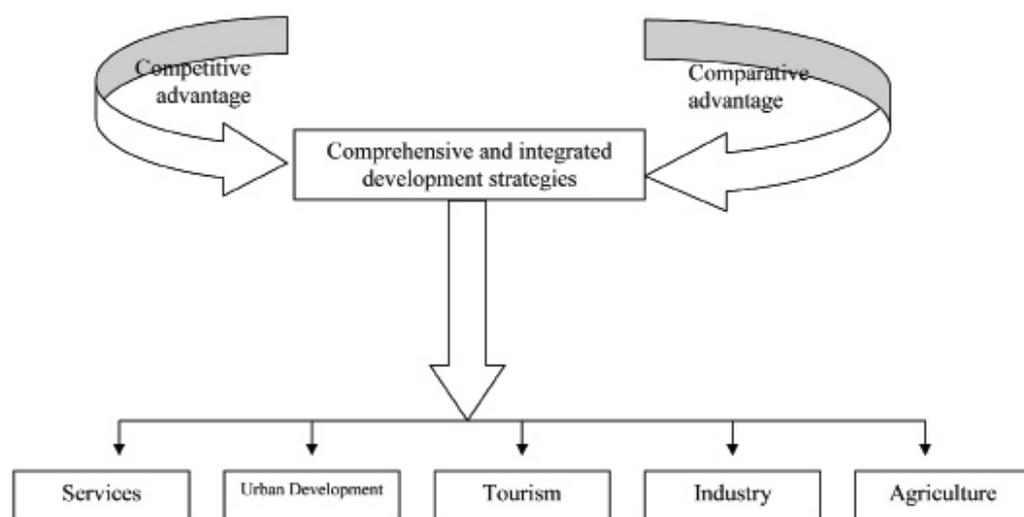
### 4.1 Development Strategy

The economic development of the Jordan Valley is a cornerstone of Palestinian economic recovery and development. In addition to its vast potential for agricultural development, the Jordan Valley has comparative advantages in the fields of tourism, transportation and logistics, and potential for industrial development as well. Moreover, the Jordan Valley is the only large region of Palestine that is less than densely inhabited. Only the Jordan Valley can therefore support the substantial urban development, including new cities, necessary to sustain large-scale absorption of both natural population growth and Palestinian returnees to Palestine.

The development strategy for the Palestinian Jordan Valley should focus on creating an integrated process that deals with all economic sectors in parallel and in a complementary manner. This integrated development process should also be coordinated with the development plans for the

Jordanian and Israeli parts of the Jordan Valley and Dead-Sea areas, taking into consideration the strong mutual dependencies between these three parts of the same geographical and economic unit.

Any strategic planning must take three major issues into consideration. First, there will be no serious development whatever the level of effort or support if the political and physical impediments on the ground are not lifted. The outcomes of the investment survey for the Agrobusiness industrial park proposed in the Jordan Valley clearly shows that whatever the incentives provided for investments, the vast majority of investors are not willing to construct anything without changes in the political situation. Second, any development should focus on creating a competitive advantage in the area, with a focus on making use of the region's comparative advantages. Third, strategic planning should create an integrated process to develop all economic sectors in parallel and in a complementary manner; see the following figure.



Tourism				
Religious tourism	Eco tourism	Dead Sea	Old City of Jericho	Winter tourism
Agriculture				
off- season agricultural products?	Large scale Sea Fish farms		High value added products	
Industry				
Construction industry	Dead Sea products		Agribusiness industry	
Services				
Resorts and Spas	R&D Centers		Logistical Support	
Urban development				
Transportation and communication infrastructure	Water and energy infrastructure	Expansion of Jericho	New residential areas	

## 4.2 Constraints to the Development of the Jordan Valley

As shown in Chapter One, the present situation severely handicaps Palestinian economic activity in the Jordan Valley, through:

- A system of access and movement constraints, including various closure measures (checkpoints, movement licenses, etc.), specific measures related to access to certain agricultural lands, etc.
- The designation of large areas of the Jordan Valley as “no-go areas” Israeli closed military areas/ fire zones or settlement areas as well as the declaration of vast areas of the Jordan Valley as nature reserves under Israeli civil and security control. Moreover, even areas accessible to Palestinians are under the jurisdiction of the Israeli Civil Administration for planning and permit purposes.
- Scarcity of water for Palestinian use, and other basic infrastructure problems (for example electricity, waste and water-waste disposal).
- An overall negative political and business environment, among other impediments.

The combined result of this set of constraints and impediments is greatly discouraging, and must change dramatically in order to enable sustainable development and to lure investors into the Palestinian Jordan Valley.

## 4.3 Water and Water Resource Development

Water scarcity is the major constraint limiting large-scale development of the Palestinian Jordan Valley. Since Palestine’s share of the Jordan River Basin water resources is the smallest among the three countries, the water shortage would constrain even smaller-scale urban or agricultural development programs. Even under the present low level of agricultural development and economic activity, the scarce water supply is far from satisfying the

Palestinian demand for water; this imbalance is reflected, inter alia, in the extremely low average domestic water consumption per capita. One can expect that once economic recovery starts and the population of the Jordan Valley increases, there will be a substantial increase in the demand for water for domestic use, which will further divert water from agricultural uses.

A comparison with the Jordanian side of the Jordan Valley may help illustrate the huge gap between the water resources of Palestine and the potential water needs of the Palestinian Jordan Valley under a large-scale development scenario. The total water use of the Jordanian Jordan Valley, which supports agricultural irrigated land of around 200,000 dunam and a population of around 120,000-150,000, is approximately 200-250 million m<sup>3</sup> per year. This is 3-4 times the total domestic water use of the entire West Bank. Once properly developed, the Palestinian Jordan Valley would support a more or less similar area of agricultural irrigated land, but its population may be ten times larger. It will also include large industrial activity, which is almost non-existent on the Jordanian side of the Jordan Valley. Its water needs would therefore be well in excess of the 200-250 million m<sup>3</sup> per year of the Jordanian Jordan Valley.

The potential for local water-source development in the Palestinian Jordan Valley is very small, and even if a more balanced distribution of water between Israel and Palestine is reached (mainly a shift of water from Israel's agricultural settlements in the Jordan Valley), any modest increase in water supply from local sources would be quickly swallowed by the fast-growing urban and domestic demand.

Based on this analysis, the conclusion is that **large-scale urban and agricultural development of the Palestinian Jordan Valley depends on substantial new water-supply sources, which must be imported from outside the region.**

The meaning of this conclusion is that Palestine (like Israel and Jordan) must turn to water desalination programs as a main water source. New water desalination technologies enable fast construction of relatively large desalination plants and a supply of relatively low-cost desalinated water that can compete with the rising costs of water from

conventional sources. In addition, new water-saving irrigation methods would save up to 80% of agricultural water-use (per ton of product), compared to “conventional” dripper-irrigation. The use of such irrigation technologies combined with the use of saline/recycled water in agriculture, would enable Palestinian farmers in the Jordan Valley to develop a viable and profitable high-value export-oriented agriculture industry based on desalinated water.

**Note 1:**

There are several alternative locations for Palestinian water desalination plants. The obvious alternative is the seashore of Gaza (although this alternative may take too much of the small Palestinian seashore). Plants could also be constructed jointly with Jordanian or Israeli desalination plants, or in El-Arish (Egypt). There are also new technologies which enable the use of ships as marine platforms for desalination plants (in combination with certain on-shore facilities), thus occupying a much smaller area of the shore. In any case, Palestinian desalinated water will be transported from the sea-shore to the Jordan Valley via the Israeli or Jordanian national water-pipe system.

**Note 2:**

Most of the new desalination plants in the Middle East (in the Gulf as well as in Israel) are constructed by the business sector based on a long-term supply contract with the governmental water authorities. Such a model can be applied to Palestine as well. Desalinated water in the Middle East is expected to become a kind of “commodity” that can be bought from various suppliers, like oil. Palestine can have long-term contracts with more than one supplier to fulfill its need for desalinated water.

## 4.4 Agriculture

Palestine can and must develop the Jordan Valley as the major powerhouse of its export-oriented high value-added agriculture. Its close proximity to Israel’s advanced agricultural technologies, superb

agricultural marketing expertise and channels will put Palestine (once political stability is achieved) in a position of comparative advantage with regional competitors (like Jordan or Egypt) for the lucrative Gulf markets, as well as Western and Eastern European markets. The development of agriculture in the Jordan Valley will also benefit from Israeli expertise and new technologies in the use of saline water for a wide range of crops.

The experience of flower and vegetable growing in Gaza prior to the disengagement and Gaza's takeover by Hamas is a good indication of the considerable potential in this field – potential that can be tapped by Israeli-Palestinian cooperation. The cumulative plant exports of Israeli Gaza Strip settlements alone prior to the 2005 disengagement was estimated at around US\$100 million (produced on around 10,000 dunam of greenhouses), and the export revenue of Gazan flower growers, produced on around 1,000 dunams, was around US\$ 10 million.

The huge demand for quality vegetables and flowers in the Gulf Cooperation Council (GCC) markets and in Eastern and Western European markets means that these markets could easily absorb Palestinian high-value vegetable and flower exports at a rate at least ten-times higher than that produced in Gaza before 2005 -- namely around US\$ one billion. Special attention should be given to the GCC countries, which have not only become huge markets for their own internal needs but also serve as an important international marketplace for flowers and other agricultural products. The combined advantage of Palestine's free access (as a member to GAFTA) to the GCC markets, and the quality-edge gained by close access to Israeli growing technologies, would give Palestinian growers an important comparative advantage in these markets.

Based on the growing technologies that were used in Gaza, a total growing area of around 100,000 dunam is required, most of it in the Jordan valley, and may create 150,000–200,000 new direct and indirect jobs. However, new highly intensive soil-less growing technologies that have been developed in Israel (and in some other places) in recent years, enable growers to enhance productivity up to five to ten times (per dunam of greenhouses), compared to the productivity of pre-2005

Gaza. An appropriate mix of such new technologies, “old” greenhouse growing technologies, and some open-field crops, would enable Palestine to develop a US\$ one billion per year export-oriented high-value vegetable, flower, and herb industry, on around 50,000 dunam in the Jordan Valley.

**As emphasized above, large-scale development of agriculture in the Palestinian Jordan Valley (as well as urban development) must rely on new, large sources of water which can only come from outside the Jordan Valley. The only possible sustainable source of the required quantity of water for agricultural and residential uses is desalinated water. Palestine is not unique in needing desalinated water, and desalinated water is gradually becoming a kind of “commodity” that can be bought from various suppliers. Palestine can have long-term water-supply contracts with more than one supplier for its needs of desalinated water.**

Since such large agricultural projects are highly profitable, most of the required capital investment would come from business-sector sources. The Palestinian government (helped by the donors) needs to create the necessary supporting economic environment and infrastructure.

**Moreover, a strong agricultural sector (together with equally strong agro-industrial and food industries) would finance the importation of the desalinated water that these industries would need, through long-term contracts with desalinated-water suppliers (in collaboration with the Palestinian government which would have its own long-term supply contracts for domestic and urban uses).**

The recent global phenomenon of food shortages and sky-rocketing food prices combined with the high oil prices has started a new trend that may have important implications for the development of intensive agriculture all over the Middle East, including Palestine. Gulf countries have started to invest US\$ billions in huge food-crop-production and other agricultural projects outside their own territories (in addition to enhanced investments in their own local agricultural sectors). The purpose of these investments is: (1) to secure their own food supply in case of real physical shortage in world food markets; and (2) to play an important role in what they view as a good business opportunity for

the long-term.

The development of the Palestinian Jordan Valley can benefit from this new trend. One such large intensive agricultural project of, say, 5,000 dunam, can serve as a cornerstone for the agricultural development of this region. A project of this size, based on advanced controlled-environment greenhouse growing technologies (mostly soil-less) can produce around 150,000 tons per year of high-value vegetables, and can generate annual sales of around US\$ 250-300 million.

## 4.5 Industry

Taking into consideration the agricultural nature of the Jordan Valley, its industrial development should concentrate on food processing and other agriculture-related industries.

A modern Jordan Valley-based food industry would face four promising markets:

- First, the local Palestinian market. Once political stability is restored, presently-suppressed local Palestinian demand for food-products is expected to grow at exceptionally high rates. Then, the challenge for the Palestinian food industry would be to effectively implement a policy of import substitution, compete with imports from foreign suppliers and from Israel, and further enlarge its present market share of around 50%.
- Second, the Israeli market. Cooperation with the Israeli industry would enable Palestinian industrialists to use Israeli technological and logistical advantages in the development of advanced food industries in Palestine. Such cooperation would enable Palestinian producers to re-enter the Israeli market through the marketing channels of their Israeli partners. Cooperation in production would help Israeli producers to lower production costs and enhance their competitive position in the Israeli local market against foreign suppliers. Under conditions of a healthy, stable economic recovery, the Palestinian market is projected to generate new annual sales potential of around US\$ 2 billion for Palestinian

(and joint Palestinian-Israeli) food products in a ten-year period of economic recovery. The local Israeli market may generate equivalent export and import substitution benefits of around US\$ 0.5-1 billion for Palestinian and joint food industry products.

- Third, US and European markets. Palestinian food-product producers would also benefit through using Israeli marketing channels in US and European markets, while Israeli companies would improve their competitive position in these markets through cooperation with Palestine in labor intensive production activities.
- Last, but certainly not least, the GCC and other Arab markets. Arab Gulf markets have developed an enormous demand for high-quality food products. Palestinian access to the advanced Israeli food industry and its strong marketing abilities would enable Palestinian suppliers to bring advanced, premium products at competitive prices to these markets. Palestinian food producers would also take advantage of the Palestinian membership in GAFTA and the proximity of production sites in Palestine to the Gulf markets, which will save in transportation costs and further enhance the comparative advantage of Palestinian products.

