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Pockets of Privilege: A Historical, Spatial, and Political Economy Analysis of Industrial Zones in Palestine

ROHAN ADVANI*

Abstract *This article argues that industrial zones in Palestine do not effectively promote Palestinian economic development. The article rests on a historical, spatial, and economic analysis of the political economy of industrial zones in the West Bank and the Gaza Strip. By examining the nature and functionality of these zones through different methodological lenses, it is clear that the industrial zones in Palestine fail on two levels. Firstly, as successful export-processing zones and employment generating programs, the zones are unable to deliver their intended results. On the other hand, even when they do succeed, their performance is limited and does not contribute to a holistic, democratic, and egalitarian notion of economic development. In fact, the benefits accrued are often channeled to Palestinian elites and foreign capital, at the expense of popular Palestinian economic needs such as viable employment, healthcare, housing, food security, and domestic investment. Moreover, the zones work well within the confines of the Israeli Occupation and seem to entrench aspects of its overarching architecture. Lastly, this article argues that industrial zones in Palestine are elements in a wider political and economic project that is being increasingly defined by political, economic, and spatial fragmentation. The emerging social topography is in fact a spatial effect produced by the convergence of Palestinian capitalist class power, international financial institutions (IFIs), the Israeli Occupation, and the expansion of foreign capital. The effect is a future Palestinian state that is highly undemocratic, corrupt, and rife with inequality.*

Introduction

Industrial zones, industrial estates, and free trade zones have been at the forefront of global neoliberal economic development since the 1970s. Though conflict and occupation are hardly conducive environments to economic development, these zones have crept through the development world and have unexpectedly found a place in Palestine. The establishment of these zones in Palestine has been part of a wider shift in developmental strategy. Since the Oslo Accords of 1993, economic planning has moved away from resistance efforts in pursuit of national liberation to neoliberal orthodoxy – privatization, produce for export, strengthening the security apparatus, public-private partnerships, fiscal austerity, and further integration of the Palestinian economy into the global economy. The establishment of industrial zones throughout Palestine has been one of the most important economic ventures promoted by the Palestinian Authority (PA) in the past

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decades "as a driving force to attract investments in order to revive and develop the Palestinian economy."[1] Therefore, this article seeks to narrate the history of industrial zones in Palestine and critically analyze their ability to effectively promote national economic development.

In general, industrial estates and free trade zones are special zones that are planned for the sole purpose of industrial development and manufacturing. However, as opposed to regular industrial output, these zones often offer special economic incentives such as tax exemptions, free movement of capital and profits, preferential access to international markets, and infrastructure investments. Sometimes referred to in the literature as export processing zones (EPZs), they constitute what Ronen Palan terms the 'offshore economy.' Palan writes that the notion of 'offshore' "refers not to the geographic location of economic activities, but to the juridical status of a vast and expanding array of specialized realms."[2]

The notion of 'offshore' has become an increasingly important phenomenon within the Palestinian political economy. The recent Panama Papers reveal that President Mahmoud Abbas' son, Tareq Abbas, holds close to $1M of shares in the Arab Palestinian Investment Company (APIC). Registered in the British Virgin Islands with the help of Gulf-based capital, APIC invests heavily throughout the Palestinian economy and owns companies that act as agents for Western corporations such as Phillip Morris, Proctor and Gamble, GlaxoSmithKline, and others.[3] In turn, this article will also unpack an emerging Palestinian political economy that is being dominated by Palestinian elites, foreign capital, international financial institutions (IFIs) and donor agencies via offshore strategies. Notwithstanding, this article will firmly situate the emergence of these forces within the context of the Israeli Occupation and will also demonstrate that the Occupation is undoubtedly the biggest obstacle to development in the territories.