Besides the food industry, large-scale urban development would enrich the workforce of the Jordan Valley with a young educated population, and enable the development of new, diversified, modern industries.

With appropriate incentives, the new urban centers of the Jordan Valley can develop into flourishing centers of various knowledge-industries: software, renewable energy industries, etc. Here again, the immediate access to Israel may serve as an important advantage.

Industries based on the extraction of Dead Sea minerals can also be an opportunity for investment in this region. Cosmetics made from Dead Sea minerals are very competitive in many international markets; we could build on such success stories in this area. In addition, specialized packaging industries could be located in the area, where export-specific packaging or organic-packaging industries are potential industrial investment opportunities.

## 4.6 Transportation and Logistics

The Jordan Valley functions as a west–east corridor from the Mediterranean Sea, Israel and Palestine to Jordan and the eastern Arab world.

The current movement of goods through the Allenby Crossing is between 800-950 truck-loads per month (2005-2007 data). One should note, however, that current movement reflects only a fraction of the potential movement of goods through Palestinian-Jordanian border crossings under “normal” trading conditions. The monthly movement through the Israeli-Jordanian border crossing in Sheikh Hussein, for example, is three times that of Allenby; and the average monthly movement between Israel and the Gaza Strip in 2001-2003 was 12-15 times the 800-950 per month passing through Allenby Crossing.<sup>15</sup> Under “normal” trading conditions, west–east transit trade (from the Mediterranean to Jordan, Iraq and the Gulf) would generate movement much larger than the relatively small figures mentioned above.

One of the cornerstones of the Jordan Valley regional logistic-support infrastructure could be a large-scale land port near the east-bound Palestinian border crossing, namely in the area of Jericho. Such a large transportation and logistical project will create far-reaching indirect business activity and employment and serve as an additional focal point for the development of the Palestinian Jordan Valley.

A major facet of the economic development of the Palestinian Jordan Valley would be the upgrading of west–east transportation linkages, including a second major passage (besides the Allenby/King Hussein Border Crossing) that would specialize in agricultural and agriculture-related goods. This crossing, which could be located in Damia, would serve the regions’ agri-business trade that was headed for the east.

As Palestinian agriculture advances in its recovery and development along the path portrayed above, it will need professional, high-quality supportive services. Such services include, inter alia: grading and packaging facilities; various technical services; field-extension and

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15 Israel Airport Authority, Land Border-Crossing Statistics

support services; cold-storage and other cooling chain facilities; other designated logistical facilities for fresh agricultural products; warehouses for supply of agricultural mass-consumption inputs (i.e. fertilizers and pesticides); etc.

## 4.7 Tourism

The Jordan River is one of the most outstanding symbols of the “Holy Land” and is in the minds and hearts of hundreds of millions of people all over the Christian world. The wealth of historical and religious sites along both sides of the Jordan Valley, and the additional natural and recreational attractions in the Dead Sea area, would enable tour organizers to offer attractive “Jordan Valley tour packages” to all kinds of tourists: those seeking a religious experience, those looking to visit historical and natural sites, those who want relaxation and entertainment, and various special-interest tourists. The unique ecologically diverse habitats of the Jordan Rift Valley (down to the Gulf of Aqaba), for example, could attract large numbers of eco-tourists. Once revived as a welcoming area for tourism, the Jordan Valley has the potential to become a major point on the international tourism map, attracting millions of tourists per year.

Moreover, the Jordan Valley has great potential for internal and regional tourism. The Israeli domestic-tourism market is very large. Domestic hotel use in 2006 was around 12 million hotel nights per annum; in comparison, the total number of nights spent by the 9 million tourists who visited Egypt in 2006 was 90 million, only 7.5 times greater than the Israeli domestic market. The number of Israeli Arabs who travel to Amman for vacations numbers in the hundreds of thousands per year. The untapped potential of the domestic Palestinian market is quite large as well. During certain days of Ramadan, for example, Jerusalem hosts hundreds of thousands of Muslim visitors.

Regional tourism, mainly from the GCC and Jordan, presents equally large potential. Jericho is only a half-hour drive from Amman and is even closer to the major Jordanian tourism and recreation centers on the northeastern shores of the Dead Sea. Once it re-positions itself as a

welcoming site for tourism and recreation, Jericho area can attract many of the millions of Arab tourists who come to Amman for vacations or business trips, as well as many of the four million residents of the Amman-Zarqa area. The area can become a magnet for day-trippers who seek recreation as well as for longer, several-night tours by Arab and Muslim tourists combining vacations with trips to Jerusalem, for example. The northwest shore of the Dead Sea has equal potential for tourism development.

**The development of tourism in the Palestinian Jordan Valley, according to the above outline, would be possible only as part of coordinated or joint Palestinian–Israeli–Jordanian plan. The restoration and revival of the Jordan River and the overall eco-system of the Jordan Valley must be a cornerstone of any such plan.**

One should note, in this regard, that the ecological situation of the Lower Jordan River has become critical as a result of excessive water diversion, capture of winter flood water, and excessive discharge of untreated sewage water into the river. According to various researches and to ecological surveys, without an immediate, coordinated ecological rehabilitation initiative, the damage may be irreversible.<sup>16</sup> In addition, all the three parties should work on the rehabilitation and development of historical and other sites in their respective parts of the Jordan Valley.

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16 See for example Friends of Earth Middle East's comprehensive document "Crossing the Jordan," March 2005, in <http://www.foeme.org>.

## 5. Cross-Sector Issues

A comprehensive strategy or master plan for the development of the Jordan Valley must attend to certain critical cross-sector issues, in addition to the sectoral issues discussed above.

### 5.1 Industrial and Agro-Industrial Parks

Agro-industrial parks may offer a practical means for relatively quick development of agri-business, food processing industries, supporting services, etc., through the provision of an inviting business environment and proper infrastructure for Palestinian, Israeli, Arab, and foreign investors.

The first model-project of this kind is the Japanese-promoted Agro-Industrial Park near Jericho. Based on the feasibility study prepared for this project, the following target-industries were identified: Agriculture, Agro-industries, Food Processing, and Pharmaceutical. The Master Plan for Phase 1 of the Park envisaged:

1. a production area hosting around 50 factories and enterprises;
2. a modern logistics area, including cargo terminal, cold storage, bonded warehouse, and packaging center;
3. an R&D area hosting advanced R&D facilities;
4. a business and commercial area (business-support services);
5. a large housing area; and
6. a green park / green belt around the park. The total area planned for Phase 1 was 500 dunam, and an additional 500 dunam for future development.<sup>17</sup>

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17 JICA, Feasibility Study on Agro Industrial Park in the Jordan River Rift Valley (September 2007).

## 5.2 Free Zones and Special Economic Zones

Based on the excellent experience of establishing free zones, special industrial zones, and special economic zones as focal points for export-oriented economic development in Jordan and in the Gulf, we highly recommend promoting a Palestinian version of such arrangements as a significant means of economic development, especially near Palestine's major border-crossings.

The concept of free zones is stipulated in the Palestinian Industrial Estates and Free Zones Authority (PIEFZA) law, but it has not yet been realized. In the Jordan Valley, the most appropriate location for a major free zone is near Jericho adjacent to the Allenby Bridge, the main crossing point into Jordan. The plans for a Jericho Free Trade Zone may be combined or coordinated with those for the land port mentioned above, which may enable the free trade zone to develop into an important logistical, storage and trading center for the transit-trade between the Mediterranean and the eastern Arab world (Jordan, Iraq and the GCC markets).

## 5.3 “Soft” Investment-Support and Export-Promotion Programs

The PNA has had an Investment Promotion Law since 1998, and has established an autonomous agency for its implementation. The PNA also has free trade agreements or equivalent arrangements with the EU, EFTA, the United States, Canada and Turkey, and, most importantly, Palestine is a member of the Greater Arab Free Trade Area (GAFTA).

Practical, concrete arrangements need to be planned and implemented in order to take advantage of these agreements for the promotion of Palestinian agricultural, agro-industrial, and industrial exports, perhaps in combination with certain tailor-made investment-promotion and trade-promotion programs that would target specific sectors or geographical areas like the Jordan Valley (bilateral with US, EU, Arab and other donors or trilateral, including Israel and Jordan).

A critical element of such a “soft” investment and business promotion

package must be a comprehensive, generous political-risk guarantee/ insurance program that would protect potential investors and businesses against the political risks of Palestine's business environment. Current programs like the revised MIGA program may serve as starting points for such a comprehensive program.

## 6. Summary and Recommendations

### 6.1 The Importance of Developing the Jordan Valley as a Whole

Most of the major components of Jordan Valley development, as described above, require cooperation between Palestine and Israel, and many of them require trilateral cooperation between Palestine, Israel and Jordan. These major components include, among others:

- Water management and development.
- Ecological rehabilitation and development (most importantly, rehabilitation of the Jordan River).
- Logistics and transportation.
- Free trade zones and special economic and trade arrangements.
- Electricity, wastewater treatment, and other basic infrastructure.
- Rehabilitation and development of tourism infrastructure, major sites and attractions, etc.

In light of the mutual dependencies and interrelations of the major issues mentioned above, large-scale development of the Jordan Valley must be both viewed and planned as a closely-coordinated project of the three parties of Palestine, Israel, and Jordan.

A critical part of such coordination must be the easing of security and administrative Israeli restrictions on Palestinian free movement and economic activities in the Jordan Valley. The Palestinian Jordan Valley must be gradually transformed from its present state as a half-empty, military-controlled border-zone into a thriving, economically-active and densely populated “peace-border” area of fast-growing economic and civilian importance.

## 6.2 Recommendations

In light of the “heavyweight” nature of the issues which need to be tackled in order to enable any real progress towards large-scale development of the Palestinian Jordan Valley, our first recommendation to the Donor Community is to start a process of preparing:

7. A Conceptual Plan for the Development of the Jordan Valley Region as a whole (including the Jordanian and Israeli areas).
8. A more detailed Master Plan for the Development of the Palestinian Jordan Valley that includes the required Donor-support envelope of financial, technical and political support; the role of Arab parties (mainly the GCC countries); business-sector involvement; the requirements from Israel and the role of the PNA; etc.

Since most of the Palestinian Jordan Valley is currently Area C, where any development activity needs to be approved by the Israeli side, which is very difficult to obtain in most cases such a master plan needs to be discussed and negotiated with the Israeli side so as to reach a gradual, stage-by-stage approach that will positively influence the advancement of political solutions.

In light of the core value of partnership evident in the Euro-Mediterranean partnership, the EU could play a major role in fostering joint regional development projects in the Jordan Valley area, and could ensure appropriate planning and implementation of the Palestinian Jordan Valley master plan.

In order to avoid the political and other sensitivities which will certainly greatly delay the start of any formal work on such projects, we recommend that the initial steps of the work be done either as informal papers under the umbrella of non official entities (like the Aix Group) or under the umbrella of the trilateral “Peace Corridor” initiative.

Parallel to the preparation of the Conceptual and Master Plans, we recommend the immediate advancement of certain initiatives that can be promoted as stand-alone projects:

- Analyze the lessons learned from the outcome of the pre-feasibility study on the Japanese-promoted agro-industrial park near Jericho. Prominent Palestinian and Israeli business-sector representatives have already experienced serious interest in the park provided that specific required conditions in the area are met. The park has a good chance to function as an important anchor for business development in the southern Jordan Valley area.
- Undertake agricultural and agro-industrial projects that have been prioritized by representatives of the Palestinian and Israeli business-sectors. Such projects include advanced vegetable-growing projects, fish-growing projects, an organic farm in the northern part of the Palestinian Jordan Valley, and a large-scale export-oriented dairy in the area of Jericho.
- A pre-feasibility study on water desalination solutions for the urban and agricultural needs of Palestine in general, and the Palestinian Jordan Valley in particular. The starting point for the pre-feasibility study is that the water situation in Palestine is equivalent to that in the Gulf countries, which rely on desalinated water as the primary source of drinking water and increasingly also for agriculture.

## Annexes

### Annex A: The Current Situation in the Jordan Valley: A More Detailed Presentation of Certain Predominant Aspects

#### Annex A-1: Jordan Valley Closure Regime<sup>18</sup>

Palestinian access to the Jordan Valley deteriorated sharply from 2005 to 2007, as increased restrictions were imposed by Israeli authorities. Access has improved since April 2007 although checkpoints and roads reserved primarily for Israeli use continue to restrict Palestinian movement.

With respect to Palestinian access to and from the Jordan Valley area (including Jericho), no significant change occurred in the past few years, with the exception of access to the Dead Sea, where some improvement was observed. Access to the northern Jordan Valley (north of Jericho) from the rest of the West Bank continued to be controlled via four Israeli Defense Forces (IDF) staffed checkpoints: Tayasir, Hamra, Ma'ale Efrayim and Yitav. With the exception of residents of the Jordan Valley, Palestinians were only allowed to enter the Jordan Valley through two of the four checkpoints (Hamra and Tayasir) and only on foot. Palestinian public transportation was permitted to pass through these two checkpoints but the passengers were required to cross on foot via the pedestrian lanes, and long pedestrian queues are regularly reported at the checkpoints.

During this period, all Palestinians were allowed to access Jericho via the DCO and Yitav checkpoints, however, residents of the four northern

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18 This information comes from THE HUMANITARIAN IMPACT ON PALESTINIANS OF ISRAELI SETTLEMENTS AND OTHER INFRASTRUCTURE IN THE WEST BANK, United Nations - Office for the Coordination of Humanitarian Affairs (OCHA), July 2007.

districts of Jenin, Tulkarem, Qalqilya, and Nablus were prevented from leaving Jericho city through the DCO checkpoint; these city's residents can only travel on the narrow and winding Al Mu'arrajat road to reach the rest of the West Bank. Al Mu'arrajat road was recently closed for renovation and all traffic has been rerouted to the DCO..

In March 2008, the IDF announced the "removal" of the At Tayba partial checkpoint (also known as Rimmonim) which controls access from most West Bank areas to the Yitav checkpoint leading to the Jericho area. In reality, only some of the physical infrastructure was removed and the checkpoint continued to function as usual, i.e. it was only staffed part-time and occasional spot checks of travelers were performed.

Access to the Dead Sea continued to be controlled by a staffed checkpoint located on Road 1. Since January 2008, this checkpoint has ceased to be permanently staffed and has turned into a partial checkpoint, allowing Palestinians occasional access to the Dead Sea. The checkpoint is only staffed on weekends, during Israeli holidays, and sporadically during the week. On these occasions, the IDF prevents all Palestinians from crossing to the Dead Sea, with the exception of Jerusalem ID holders and those holding special permits.

## Annex A-2: Settlements and Access to Agricultural Land<sup>19</sup>

Since the start of the Israeli occupation of the West Bank in 1967, Israel has perceived the Jordan Valley as having strategic importance for its security. The first settlements in the West Bank were established in the Jordan Valley as early as 1968. 17 settlements were established by 1977; by 2005, the number stood at 32.

By 2004, the settler population had risen to 7,380. Although the population is quite small, most settlers in the Jordan Valley are farmers who cultivate large land areas. In certain areas of the West Bank and particularly in the Jordan Valley, settlements and outposts rely on agriculture; many of them cultivate land outside the outer limits of the settlement. This additional land, also under settler control, covers a further 10,122 hectares of West Bank land. Cultivating agricultural land outside of a settlement's outer limits increases settler control over an area and prevents Palestinian access and use. Cultivation of this land by settlers in the Jordan Valley threatens the viability of the area for local Palestinian communities and farmers, especially when combined with the additional Israeli presence in the form of "closed military areas" along this eastern strip of the West Bank.

For Palestinians, the Jordan Valley is an integral part of the West Bank. An estimated 53,000 Palestinians live in the Jordan Valley (including the population of Jericho) with an economy based primarily on agriculture. Much of the Jordan Valley has been declared closed military areas/fire zones and/or nature reserves by the Government of Israel (GoI). This has significantly limited the land available for Palestinian farming and herding communities which are squeezed by Israeli settler infrastructure on the one hand and areas that are off-limits to them on the other.

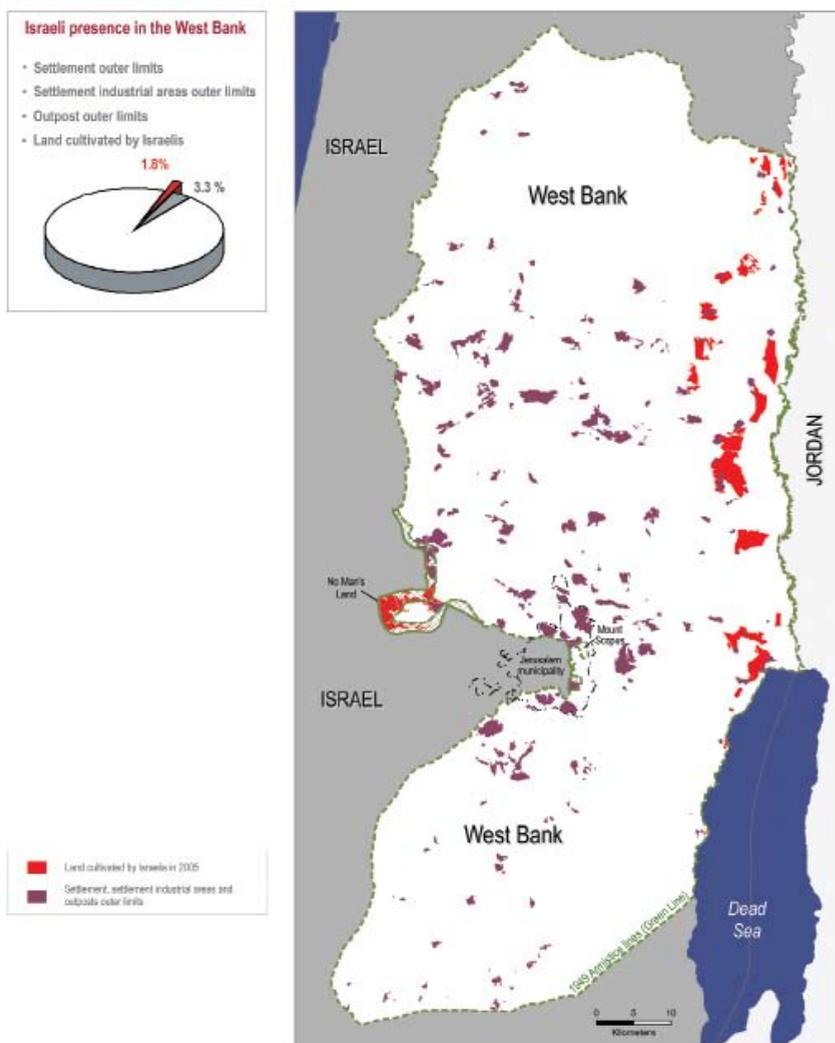
Five Palestinian communities (Al Farisiya, Al Malih, Khirbet as Ras al Ahmar, Khirbet Humsa and Al Hadidiya) are located within Israeli-declared closed military area. Palestinian farmers caught grazing their livestock on the lands traditionally used by these villages now face the

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19 THE HUMANITARIAN IMPACT ON PALESTINIANS OF ISRAELI SETTLEMENTS AND OTHER INFRASTRUCTURE IN THE WEST BANK, United Nations - Office for the Coordination of Humanitarian Affairs (OCHA), July 2007.

risk of having their animals seized, their identification cards temporarily confiscated, being fined and even being arrested.

## Map 1: Israeli Land Cultivation in 2005



Source: THE HUMANITARIAN IMPACT ON PALESTINIANS OF ISRAELI SETTLEMENTS AND OTHER INFRASTRUCTURE IN THE WEST BANK, United Nations - Office for the Coordination of Humanitarian Affairs (OCHA), July 2007.

### Annex A-3: A Case Study: Al Jiftlik Village, Development Inhibited

The village of Al Jiftlik is an example of what development of local areas within the Jordan Valley means under the continuous occupation of the area. Al Jiftlik has a population of approximately 5,500 Palestinians. It is located in the northern Jordan Valley (at the junction of Roads 90 and 57) and is surrounded by fertile land on which villagers have traditionally depended for growing crops and grazing animals.

Today, as the two maps on the following pages illustrate, the village is surrounded on all sides and fragmented by settlements, military bases, closed military areas, nature reserves, roads primarily for Israeli use and checkpoints. The two closest settlements, Argaman (established 1969) and Massu'a (1970) are home to 166 and 140 Israelis respectively who cultivate extensive areas of land beyond the settlements' outer limits.

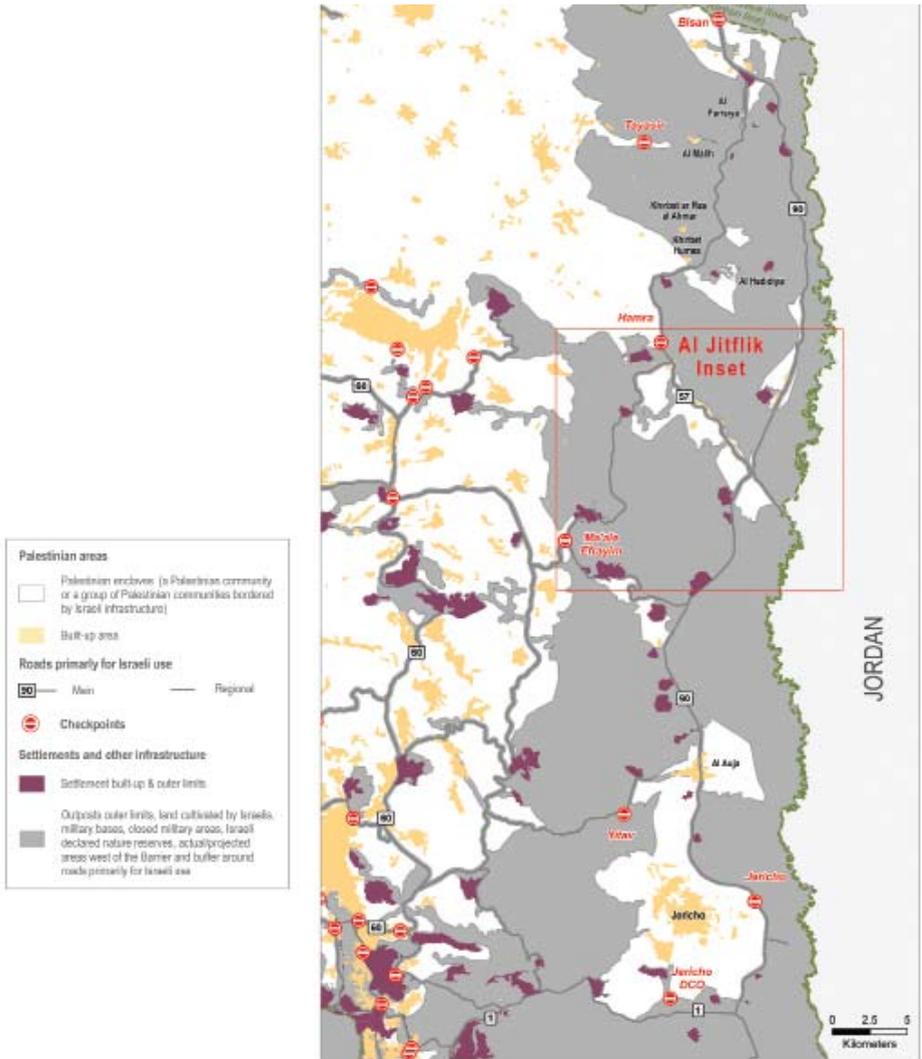
Al Jiftlik's livestock farmers now have limited areas on which to graze their animals. Traditionally, livestock have grazed and watered in the hills surrounding the village. However, because land has been confiscated for settlements and military bases and because most of the remaining land lies in closed military areas, grazing land is scarce and many natural springs cannot be reached. As a result, most livestock farmers are forced to buy expensive fodder. Furthermore, those farmers who continue to raise livestock and grow crops face delays at checkpoints and longer journey times to reach local markets such as those in Tubas and Tammoun. Perishable produce, such as meat and dairy products, risks spoiling before reaching market.

Al Jiftlik is located in Israeli-controlled Area C. New construction can only legally take place on the basis of an Israeli permit. These are extremely difficult to obtain. Only limited construction in the village has been approved by the Israeli authorities since 1967, resulting in overcrowding. Buildings constructed without a permit risk being demolished by the IDF. Throughout 2005 and 2006, a total of 24 Palestinian structures were demolished in Al Jiftlik. On 23 January 2007, the IDF demolished five shelters, displacing 32 Palestinians, including 17 children.

The approval in 2006 of an Al Jiftlik "master plan" by the Israeli authorities was a positive development. However, the area the master plan covers is too small; it leaves approximately 2,000 residents, or about 40% of the population, outside of the approved urban area. After appropriate permits are granted, new houses can be built within the master plan area. However, houses built after 1967 outside the perimeter of the plan are considered illegal and face the continued threat of demolition. As previously mentioned, most of the Jordan Valley is Area C, and only a few Palestinian towns and villages are located in Areas A and B. Consequently, no real development is going to be possible without: (1) a concrete master plan prepared by the Palestinian side for the whole Jordan Valley area; and (2) staying on top of the negotiations agenda with the Israeli side in the short, medium and long terms.

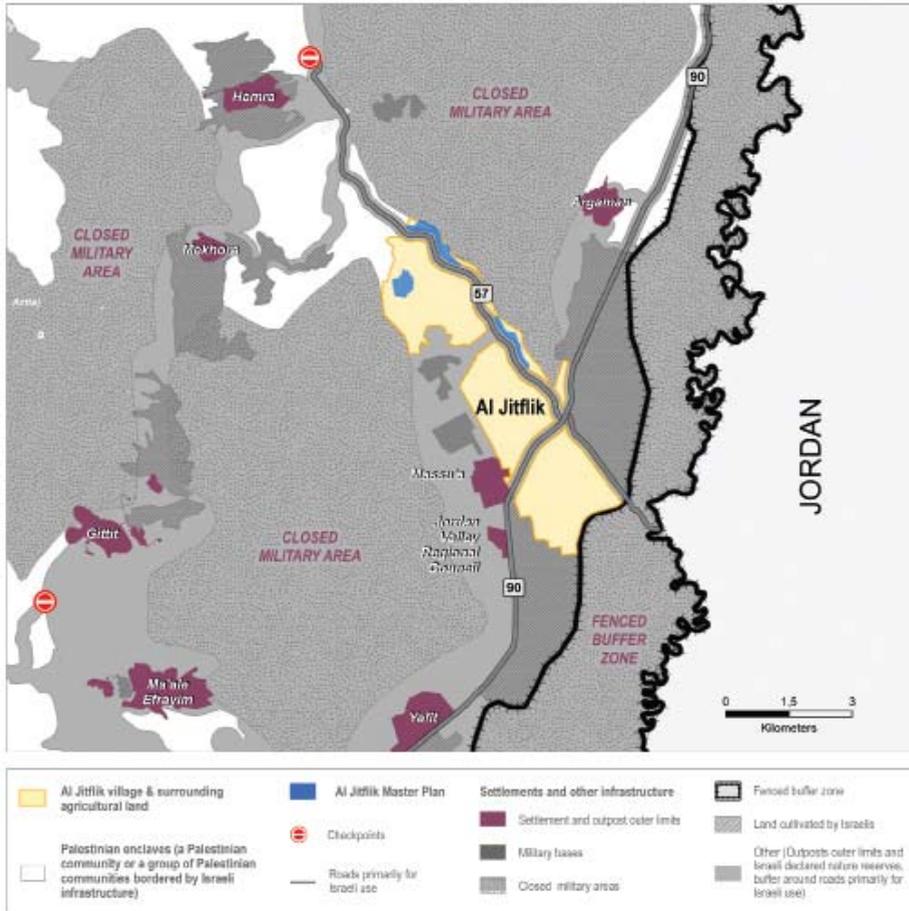
Only 25% of Al Jiftlik residents are currently connected to an electricity network, and the water network is in need of repair. The newly approved master plan will include electricity and water connection but only for residents within its borders. In contrast, the nearby settlements of Mekhora, Argaman and Massu'a enjoy electricity, running water and sophisticated irrigation systems.

Map 2: Location of Al Jiftlik village



Source: THE HUMANITARIAN IMPACT ON PALESTINIANS OF ISRAELI SETTLEMENTS AND OTHER INFRASTRUCTURE IN THE WEST BANK, United Nations - Office for the Coordination of Humanitarian Affairs (OCHA), July 2007.

Map 3: Al Jiftlik, a Village Encircled by Israeli Infrastructure



Source: THE HUMANITARIAN IMPACT ON PALESTINIANS OF ISRAELI SETTLEMENTS AND OTHER INFRASTRUCTURE IN THE WEST BANK, United Nations - Office for the Coordination of Humanitarian Affairs (OCHA), July 2007.

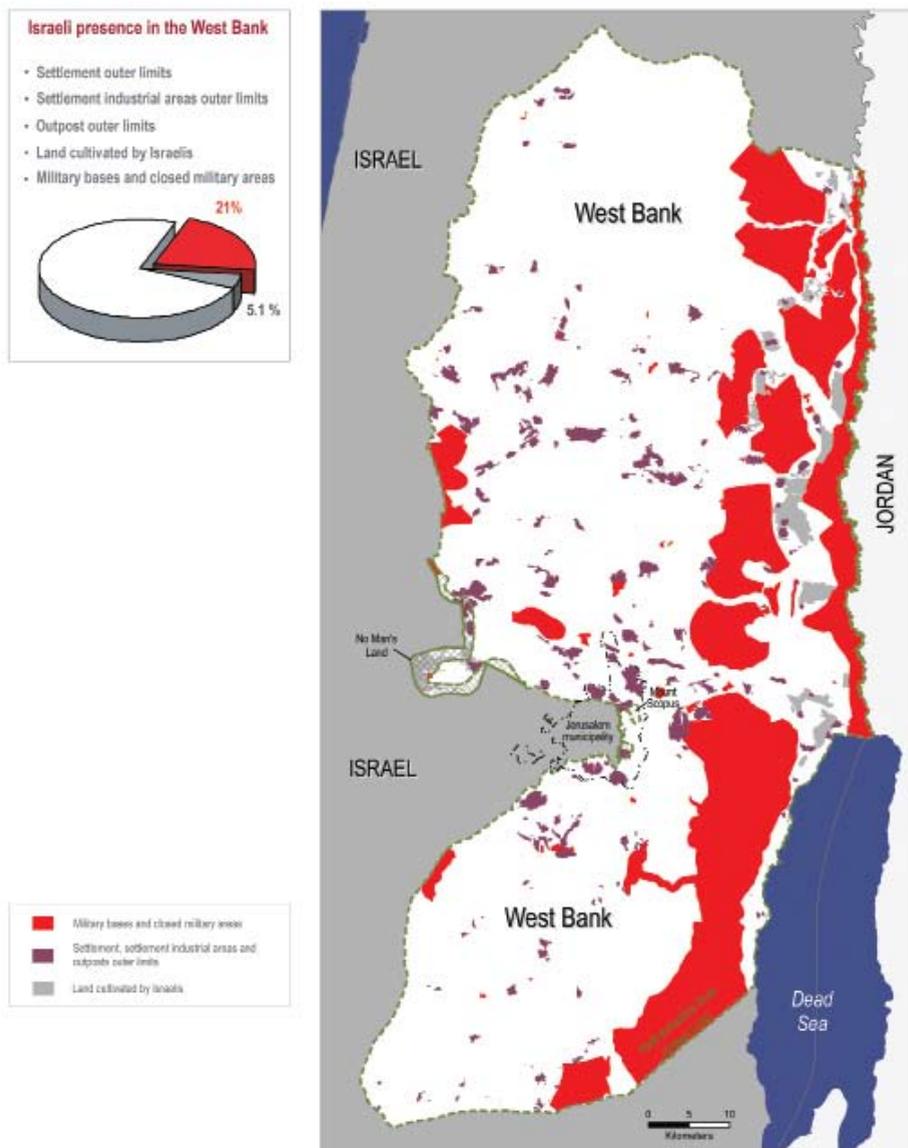
## Annex A-4: Military Infrastructure

The IDF operates 48 military bases in the West Bank, including East Jerusalem, controlling approximately 1,919 hectares of land where Palestinian access is prohibited. Fourteen IDF bases are located in the Jordan Valley.

However, the presence of these military bases does not convey the full extent of West Bank land controlled for military purposes. More than one-fifth of the West Bank is designated as closed military areas/ fire zones, including a fenced area along the border with Jordan. These areas effectively limit access and use by Palestinians of 115,034 hectares of land, unless they have prior permission from the IDF or settlement regional councils. The vast majority of these no-go areas are located in the eastern strip of the West Bank, including most of the Jordan Valley. While settlements are not located within these areas, they are located around and between them. The military areas act as a physical division between the settler population and local Palestinian communities.

Land that had earlier been declared closed for military purposes has, in some cases, been requisitioned later for settlements. Beqa'ot settlement in the northern Jordan Valley and Kiryat Arba near Hebron are such examples. Within the Jordan Valley, there are eight "Nahal" or dual military/civilian settlements; population data on the number of resident Israeli civilians in these settlements is unavailable.

### Map 4: Closed Military Areas



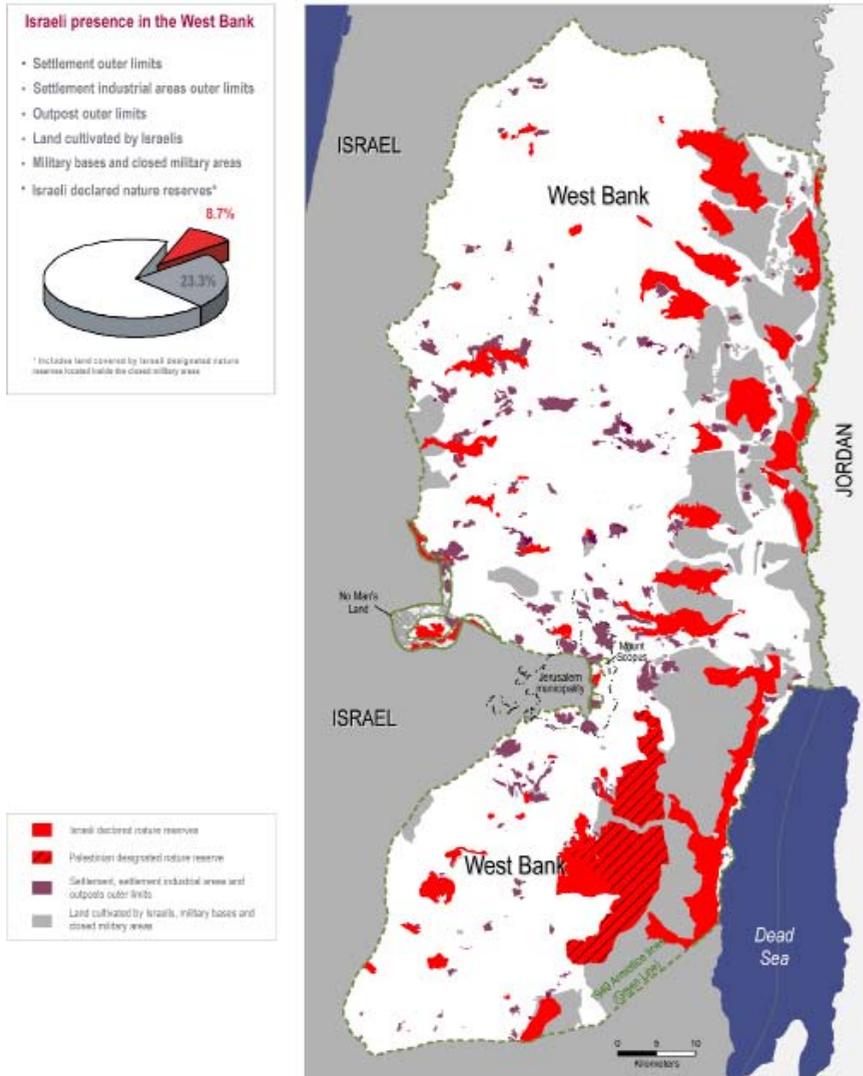
Source: THE HUMANITARIAN IMPACT ON PALESTINIANS OF ISRAELI SETTLEMENTS AND OTHER INFRASTRUCTURE IN THE WEST BANK, United Nations - Office for the Coordination of Humanitarian Affairs (OCHA), July 2007.

## Annex A-5: Nature Reserves

Israel has declared 49,348 hectares of West Bank land to be nature reserves. Under the 1998 Wye River Memorandum, the GoI and Palestine Liberation Organization (PLO) agreed to set aside a further 16,665 hectares of West Bank land as Green Area/Nature reserves. With the exception of the Wye River Memorandum, all nature reserves in the West Bank are under Israeli civil and security control (within Area C under the Oslo Accords) and the majority are located along the eastern strip of the West Bank.

As illustrated in the following map, more than 30% of the area defined by Israel as nature reserves overlaps with closed military areas which Palestinians are forbidden to enter. The declaration of land as a nature reserve severely restricts all other use and all development is forbidden. Palestinian shepherds and farmers caught crossing through Israeli-controlled nature reserves risk being fined for trespassing by the Israeli authorities.

## Map 5: Nature Reserves



Source: THE HUMANITARIAN IMPACT ON PALESTINIANS OF ISRAELI SETTLEMENTS AND OTHER INFRASTRUCTURE IN THE WEST BANK, United Nations - Office for the Coordination of Humanitarian Affairs (OCHA), July 2007.

## Annex A-6: Water Supply<sup>20</sup>

Water scarcity is a major concern in the West Bank where access to and control over water resources is a constant struggle. Under international law, a significant part of the water sources that Israel uses to meet its needs, including those of the settlements, should be shared equitably and reasonably by Israelis and Palestinians.

Israeli per capita water consumption is over five times higher than that of West Bank Palestinians (350 liters per person per day in Israel compared to 60 liters per person per day in the West Bank, excluding East Jerusalem). West Bank Palestinian water consumption is 40 liters less than the minimum global standards set by the World Health Organization (WHO). Under the Oslo Agreement, nearly six times more aquifer water was allocated for Israeli use. For example, of the 362 million cubic meters (mcm) of water pumped from the Western Aquifer that lies beneath Israel and the West Bank, 22 mcm is for Palestinian use while 340 mcm is for Israeli use.

Israel's agricultural settlements in the West Bank, in particular in the Jordan Valley, are large consumers of water. A 1993 report by Peace Now found that, per capita, irrigated settler areas were 13 times larger than the areas accorded to Palestinians.

Mekorot, the Israeli Water Company, which sells water to Palestinian towns and public bodies, supplies an estimated 54% of all water to Palestinians in the West Bank. However, during times of shortage, such as in the summer months, the company prioritizes settlements over Palestinian communities, often leaving Palestinian communities with a shortfall.

With the exception of agriculture, the total domestic and industrial water supply in the West Bank in 2002 was estimated to be 62.8 mcm. In general, urban areas have access to Palestinian water resources, and small villages depend on the Israeli wells managed by Mekorot.

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20 Feasibility Study on Agro-industrial Park Development in the Jordan River Rift Valley (Phase I), JAPAN INTERNATIONAL COOPERATION AGENCY, KRI INTERNATIONAL CORP. NIPPON KOEI CO., LTD. Main Report, September 2007.

Currently, the main water supply source in the Jericho area is Ein-El Sultan spring with its capacity of 650 m<sup>3</sup>/hour or 15,600 m<sup>3</sup>/day, which barely meets the total domestic water demand in the area. Given this situation, another water source needs to be developed to supply sufficient water to meet the needs of agriculture, industry and urban development. Further water resources should be considered or developed. Wadi Qilt, located five to six kilometers to the west of the southern part of Jericho city, is one of the most probable water sources. Its potential capacity is estimated to be 759 m<sup>3</sup>/hour or some 18,000 m<sup>3</sup>/day. No detailed data are available, however, on actual consumption for agricultural use in the surrounding area.

Communities		Resource	Network	Population	Consumption (m <sup>3</sup> /yr)	Per capita (lped) <sup>*1</sup>
Jericho	'Ein el Sultan Camp	Spring	O	1,916		207
	Jericho	Spring	O	19,213		
	Al Jiftlik	Mekorot		4,141	63,860	71
	Fasayil	Mekorot		847	34,150	110
	Al 'Auja	Mekorot		3,774	111,530	84
	Al Nuwei'ma	Mekorot		1,096	32	0
	Aqbat Jabor Camp	Mekorot		5,970	340,710	156
	'Ein ad Duyuk al Foqa	Sspring	O	766	50,000	82
	'Ein al Duyuk al Tahta	Spring	O	910		
	Al Nabi Musa	Mekorot		54		20
	Total				38,687	

Source: Water Supply for Domestic and Industrial, PWA, 2003 \*1: Including water losses.

The existing water network consists of main lines with a length of 45km and individual connection lines to households with a length of 45km. As mentioned above, the main water resource is Ein–El Sultan spring with a capacity of 650 m<sup>3</sup>/hour.

Based on the agreement between farmers and the Jericho Municipality, 42% of water is currently designated for household use (including other civil facilities) and 58% for irrigation. The water quality is good for drinking purposes, but is subjected to a potential risk of pollution by seepage of untreated wastewater.

The current balance between water supply and demand in the urban area of Jericho City shows that the supply barely meets the demand,

even when Well No.1, which will be rehabilitated soon, is included in the calculations.

Domestic Water Supply (Jericho Urban Area)					
Spring/Well		Water Rights	Supply/hour	Supply/day	Supply/year
			m <sup>3</sup>	m <sup>3</sup>	MCM
Ein El Sultan	Total		650	15,600	5.69
	1) Agricultural	58.0%		9,048	3.3
	2) Domestic	42.0%		6,552	2.39
Well No. 1 *To be Rehabilitated			70	1,680	0.61
Total *Including Well No. 1	0		70	8232	3.00

Domestic Water Demand (Jericho Urban Area)					
	Population	Demand/day/ capita	Demand/day	Demand/day	Demand/year
	(2005)	liters	liters	m <sup>3</sup>	MCM
Total	42,268	350	13,170,000	13,170	4.81
Urban	19,783	350	6,924,050	6,924	2.53
Rural	14,366	350	5,028,100	5,028	1.84
Camps	8,119	150	1,217,850	1,218	0.44
Urban+Camps	27,902			8,142	2.97

$$\text{BALANCE} = (\text{SUPPLY}) - (\text{DEMAND}) = 0.03$$

Data Source: JICA Study Team for the Feasibility Study on Water Resources Development and Management in the Jordan River Rift Valley.

Calculation: JICA Study Team for the Feasibility Study on Agro-industrial Park Development In the Jordan River Rift Valley (Phase I).

Apart from these resources, there are three springs in the northwest of Jericho City: Dyuk, Nuimeh, and upper Wadi Qilt. Currently, these springs mainly provide water for irrigation.

## Annex A-7: Infrastructure<sup>21</sup>

### Electricity Supply

The power supply in the Jordan Valley is currently unstable due to the insufficient capacity of the facilities. The PNA is trying to increase the supply capacity in order to provide stability. What follows below is the relevant information about the power supply in the West Bank and its improvements.

There are currently two transformer stations in the southern part of Jericho City. One is located near the intersection of Route 1 and the regional trunk Road No. 449, and provides the Jericho city center with a capacity of 15 MW. The other is located close to the Inter Continental Hotel along Road No.449; it has a capacity of 10 MW.

At present, Jordan, Egypt, Syria and Libya are electrically interconnected. This interconnectivity provides a power supply estimated at 300 MW. Palestine, currently an observer of this program, was supposed to be a full member by the end of 2007. This electrical interconnection project will positively impact the West Bank by increasing the capacity of the power supply. The feasibility study of this project was supposed to be finalized by the end of February 2008.

Interconnection with Jordan: According to the Jerusalem District Electric Company (JDECO), the PNA and Jordan have agreed to connect the Palestinian power grid to the Jordanian grid with a 33kV transmission line through King Abdullah Bridge. The capacity will be 20MW. A transformer substation was constructed in the south of the Jericho City and connected to the existing network.

### Wastewater Collection/ Treatment

There is no wastewater collection system at present in Jericho City. All sewage from residential and public buildings in the area is drained to cesspits. According to Jericho Municipality, a feasibility study was done

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21 Feasibility Study on Agro-industrial Park Development in the Jordan River Rift Valley (Phase I), JAPAN INTERNATIONAL COOPERATION AGENCY, KRI INTERNATIONAL CORP. NIPPON KOEI CO., LTD. Main Report, September 2007.

and drawings and tender documents were prepared for a sewage system in Jericho City in 1999. However, it has not yet been implemented because of a lack of funds.

The sewage network plan for Jericho City consists of the following components:

- a. Sewerage Collector Pipelines (approximately 45 km)
- b. Irrigation Pipeline Network (approximately 15 km)
- c. Sewerage Treatment Plant, Building Structure
- d. Sewerage Treatment Plant, Electro-mechanical Components

### Solid Waste Collection

The Joint Council for Services, Planning and Development (JCspd) is an official organization established in 2005 to provide solid waste management in the Jordan River Rift Valley (JRRV). JCspd began operations in January 2007. Its service area covers 17 Local Authorities (LA) that are located in JRRV. JCspd collects waste on a daily basis (except for Fridays) and use four landfills: Jericho, Ojah, Tubas and Tovlan. JCspd has agreements with the Jericho municipality and the Ojah Council that enable it to use dumping sites in Jericho and Ojah.

## Annex B: Tables

Number of Establishments in Operation in the Private Sector, Non Governmental Organizations Sector and Governmental Companies in the Remaining West Bank by Main Economic Activity and Employment Size Group, 2007

ISIC	Economic Activity	مجموعات حجم العمالة Employment Size Group						المجموع Total	النشاط الاقتصادي	رمز القطاع
		+100	99-50	49-20	19-10	9-5	4-1			
A	Agriculture ( farming of cattle & other animals )	0	0	2	26	309	5,503	5,900	تربية (تربية الماشية والمواليد الأخرى)	أ
C	Mining & quarrying	0	2	8	28	121	139	298	التعدين واستغلال الحجر	ب
D	Manufacturing	21	33	245	650	1,662	9,200	11,811	الصناعة التحويلية	د
E	Electricity and water supply	3	1	3	5	9	191	212	إمدادات الكهرباء - وقود	هـ
F	Construction	3	7	16	66	82	224	366	الإنشاءات	و
G	Wholesale, retail trade & repairs	2	8	59	242	1,391	39,030	40,732	تجارة الجملة والتجزئة وإصلاح المركبات والسيارات	ز
H	Hotels & restaurants	1	1	11	44	189	3,079	3,325	المطاعم والمقاهي	ح
I	Transport, storage & communications	6	8	41	92	193	374	714	نقل وتخزين والاتصالات	ط
J	Financial intermediation	6	12	39	64	80	391	692	الوساطة المالية	ي
K	Real estate, renting & business activities	1	7	18	54	247	2,567	2,894	النشطة العقارية والتأجير	ك
M	Education	9	19	81	125	352	978	1,564	التعليم	م
N	Health & social work	11	14	43	104	179	2,769	3,120	الصحة والعمل الاجتماعي	ن
O	Other community, social & personal services	4	6	35	106	259	5,551	6,061	أنشطة الخدمات الاجتماعية والشخصية الأخرى	س
	<b>Total</b>	<b>67</b>	<b>118</b>	<b>600</b>	<b>1,595</b>	<b>5,203</b>	<b>70,056</b>	<b>77,839</b>	<b>المجموع</b>	

Source: PCBS, Census of Economic Establishments, 2007.

## PCBS, Area and Agricultural Statistics

### Area of Governorate, Population and Population Density of Palestinian Territory by Governorate\Region, 2005- 2006

Governorate\ Region	Governorate Area (km <sup>2</sup> )	Population at mid of the year*		Population Density (Capita\ km <sup>2</sup> )	
		2005	2006	2005	2006
Palestinian Territory	6,020	3,762,005	3,888,292	624.9	645.9
West Bank	5,655	2,372,216	2,444,478	419.5	432.3
Jenin	583	254,218	261,756	436.1	449.0
Tubas	402	46,644	48,128	116.0	119.7
Tulkarm	246	167,873	172,793	682.4	702.4
Nablus	605	326,873	336,380	540.3	556.0
Qalqiliya	166	94,210	97,472	567.5	587.2
Salfit	204	62,125	64,129	304.5	314.4
Ramallah & Al- Bireh	855	280,508	290,401	328.1	339.7
Jericho and Al-Aghwar	593	42,268	43,620	71.3	73.6
Jerusalem	345	398,333	407,090	1,154.6	1,180.0
Bethlehem	659	174,654	180,116	265.0	273.3
Hebron	997	524,510	542,593	526.1	544.2
Gaza Strip	365	1,389,789	1,443,814	3,807.6	3,955.7
North Gaza	61	265,932	278,180	4,359.5	4,560.3
Gaza	74	487,904	505,702	6,593.3	6,833.8
Deir Al-Balah	58	201,112	208,716	3,467.4	3,598.6
Khan Yunis	108	269,601	279,853	2,496.3	2,591.2
Rafah	64	165,240	171,363	2,581.9	2,677.5

\* Palestinian Central Bureau of Statistics, 2007. Population Projections, Revised Data 2005, Ramallah-Palestine.

## Area, Area of Agricultural Land and Percent of Agricultural Land Area of Governorate Area by Governorate\Region, 2005-2006

Governorate\ Region	Governorate Area (km <sup>2</sup> )	Area of Agricultural Land (km <sup>2</sup> )		Percent of Agricultural Land Area (%)	
		2005	2006	2005	2006
Palestinian Territory	6,020	1,490.6	1,481.5	24.8	24.6
West Bank	5,655	1,377.4	1,363.5	24.4	24.1
Jenin	583	276.6	271.7	47.4	46.6
Tubas	402	49.3	52.0	12.3	12.9
Tulkarm	246	143.3	131.4	58.3	53.4
Nablus	605	222.2	224.9	36.7	37.2
Qalqiliya	166	63.2	63.7	38.1	38.4
Salfit	204	83.6	84.0	41.0	41.2
Ramallah & Al- Bireh	855	186.8	186.7	21.8	21.8
Jericho and Al- Aghwar	593	25.8	25.5	4.4	4.3
Jerusalem	345	19.2	19.5	5.6	5.7
Bethlehem	659	58.1	50.2	8.8	7.6
Hebron	997	249.3	253.9	25.0	25.5
Gaza Strip	365	113.2	118.0	31.0	32.3
North Gaza	61	13.2	14.9	21.6	24.4
Gaza	74	20.2	20.3	27.3	27.4
Deir Al- Balah	58	21.4	22.7	36.9	39.1
Khan Yunis	108	37.9	40.8	35.1	37.8
Rafah	64	20.5	19.3	32.0	30.2

For more information on the production of vegetables, crops and horticulture by governorate please see the link below:

<http://www.pcbs.gov.ps/DesktopDefault.aspx?tabID=3758&lang=en>

## Cultivated Area of Fruit Trees, Vegetables and Field Crops in the Palestinian Territory by Governorate, 2005-2006

Governorate	Fruit Trees				Vegetables				Field Crops				
	Bearing		Unbearing		Total	Rainfed	Irrigated	Protected	Total	Rainfed	Irrigated	Total	Grand Total
	Rainfed	Irrigated	Rainfed	Irrigated									
Palestinian Territory	1,024,340	55,053	43,628	13,672	1,136,693	39,887	111,872	41,638	193,397	457,277	38,729	496,006	1,826,096
West Bank	1,014,248	17,045	43,475	4,866	1,079,634	36,144	81,052	19,233	136,429	416,177	15,361	431,538	1,647,601
Jenin	185,521	381	6,321	252	192,475	10,891	17,655	3,134	31,680	124,524	2,453	126,977	351,132
Tubas	13,082	942	1,441	1,167	16,632	6,180	11,255	4,726	22,161	44,167	4,340	48,507	87,300
Tulkarm	112,600	4,357	4,003	74	121,034	1,045	7,029	5,722	13,796	6,201	755	6,956	141,786
Nablus	196,474	3,061	3,251	326	203,112	608	2,746	1,024	4,378	37,413	1,750	39,163	246,653
Qalqilya	53,203	3,336	2,242	385	59,166	790	2,234	2,840	5,864	2,939	352	3,291	68,321
Salfit	77,514	78	3,485	-	81,077	448	1,273	106	1,827	3,957	-	3,957	86,861
Ramallah and Al-Bireh	158,933	66	4,858	7	163,864	6,080	882	60	7,022	38,542	-	38,542	209,428
Jericho and Al-Aghwar	-	3,244	-	2,537	5,781	-	32,907	900	33,807	-	5,606	5,606	45,194
Jerusalem	16,756	-	991	-	17,747	373	40	27	440	3,159	-	3,159	21,346
Bethlehem	42,310	250	2,211	-	44,771	1,055	1,293	155	2,503	8,333	18	8,351	55,625
Hebron	157,855	1,330	14,672	118	173,975	8,674	3,738	539	12,951	146,942	87	147,029	333,955
Gaza Strip	10,092	38,008	153	8,806	57,059	3,743	30,820	22,405	56,968	41,100	23,368	64,468	178,495
North Gaza	142	2,123	39	2,476	4,780	293	5,448	6,096	11,837	4,180	4,225	8,405	25,022
Gaza	2,948	11,928	94	1,226	16,196	150	2,392	502	3,044	4,840	273	5,113	24,353
Deir Al-Balah	2,776	9,347	-	1,951	14,074	-	8,225	2,625	10,850	5,250	1,096	6,346	31,270
Khan Yunis	2,350	10,865	-	2,004	15,219	3,100	8,385	6,045	17,530	22,450	10,899	33,349	66,098
Rafah	1,876	3,745	20	1,149	6,790	200	6,370	7,137	13,707	4,380	6,875	11,255	31,752

## Annex C – Maps

### Map of Governorates and number of establishments



Source: PCBS, Census of Economic Establishments, 2007 p. 173.

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**The Union for the Mediterranean:  
The Barcelona Process  
and the “Two State” Solution**

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Saad Khatib & Shawqi Mahtoob



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## 1. Introduction

This document reviews the “Euro-Mediterranean Partnership” (EMP), also known as the “Barcelona Process” or the “EU-Med”, mainly with respect to the Israeli-Arab peace process and especially with respect to the Israeli-Palestinian track. The EMP was launched in Barcelona in 1995, following the Oslo agreement and the Peace between Israel and Jordan. It aims at increasing cooperation in the Mediterranean basin mainly between the European countries to the north of the sea, and the Arab countries to the south and east of the sea, including Israel and Turkey. The initiative has focused so far on promoting peace and stability, economic cooperation, and cultural relations.

The success of the EU-Med initiative since 1995 has been quite insufficient. The major obstacle it faces is that the main conflict in the region, the Israeli-Arab conflict, is still unresolved and is actually in a much worse state than it was in 1995. Palestine is still not independent and under Israeli occupation. The final status negotiations failed in 2000 and since then the two sides are engaged in recurrent violent confrontations, which have caused many deaths and a large destruction. Although the international consensus on a “Two State” solution to the Israeli-Palestinian conflict now seems to be even stronger than in 1995, and formally accepted even by the Israeli authorities, it seems that the progress toward this solution is barred by ever increasing obstacles.

The progress in economic integration between the two areas, Europe and the Southern Mediterranean, has also been disappointing. As we show in this document the amount of relative trade between the European countries and the other Mediterranean countries has declined, and especially between the Mediterranean countries and their European counterparts along the Mediterranean: Spain, France, Italy and Greece. This is in contrast to the increase in trade of these countries with other trading partners. The results with respect to Palestine have been even more disturbing. The Palestinian People suffers from a significant economic decline since 2000. Part of it is due to the periods of armed

confrontations, part of it is due to the large number of obstacles to transportation imposed by the occupation, in the West Bank, between the West Bank and Jerusalem and between the West Bank and Gaza. Another reason for the economic decline is the rise of Hamas in the 2006 elections and the economic boycott on Hamas by Israel and other countries, which currently holds mainly on Gaza. All these developments show that at least in this corner of the Mediterranean things have gone badly since 1995. Another reason for this setback is the Israeli non-recognition of the Palestinian – European Interim Association Agreement and the impediments to its implementation by the Israeli Authorities.

It is clear that most of these negative developments were not caused by the EMP but by the inability of the sides in the conflict to bridge their differences and to reach an agreement. But the inability of the EMP to contribute to a reduction of these negative developments casts a question mark on the role of this initiative and on its ability to improve coexistence around the Mediterranean. We believe that despite these shortcomings, this initiative can contribute and help in changing things for the better, especially with respect to the Israeli-Palestinian conflict. But in order to reach such changes the EMP must follow the two basic principles that we outline throughout our work: reverse engineering and symmetry. By reverse engineering we mean that in order to advance a solution we have to first outline the long-run contours of the solution and then examine backward how we move to this solution from the present on. By symmetry we mean that the solution between the two sides must put them on some equal footing of two independent states with equal access to freedom and prosperity. In this document we show how these two principles can lead the EMP to form some concrete policies and initiatives that can help the process.

Finally, this document offers a few general suggestions on how to make the EMP more effective and more visible to the peoples of the Mediterranean. Our main suggestion is to have greater equality between the different countries in the EMP, both in terms of personnel, in terms of location of offices and activities, and also in terms of finance of the activity of the EMP.

## 2. A Short History of the Barcelona Process

The Euro-Mediterranean Conference of Ministers of Foreign Affairs, held in Barcelona on 27-28 November 1995, marked the starting point of the Euro-Mediterranean Partnership, a wide framework of political, economic and social relations between the Member States of the European Union and Partners of the Southern Mediterranean. This partnership was launched in the aftermath of the peace agreements signed between the PLO and Israel and Jordan and Israel.

The latest EU enlargement in 2004 has brought two Mediterranean Partners (Cyprus and Malta) into the European Union, while adding a total of 10 Member States. The Euro-Mediterranean Partnership thus comprises of 37 members, 27 EU Member States and 10 Mediterranean Partners (Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestinian Authority, Syria, Tunisia and Turkey). Libya has observer status since 1999. In addition, Mauritania and Albania joined the partnership in 2008.

The main objectives of the Euro-Mediterranean Partnership are (the first three were outlined in the original Barcelona Declaration and the fourth was added in the 2005 Barcelona summit):

1. Promoting peace and stability in the Mediterranean area through political and security dialogue.
2. Promoting shared prosperity through economic and financial partnership and through a gradual establishment of a free-trade area.
3. Bringing nations together through social, cultural and human contacts, by encouraging understanding between cultures and exchanges between civil societies.
4. Promoting cooperation on migration, social integration, and justice.

The Euro-Mediterranean Partnership operates in two complementary dimensions, bilateral and regional. Within the bilateral dimension the European Union carries out a number of activities with each country. The most important are the Euro-Mediterranean Association Agreements that the Union negotiates with the Mediterranean Partners individually. They reflect the general principles governing the EMP, although each contains elements specific to the Partner. Within the regional dimension the Partnership conducts regional dialogues that cover the political, economic and cultural fields, and also supports and finances many projects and programs. The amounts invested since 1995 have already passed €10 billion. Clearly, the two dimensions, the bilateral and the regional, complement one another.

Since 2003 the EMP has been connected also to the European Neighborhood Policy (ENP), which seeks to establish special relations with the neighboring countries in Eastern Europe, in the Southern Mediterranean and in the Southern Caucasus for which accession is not in prospect. This policy was instituted to share the benefits of enlargement with the neighboring countries and to avoid the emergence of new divisions, and it is part of the European security strategy.

The record of the Euro-Mediterranean Partnership since 1995 has been mixed, combined of a number of achievements with many disappointments. The Barcelona Process is the only forum within which all Mediterranean partners exchange views and engage in constructive dialogues. It represents a strong commitment to regional stability and democracy through regional cooperation and integration. The partnership has also overseen efforts to strengthen democracy and political pluralism by the expansion of participation in political life and continues to promote all human rights and freedoms. However, the unresolved conflicts are adversely affecting progress in the partnership. This is particularly true in the Arab-Israeli conflict. The persistence and even deterioration of this conflict has hampered significantly the development of the partnership.

Significant success has been achieved in the field of education and training, mainly through the Anna Lindh Foundation for the Dialogue between cultures. There has also been progress in creating agreements

toward economic integration aiming at a Euro-Mediterranean free-trade area by 2010. The agreements between the EU and the Mediterranean Partners have so far included goods and assets, but services and agriculture, accounting for two-thirds of GDP, are only now being added. As we show in Section 3 below, the results of these agreements in real economic activity have not been very satisfactory. Economic equalization and integration between the North and the South of the Mediterranean are still elusive goals, economic growth in the South has been good but insufficient, and Trade between the EU and the Partners has not grown sufficiently.

The general feeling of not reaching its main goals led many to consider a reform in the Barcelona Process. During his election campaign in 2007 the French President Nicolas Sarkozy proposed and promoted such a reform. Initially he raised the idea of the Mediterranean Union, which consists only on the Mediterranean countries, operating outside the EU but in close cooperation. The proposal raised much opposition from the EU non-Mediterranean members, but also from the Southern Mediterranean countries, who did not want to lose trade links with the rest of Europe. In later discussions and negotiations the proposal was modified and it gradually became a major reform of the Barcelona Process, but without replacing it with another organization.

In March 2008 Nicolas Sarkozy presented these revised plans to the EU summit, which authorized them. On July 13 2008 the Paris Summit for the Mediterranean decided to adopt this enhanced framework of multilateral cooperation and to launch “The Barcelona Process: Union for the Mediterranean.” This new initiative is supposed to inject further momentum into the Barcelona Process, to address new issues like co-ownership between the North and the South and visibility to citizens. We present the main outlines of the new initiative in Section 4 below.

### 3. Problems and Shortcomings

As mentioned above, the record of the Barcelona Process so far has been mixed and on the whole not very successful. In this section we outline the specific problems and shortcomings that are related to the Israeli-Palestinian peace process. But the need for reform due to insufficient success of the EMP goes far beyond this specific corner of the Mediterranean. A number of shortcomings need to be addressed to make the Partnership a source of support to jointly agreed policies and to political, economic, social, and educational cooperation. There is a need to reassert in political terms the central importance of the Mediterranean on the political agenda of all participants. There is also a mutual concern about the perceived lack of co-ownership by Mediterranean partners. Another area to be addressed is the lack of institutional balance between the weight of the EU on one side, and the Mediterranean partners on the other. An additional deficit of the Barcelona Process has been its weak visibility and the perception by citizens that little is done to tackle their daily problems and take care of their real needs. Last but not least is the unresolved conflict in the Middle East, which needs to be addressed and to become a priority on the agenda of all partners. We turn to this issue now.

#### 3.1. Peace and Security

The EMP was launched at a moment of considerable optimism over the future of the southern Mediterranean. This was largely due to the initial dynamics generated by the Oslo Accords between Israel and the Palestine Liberation Organisation (PLO). Further negotiations between Israel and some Arab states created a propitious background for discussions over the possibility of developing a Euro-Mediterranean “zone of peace, stability and security”, as stated in the Barcelona

Declaration. The events since 1995 did not follow these high hopes.<sup>1</sup> The main adverse development has been that instead of moving toward a solution, the Israeli-Arab conflict even deteriorated. The Oslo process was planned to lead to final status negotiations within 5 years since 1993. When these started with some delay in 2000 they ended with a terrible failure. That was combined with the outbreak of the Second Intifada in October 2000, which led Israelis and Palestinian to violent confrontations, which in some way continue to this day. 2000 has been a bad year also for the Israeli-Syrian conflict. The two countries engaged in very advanced negotiations, and were close to an agreement, but failed to reach one at the end. The lack of such an agreement was probably one of the reasons for the outbreak of the war between Israel and Lebanon in the summer of 2006.

To present the full picture, there were some positive developments in the Israeli-Arab conflict since 1995, but they were not sufficient to change the overall picture. One was the Arab League Initiative, which offered Israel full peace and normalization with all Arab countries, once it reaches peace agreements with Palestine and Syria.<sup>2</sup> The Arab League Initiative is clearly a radical and important move, which can give a significant push to the peace process, but so far it has failed to materialize. Another positive development has been the greater acceptance of the idea of a “Two State” solution. This is now accepted not only universally, but by the two important countries who opposed it in the past, namely Israel and the US. But it seems that despite the verbal acceptance, the willingness to pay the price of the “Two State” solution is still missing. Hence, we are afraid that we are much farther today from this solution than we were in 1995.

The deterioration of the Israeli-Arab conflict during the years of the Barcelona Process presents some tough questions on the effectiveness of this process and on the possible roles it can play in the region. Can this

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1 Actually, already the initial Barcelona conference was held only three weeks after the assassination of Yitzhak Rabin, which was a first ominous sign for the derailment of the peace process.

2 An agreement with Lebanon is required as well, but that is a minor problem already, as Israel controls only a small area of Lebanon.

partnership contribute directly to the peace negotiation between the sides? Can this partnership present some significant potential benefits to the sides in the conflict that will help them overcome the obstacles and reach the desired peace agreements? Can this partnership put some pressures, economic, political or moral, on the sides that can further push them toward some agreements? These are questions that must be dealt within the Euro-Mediterranean partnership, since no such partnership can exist for a long time if some of its members are engaged in such a deadly conflict.

### 3.2. Economic Integration

As stated above, one of the three targets of the Barcelona Process has been to support economic growth and integration in the Mediterranean region by increasing trade among member countries. In this section we examine the developments in trade in the region between 2000 and 2006.

Our main variables of interest are the volumes of exports to various trading blocks. We examine both exports relative to GDP and also exports to specific trading partners relative to total exports. The export data and the GDP data are taken from the IMF.<sup>3</sup> We divide the countries in the Barcelona Process to three main trading blocks and we focus mainly on aggregated trade between them. The trading blocks are: the “Non-EU” countries, which are actually the Mediterranean Partners in the EMP, the EU countries and the “Mediterranean EU countries,” which are the European countries on the Mediterranean.<sup>4</sup> The Non-EU economies vary significantly, so in some of the analysis we examine two

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3 Exports data are taken from IMF, Direction of Trade Statistics, January 2008, and GDP from IMF, World Economic Outlook Database, April 2008.

4 The Non-EU countries are: Albania, Algeria, Egypt, Israel, Jordan, Lebanon, Lybia, Mauritania, Morocco, Syria, Tunisia and Turkey. The Palestinian Authority is not included here due to missing data in the IMF. The PA is discussed below in Sub-Section 3.3. Its exclusion here does not affect the results significantly. The ‘Mediterranean EU’ countries are: Cyprus, France, Greece, Italy, Malta, Slovenia and Spain.

sub groups: North-African countries and Middle-East countries.<sup>5</sup>

Between 2000 and 2006 exports of goods as share of GDP in the Non-EU countries grew from 17.8% to 26.1%. This impressive growth has been higher than the global growth in trade, which grew from 20.1% of World GDP in 2000 to 24.7% in 2006.

**Table 1: Export of Goods from the Non-EU Countries in 2000 and 2006, as percent of GDP**

	2000	2006
Algeria	39.9%	46.8%
Egypt	6.4%	19.2%
Libya	35.2%	79.1%
Morocco	20.0%	20.3%
Tunisia	30.8%	38.3%
North Africa	22.0%	37.7%
Jordan	15.2%	38.1%
Lebanon	4.2%	11.1%
Syrian Arab Republic	24.0%	35.1%
Middle East	15.0%	28.1%
Albania	7.1%	7.7%
Israel	26.4%	32.7%
Mauritania	49.0%	51.6%
Turkey	10.5%	16.2%
Non Eu	17.8%	26.1%
Mediterranean EU	21.7%	20.5%
EU	38.9%	42.9%
World	20.1%	24.7%

While all the Non-EU countries increased their exports as share of GDP during this period, the sub-groups performed differently. Exports from

5 The North-African countries include: Algeria, Egypt, Libya, Morocco and Tunisia, and the Middle-East countries include: Jordan, Lebanon and Syria.

North Africa increased from 22.0% to 37.7% of GDP, and exports from Middle East from 15.0% to 28.1%. Comparatively, in Israel and Turkey (which together are 60% of the total Non EU GDP in 2006) exports increased from 26.4% to 32.7% and from 10.5% to 16.2% respectively (most of the increase in turkey was between 2000 and 2001). These differences in trade growth reflect the differences between the economies. Israel can be classified as a developed economy and about 75% of its exports originate from high-tech or medium-high-tech industries. The rest of the economies in the region are less developed and in some most exports are raw materials and especially crude oil or natural gas. These countries are Libya, Algeria, Syria and to a lesser extent Egypt. As a result, their exports are vulnerable to changes in prices of these products. The sharp increase in the price of oil between 2000 and 2006 contributed significantly to the fast growth of exports to GDP in those countries.<sup>6</sup>

The EU is the main market for exports from the Mediterranean partners. Their exports to the EU were more than 50% of total exports in all years, and they even grew between 2000 and 2006 from 9.8% to 13.4% of GDP. But their exports to other countries increased by more. The share of exports to EU from total exports of Non-EU countries declined from 54.9% in 2000 to 51.2% in 2006. Furthermore, the share of exports from Non-EU partners to the Mediterranean EU countries from total exports declined by even more, from 27.1% in 2000 to 17.8% in 2006.

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6 The price of an oil barrel doubled during this period from 27.4 US\$ in 2000 to 58.3 US\$ in 2006 (in nominal terms).

**Table 2: Non-EU Countries' Exports of Goods by Partners**

	2000	2001	2002	2003	2004	2005	2006	Change 2000- 2006
<b>Exports to GDP</b>								
Total	17.8%	19.6%	20.4%	21.1%	24.9%	24.1%	26.1%	46.5%
To Non-EU	1.2%	1.4%	1.4%	1.4%	2.1%	1.8%	1.9%	66.6%
To EU	9.8%	10.5%	10.8%	11.5%	13.2%	12.5%	13.4%	36.6%
To Mediterranean EU	4.8%	4.6%	4.5%	4.6%	4.6%	4.5%	4.6%	-4.1%
To US	2.9%	3.0%	3.2%	3.1%	3.5%	3.5%	4.0%	39.1%
To Other Countries	4.0%	4.8%	5.0%	5.1%	6.1%	6.2%	6.8%	70.2%
<b>Share of Exports by Partners</b>								
To Non EU	6.5%	6.9%	6.9%	6.8%	8.6%	7.6%	7.4%	13.7%
To EU	54.9%	53.6%	53.0%	54.3%	53.0%	51.9%	51.2%	-6.7%
To Mediterranean EU	27.1%	23.5%	21.9%	21.7%	18.4%	18.8%	17.8%	-34.6%
To US	16.2%	15.2%	15.8%	14.9%	14.0%	14.7%	15.4%	-5.1%
To Other Countries	22.4%	24.2%	24.4%	24.0%	24.3%	25.8%	26.0%	16.2%

These results are surprising, as we would expect trade to the European countries to increase by more than trade to other regions due to the trade agreements with the EU. One possible explanation to this outcome could be that these years were also years of rapid growth in Asia, mainly in China and in India. As a result Asia imported many raw materials and thus the share of these exports increased significantly in the exports of the Mediterranean Partners. This is indeed part of the explanation. As we see in Table 2 in the last row, exports to other countries (non EU and non US) increased significantly, both relative to total exports and relative to GDP. But in Table 2 we also see that trade to the US increased by more than trade to the EU, despite the Barcelona Process.

Hence, either trade is not significantly affected by trade liberalization, at least not in the short-run, or the trade liberalization entailed in the Barcelona Process has been rather minor. Similar patterns are shown in Table 3 as well.

Interestingly, although trade within the Non-EU countries increased significantly relative to GDP, this trade is basically very low and is equal to less than 2% of GDP. As share of total exports the trade within the Non-EU block increased from 6.5% to 7.4%. The main reason for the relatively low level of trade within the Non-EU countries is that these economies are relatively small economically (in 2006 their aggregate GDP was about half of the French). As a result their demand for imports is limited. This fact enhances the importance of the EU being a close and very large economy as a trade partner to the Non-EU countries. Another result of the low economic power of the Non-EU countries is that they are a very limited market for the EU. Between 2000 and 2006 the share of the EU exports of goods to the Non-EU countries (out of their total export of goods) remained between 2.9% to 3.4% with no significant trend.

**Table 3: North Africa and Middle East Exports of Goods by Partners**

	2000	2006	Change 2000-2006
<b>Exports to GDP – North Africa</b>			
Total	22.0%	37.7%	71.0%
To Non EU	1.6%	2.7%	72.7%
To EU	15.5%	22.6%	46.4%
To Mediterranean EU	10.8%	16.0%	47.8%
To North Africa	0.5%	0.9%	70.2%
To US	1.8%	5.5%	200.3%
To Other Countries	3.2%	6.8%	115.2%
<b>Share of Exports by Partners – North Africa</b>			
To Non EU	7.2%	7.3%	1.0%
To EU	70.1%	60.0%	-14.4%
To Mediterranean EU	49.0%	42.3%	-13.6%
To North Africa	2.5%	2.5%	-0.5%
To US	8.3%	14.6%	75.6%
To Other Countries	14.3%	18.0%	25.8%
<b>Exports to GDP – Middle East</b>			
Total	15.0%	28.1%	87.7%
To Non EU	2.8%	6.2%	123.1%
To EU	7.1%	6.3%	-10.8%
To Mediterranean EU	3.4%	2.4%	-29.1%
To Middle East	0.9%	3.5%	283.0%
To US	0.6%	2.3%	304.1%
To Other Countries	4.5%	13.3%	194.5%
<b>Share of Exports by Partners – Middle East</b>			
To Non EU	18.5%	22.0%	18.8%
To EU	47.6%	22.6%	-52.5%
To Mediterranean EU	22.6%	8.5%	-62.2%
To Middle East	6.1%	12.5%	104.0%
To US	3.8%	8.2%	115.2%
To Other Countries	30.1%	47.2%	56.9%

The more detailed data of the sub-regions, which is presented in Table 3 above, shows similar patterns. Exports from North Africa increased significantly relative to GDP. But the share of exports from these countries to the EU and especially to the Mediterranean-EU out of their total exports declined between 2000 and 2006 from 70.1% to 60.0% and from 49.0% to 42.3% respectively. In the Middle East countries a decline was recorded both in the exports to the EU (and to the Mediterranean-EU) relative to GDP and much more significantly relative to total exports, which declined by more than 50%. The internal trade between the Middle East countries increased significantly both as measured by the exports to GDP ratio and as a share of their trade.

These findings cast some doubts on the success and the effectiveness of the Barcelona Process in the last decade. We would expect that the free trade agreements signed between the EU and the Mediterranean Partners, which are called 'Non-EU' in the tables above, would have increased trade between them relative to trade with others. Instead we see that the relative trade between the Mediterranean partners and the EU declined. We do not have a full explanation to this finding. It could be that this is a sign of maturity for these Mediterranean countries that now develop new trade partners in addition to the EU. It could be a result of the emergence of new markets in Asia. But we find this result disturbing nonetheless.

### 3.3. Palestinian Economic Performance

As shown above the trade relations and the economic convergence of the Non-EU Mediterranean countries to the global frontiers and to their European partners were not satisfactory. The performance of the Palestinian Authority was much worse. As a result of the almost continuous bursts of violence since 2000, the physical strict limits on mobility throughout the Palestinian territory, and as a result of various other obstacles, economic development and trade suffered severe blows since the year 2000.

The rate of growth of the Palestinian economy fluctuated significantly since 2000. It declined significantly in 2001-2002 following the Second

Intifada in late 2000. It grew again in 2003-2005, but then developments in the Gaza led to a reversal and to a sharp decline in GDP in 2006. As can be seen in Table 4 Real GDP in 2007 is virtually the same as in 2000. Since population increases rapidly in the Palestinian territory, GDP per capita has declined significantly in these eight years.

**Table 4: PA GDP: Levels and Rates of Growth, 2000-2007 In Constant 1997 Prices, US\$ millions**

	2000	2001	2002	2003	2004	2005	2006	2007
GDP	4,119	3,765	3,264	3,750	4,197	4,479	4,107	4,133
Change		-8.6%	-13.3%	14.9%	11.9%	6.7%	-8.3%	0.6%

Source: PCBS

We next turn to examine the trends in Palestinian international trade, which are described in Tables 5 and 6. Generally, these have followed the overall fluctuations of GDP. The years 2001-2002 witnessed a significant decline of both exports and imports, while since 2003 international trade increased and in 2007 there was a significant improvement. What is remarkable about Palestinian international trade is the wide gap between exports and imports, which results in a very large deficit in the current account of the balance of payments. In 2007, for example, exports as share of GDP reached 12.4% while imports as share of GDP were as high as 76.0%.

**Table 5: Palestinian Exports, 2000-2007, US\$ millions at Current Prices**

	2000	2001	2002	2003	2004	2005	2006	2007
Total Exports	400.9	290.3	240.9	279.7	312.7	335.4	366.7	513.0
To Israel	370.0	273.0	216.0	256.0	281.1	290.6	326.6	455.0
To EU	1.7	2.5	8.9	7.0	7.0	11.4	2.6	18.1
Share of Exports to Israel	92.3%	94.0%	89.7%	91.5%	89.9%	86.6%	89.1%	88.7%
Share of Exports to EU	0.4%	0.8%	3.7%	2.5%	2.2%	3.4%	0.7%	3.5%
Exports/GDP Ratio	9.6%	7.5%	7.0%	7.3%	7.4%	7.5%		12.4%

Source: PCBS

**Table 6: Palestinian Imports, 2000-2007, US\$ millions**

	2000	2001	2002	2003	2004	2005	2006	2007
Total Imports	2,382.8	2,033.6	1,515.6	1,800.3	2,373.2	2,667.6	2,758.7	3,141.3
From Israel	1,739.0	1,352.0	1,117.0	1,309.6	1,747.9	1,872.9	2,002.2	2,307.0
From EU	263.6	358.8	161.2	154.6	205.1	250.4	225.6	246.4
Share of Imports from Israel	73.0%	66.5%	73.7%	72.7%	73.7%	70.2%	72.6%	73.4%
Share of Imports from EU	11.1%	17.6%	10.6%	8.6%	8.6%	9.4%	8.2%	7.8%
Imports/GDP Ratio	56.8%	52.2%	44.2%	46.9%	56.5%	59.5%		76.0%

Source: PCBS

Tables 5 and 6 also show the Palestinian economy's large reliance on Israel. During 2000 to 2007 Palestinian exports to Israel were around

90% of total Palestinian exports. The Palestinian economy is also dependent on Israel for imports, as over 70% of Palestinian imports come from Israel. In contrast, Palestinian trade with the EU is very limited. Palestinian exports to the EU were in the range of 0.4% to 3.7% of total exports between 2000 and 2007. Though exports to the EU increased from 2.6 US\$ millions in 2006 to 18.1 millions in 2007, this figure is still surprisingly small. In comparison, the EU exports to the PA in 2007 were much larger and amounted to 246.4 US\$ millions. What also is obvious from these tables is that the trade with EU did not develop much during the years 2000-2007 (except for 2007). Hence, the membership of the PA in the Barcelona Process did not materialize. This is of course mainly because of local specific problems, like violence, mobility restrictions, etc., but it shows that the EMP was not sufficiently effective to overcome these obstacles.

We next wish to focus on one of the main obstacles facing Palestinian-European trade, which is the bureaucratic obstacle. This obstacle is directly related to the Euro-Mediterranean Partnership. As explained above, a significant activity in the Barcelona Process has been to sign Association Agreements between the EU and each of the Mediterranean Partners. Accordingly, the Palestinian Authority signed an Interim Association Agreement with the EU in 1997. The implementation of this agreement has faced severe obstacles from the Israeli trade authorities. Whenever a European exporter applies for a supply of goods to the Palestinian Authority, this exporter is required to state on which agreement the export is based. When the reference is to the IAA, the Israeli Custom Authorities do not recognize it and thus exports to the PA cannot benefit from this agreement. In a survey of Palestinian importers done by the EU the picture is similar: exports to the PA are delayed by more than exports to the same towns if the Country is identified as Israel. Sometimes exports are not released until new papers arrive with destination changed to Israel. These delays cost Palestinian importers significantly.

## 4. The New Initiative: A Union for the Mediterranean

The “Barcelona Process: Union for the Mediterranean” will be a multilateral partnership, which includes all EU Member States and the European Commission, together with the other members and observers of the Barcelona Process (Mauritania, Morocco, Algeria, Tunisia, Libya, Egypt, Jordan, Palestinian Authority, Israel, Lebanon, Syria, Turkey and Albania), and also 4 new members which are Mediterranean coastal states (Croatia, Bosnia and Herzegovina, Montenegro and Monaco). This new initiative is supposed to inject new impulse to the Barcelona Process in at least three important ways: by upgrading the political level of the EU’s relationship with its Mediterranean partners, by providing more co-ownership and by making these relations more concrete and visible through additional regional and sub-regional projects. The new initiative will be based on equality between all member countries, and on building consensus.

This new initiative constitutes a continuation of the Barcelona Process and will be loyal to its goals and objectives. But the new initiative intends to change some of the ways and means to reach these goals. The main planned changes are:

1. **Upgrading of Political Relations:** This will be done at all levels, from bi-annual summits of heads of states, which will endorse two-year work programs and concrete regional projects, to annual meetings of foreign ministers that will review implementation of summits’ conclusions, to senior officials, who will deal routinely with all aspects of the initiative. This updating will also include creation of parliamentary bodies like the ‘Euro-Mediterranean Parliamentary Assembly’ (EMPA) and similar regional bodies to provide a framework of debate, open dialogue and free exchange of views.
2. **Co-Ownership in Multilateral Relations:** Improvement of co-

ownership will be implemented by application of the co-presidency principle and by establishing new institutions to achieve the political goals of the initiative.

- a. **Co-Presidency:** Establishing co-presidency will improve the balance and the joint ownership of cooperation. One of the co-presidents should be from the EU and the other from the Mediterranean partner countries. The co-presidency principle will be applied to all levels of meetings of the Partnership.
  - b. **Institutional Structures of the 'Barcelona process: Union for the Mediterranean.'** An advanced system of institutional governance is planned for enhancing co-ownership. The main institutions will be:
    - I. **Seniors Officials:** The Senior Officials from each country will be mandated by the Foreign Ministers to deal with all aspects of the Partnership.
    - II. **Joint Permanent Committee:** The Joint Permanent Committee will be based in Brussels. It will prepare the meetings of the SO, ensure the appropriate follow-up and will also act as a mechanism of rapid reaction to exceptional situations.
    - III. **The Secretariat:** The Secretariat of the Union for the Mediterranean will coordinate and monitor all the activities of the Partnership. It will be of a technical nature, while the political mandate will remain the responsibility of the Heads of States, Foreign Ministers and the Senior Officials. The secretariat will work under their instructions on the implementation of all decisions. The composition of the Secretariat will reflect the principles of co-ownership and participation together with competence. The Secretariat will be funded by an operating grant on a shared and balanced basis by the Euro-Mediterranean partners. The seat of the Secretariat will be in Barcelona.
3. **Visibility and Relevance for the citizens:** The project dimension will be at the heart of the new initiative. The projects will be aimed

at promoting regional cohesion and economic integration, and developing infrastructural interconnections. The “Union for the Mediterranean” will increase funding from the EU for projects in the region and will also raise funding from private sector participation, from Mediterranean partners, and from international financial institutions. The main tools for raising finance will be the Euro-Mediterranean Investment and Partnership Facility (FEMIP), and the European Neighborhood Policy Investment Facility (ENPI), which already programmed € 50 million per year for the period 2007-2010. The new projects will be in the areas of Political and Security dialogue, Maritime Safety, Economic and Financial Partnership, and Social, Human and Cultural cooperation. In addition to these many projects there are more concrete plans for 6 new initiatives:

a. The de-pollution of the Mediterranean:

Projects on both side of the Mediterranean related to integrated water management Water Strategy in the Mediterranean.

b. Maritime and land highways:

The aim of this initiative is to make easier and safe the flow of goods and people so as to enhance regional trade.

c. Civil Protection:

Development of a Euromed Programme for Prevention, Preparedness and Response to Natural and Man-made Disasters (PPRD).

d. Alternative Energies: Mediterranean Solar Plan

This is a Mediterranean Solar Plan, focused on market deployment as well as research and development of all alternative sources of energy.

Higher Education and Research, Euro-Mediterranean University in Slovenia: The Euro-Mediterranean University in Slovenia was inaugurated in Piran, 9 June 2008. There is now a Moroccan initiative to host a university with Euro-Mediterranean vocation in the city of Fez.

- e. The Mediterranean Business Development Initiative:  
This is a concerted effort to provide financial support to SMEs (small and medium enterprises).

## 5. Recommendations Regarding the Israeli-Palestinian Peace Process

In its previous work the Aix Group came to the conclusion that in order to reach an agreement and to implement it the two sides should follow two basic principles: reverse engineering and symmetry. The first principle means that instead of the gradual approach, the two sides should agree first on the long-run solution on all its aspects. Then they should plan the short-run and the middle-run process in the best way that leads to this long-run solution. The second principle is symmetry. It means that despite the fact that the two sides are far from being symmetric today, militarily, economically and politically, the only way they can reach a solution is to try to reach a symmetric solution, that puts them on some equal footing. Such is the “Two State” solution, since its goal is a division of the land between two states, both independent, both sovereign over their territory, and both can conduct independent legal, economic, and commercial policies. Of course, no solution is completely symmetric, and the division of the land along the 1967 borders is far from being equal, but except for that, the two parties should strive for maximum symmetry. Otherwise the solution will not be reached, or it will be rejected by those who feel discriminated against in the agreement. In this section we raise various ideas of moves that the EMP can follow to improve the situation between Israel and Palestine, which are based on these two principles.

## 5.1. EU Trade with Palestine

The Palestinian Authority is one of the members of the EU-Med, even though it is not an independent state yet. As such it should benefit from removing trade restrictions with the EU as all other members of the EU-Med benefit. This means first of all enabling the Interim Trade Agreement between the EU and the PA. As shown in Section 3.3 this agreement has become non-operative due to the restrictions imposed by Israel trade authorities. We think that this is a short-sighted policy of Israel and it does long-term damage to Palestine, to its economic development, and thus to Israel as well, since poor neighbors are not good neighbors. We believe that the EMP can put pressure on Israel to rectify this issue and enable the Palestinian to implement the Interim Association Agreement. This is important for a number of reasons. First, it should be a signal from the EU to the two parties in favor of a symmetric approach to the conflict. The PA should get access to trade with the EU, which is similar to the access that Israel has. Second, the ability to reduce trade barriers with the EU will contribute significantly to economic development in the PA. This will significantly increase the chances for progress in the peace process.

Clearly, the barriers to trade faced by the Palestinians are not only a lack of a recognized and implemented agreement with the EU, as important as it can be. A major barrier is the dismal state of mobility and transportation in the Palestinian territory and from it to outside. The large number of check-points and road-blocks makes any transfer of goods into a nightmare. Trade within the Palestinian area is negatively affected and exports from it have become virtually neither profitable nor competitive. The EMP should consider this problem as well and try to improve it in order to make trade not only formally possible but also realistic. One possible way to cope with such international trade from the territory is to shift the responsibility of transporting goods from the Palestinian sellers to the European buyers. In other words, European importers from Palestine can try and form a mechanism that will purchase and deliver the goods from the production site, or at least from the nearest roadblock. Hopefully, the European buyers or their delegates will find the road blocks easier to avoid. In any case

the key principle should be that partnership is not just a benefit, but a requirement as well, and this requirement applies to Israel as to all other partners in the EMP.

## 5.2. The Economic Development of Palestine

It seems almost obvious that the obstacles on the road to economic development of Palestine are huge as long as it is still under occupation. The area of the West Bank is divided to three different zones, with very limited control over the land, which makes it very hard to construct large infrastructure projects. Trade is significantly hampered by a matrix of check-points and road blocks. Jerusalem, which is the center of the West Bank, is closed for entry to Palestinians from the West Bank. That also makes transportation between the two parts of the West Bank, the North and the South, harder by the day. In addition to that, Gaza is almost completely closed to the rest of the world and especially to the West Bank. These obstacles make current moves toward economic development seem almost impossible. But should all such moves be delayed until the final agreement is reached and Palestine achieves its independence? We believe strongly that the answer to it should be no. Economic well being is important both for the lives of Palestinians today, for improving their future, and even for Israelis, who might have neighbors who care more about what they can gain than about what they have lost. And since time is so important we must not lose time.

What can be done? There are many development projects that can begin already today, despite all the difficulties described above. Following is a small list that will give an idea of the type of potential projects, where the partners in the Barcelona Process, especially the EU, can contribute significantly to the economic development of Palestine:

- Planning of infrastructure projects in Palestine. Planning takes quite a lot of time and it therefore should start as soon as possible. Planning is almost not disturbed by the physical difficulties described above, and it is a labor intensive activity.
- An example of important required planning, which should start

immediately, is the planning of the Jordan Valley. This is planned by the Palestinians to be their major agricultural region and its detailed planning is supposed to take some time and should therefore start as soon as possible.<sup>7</sup>

- Beginning projects of infrastructure that can be isolated in location, such as building a port in Gaza, an airport in the West Bank, and two large electric power stations in Gaza and in the West Bank. Other examples are some of the projects planned for the Jordan Valley, like an agro-industrial park near Jericho, another agro-industrial area in the north of the Valley, and more. If such projects will be built with European partners on location, it will be much harder for the occupation to stop or abort such projects, as was done in the past.
- Building a significant high-tech Palestinian sector. The Palestinians are very well suited for such a project. They have a relatively large pool of human capital, they can specialize in developing products for the whole Arab world, and they can learn from cooperation with the large high-tech sector in Israel that many of its workers would like to give a hand and support this initiative.
- Improving the system of higher education in Palestine. There are today 7 universities in Palestine, which contribute significantly both to education and to nation building, but they still lack in the area of research. A reform and upgrading of these universities is highly required. If Palestine can develop a university system that excels in research it will become one day a great attraction for students from all Arab countries. This could be a very successful export sector.

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7 More details on the Jordan Valley plans are in a special Aix document on this topic.

### 5.3. Greater Involvement in the Peace Process by the EMP

We should remember that the first goal of the Barcelona Process is promotion of peace and security in the Mediterranean community of countries. This goal has failed miserably since 1995. We believe that the EU-Med should exercise its potential and get involved in this issue to the best of its ability. It should use its moral and political ability to put more pressure toward reaching the goal of peace, end of occupation and the “Two state” solution. It should do it of course in the name of symmetry. It is impossible to have a union of countries where one country is occupying the other. The EU-Med should put all the pressure it puts to make an end to this terrible state of affairs and to promote peace, which also means equal chance to all member countries in the EMP. On first sight the ability of such a partnership to exert pressure is limited. In the past the European played a minor role in the attempts to settle the Israeli-Arab conflict. But the world is now much more global and countries are much more dependent on one another than ever before. Hence it is possible that the Euro-Mediterranean Partnership can put some additional pressure on both sides to advance toward an agreement.

## 6. General Recommendations

The Euro-Mediterranean Partnership is an organization of countries that live around the Mediterranean. Clearly, it is a very equal organization. The EU countries are much more developed economically, and much more united among them, as they share a union and a currency among many other things. If such an organization wants to give a sense of partnership and membership to all countries in it, as the new initiative claims to do, the two sides of the Mediterranean, the north and the south, should be treated more equally. Right now the only things that

are shared equally are the representation of officials in the institutional structure of the EMP. But as seen in Section 4 even this new initiative is far from being equal. This is revealed for example in the locations of activities of the new initiative, which are all in the North: Brussels, Barcelona, and the Mediterranean university in Slovenia. As a result, most of the professional personnel in the EMP will be from the North. This should change. The location of the headquarters of the EMP should move to one of the capitals of the south and the various centers of operation of the various activities should be spread equally on the north and south of the Mediterranean. Finally, the personnel of the EU-Med should be divided equally between all member countries, proportional to their populations, in order to boost professional activity in these countries.

Also, in order to avoid a feeling by the Mediterranean Partners of European paternalism in the initiative, it is suggested that all partner countries will finance the EMP equally, based on their economic capacity. Namely, each country should contribute to the EMP a specific (small) percentage of its GDP. Only countries with GDP per-capita below some minimum level, which should be determined by the EMP, should be exempt from these payments.

## 7. Summary

The Barcelona Process began in 1995 following the beginning of the peace process between Israel and its neighbors. The goal of this Euro-Mediterranean Partnership was to promote peace and security around the Mediterranean, promote economic integration and convergence, and support understanding between cultures. These lofty goals met a harsh reality. Since 1995 the Israeli-Arab conflict did not reach its end in an agreement, and it burst into a number of bloody confrontations. Economic trade across the water of the Mediterranean increased but less

than trade with other partners. And more than any member else, the Palestinian Authority suffered a significant decline, political, economic and mostly in terrible loss of lives. Such developments stand in sharp contradiction with the goals of the Barcelona Process. This document raises the question whether the Euro-Mediterranean Partnership can overcome these obstacles and whether it can do something to offset these adverse developments.

This is not an easy question to answer, but in a way we think that answering it is crucial for the new initiative. It is true that the main broker in the Middle East is the United States. It is a huge force, politically, economically and militarily, and it is deeply involved in the region. But if a large and strong organization like the Euro-Mediterranean Partnership, will give up completely any attempt to affect the Middle East and get involved in finding a solution to the conflict, it is not clear whether it will have any reason to exist and operate at all. And what is required initially amounts to a few relatively small steps, which can have a clear positive effect. For example, there is an urgent need to activate the trade agreement between the Palestinian Authority and the EU, namely the Interim Association Agreement. This agreement is very important for economic development in the Palestinian Authority, and it signals the spirit of equality and co-ownership, which is so desired in the EMP. It is also our belief that this agreement will can be tolerated by the Israeli authorities, as it has a minor economic effect on Israel. Another way the EMP can have an effect on the conflict and on the well being of people in this country is by supporting the Palestinians in some projects of economic development. This document suggests some specific projects that can be carried out immediately even in the state of harsh limitations to mobility in the Palestinian area: planning infrastructure, building infrastructure projects in small specific locations, developing a high-tech sector and reforming the university system. The new initiative “Union for the Mediterranean” will be tested by its ability to promote some significant activities or projects in Palestine, such as a branch of the EU-Med University, or a regional development project in the Jordan Valley. Such moves and similar others may look small, but together they can make a dent in the walls of hostility and despair.