First, by unpacking the history of the development of industrial zones in Palestine within the regional and global context, and then by embarking on a spatial analysis of these zones, this article will demonstrate that industrial zones in Palestine do not seem to effectively promote Palestinian economic development. As successful export-processing zones and employment generating programs, the zones are unable to deliver their intended results. Even when they do succeed, their performance is limited and do not contribute to a holistic, democratic, and egalitarian notion of economic development. In fact, the benefits accrued are often channeled to Palestinian elites and foreign capital, at the expense of popular Palestinian economic needs such as viable employment, healthcare, housing, food security, and domestic investment. Moreover, the zones work well within the confines of the Israeli Occupation and seem to entrench aspects of its overarching architecture. Lastly, this article argues that industrial zones in Palestine are elements in a wider political and economic project that is being increasingly defined by political, economic, and spatial fragmentation. The emerging social topography is in fact

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[1] "CEO of PIEFZA," Palestine Industrial Estates & Free Zone Authority, http://www.piefza.ps/en/content/ceo-piefza-0.

[2] Ronen Palan, *The Offshore World: Sovereign Markets, Virtual Places, and Nomad Millionaires* (Berkeley: Cornell University Press, 2006), 2.

[3] Uri Blau and Daniel Dolev, "Panama Papers: Leaks Reveal Abbas' Son's $1M Holding in Company With Ties to Palestinian Authority," *Haaretz*, April 7, 2016, http://www.haaretz.com/middle-east-news/1.713347.

a spatial effect produced by the convergence of Palestinian capitalist class power, international financial institutions (IFIs), the Israeli Occupation, and the expansion of foreign capital. The result will likely be a future Palestinian state that is highly undemocratic, corrupt, and rife with inequality.

Global History of EPZs

Whilst the majority of EPZs are located in China, they nonetheless prove to be a fundamental manifestation of neoliberal economic policy. Though the first industrial park established in a developing economy was in Puerto Rico the 1940s, these zones proliferated globally in the 1970s in response to the crisis of profitability that the core capitalist countries experienced in the previous decade.[4] At this time, they were also endorsed by the United Nations Industrial Development Organization (UNIDO) as a legitimate developmental strategy for many developing countries. Third World countries were also attracted to the establishment of EPZs largely because of their chronic balance of payment deficits and the fact that they could not pass up the opportunity to compete with more developed countries in terms of exports. These zones often offered lower tariffs, tax exemptions, and provided necessary infrastructure for manufacturing. Moreover, as the global economy of the 1970s experienced a process whereby capital was becoming increasingly internationalized, these zones facilitated this process by offering outlets to absorb such capital. In doing so, the notion of 'offshore' became increasingly integrated with the global economy, which in turn reinforced the process of the internationalization of capital.[5] Whilst many Third World countries seized on the opportunity to develop EPZs in order to reduce their deficits and debts in light of fierce financial competition, these zones were not without their own problems.[6] In 1980, a UNIDO report noted that EPZs should be used as short-term catalysts and were not long-term, sustainable developmental strategies. Because the zones often took resources that could have been used to develop local infrastructure and businesses, they often proved to be somewhat detached from the 'real' economy. As the report notes, "The disadvantages of the EPZ would appear to lie in the continuation of its enclavistic nature. … Perpetuation of the enclave will retain the problems, the social and economic costs, without the obvious off-set of further benefits."[7] However, it is important that we conceptualize the proliferation of such zones not as exceptions or external to the state, but rather as directly related to the changing class nature of the state. As Palan bluntly writes, "offshore is first and foremost a *political* program, serving the interests of the rich and the powerful."[8] Although these zones may have different laws from 'regular' territory within a given state, they continue to be integral to its political-economic architecture. Sandrine

[4] Palan, *The Offshore World*, 73.
[5] Ibid, 124.
[6] Vijay Prashad, *The Poorer Nations: A Possible History of the Global South* (London: Verso Books, 2013), 62.
[7] "Export Processing Zones in Developing Countries," in *UNIDO Working Papers on Structural Changes*, (UNIDO, 1980), 40-41.
[8] Palan, *The Offshore World*. 63.

Tesner emphasizes this point through his notion of meta-space, whereby zones operate above borders, rather than delegitimizing state sovereignty.[9]

In effect, the development of such zones was always in active response to both political and economic problems. While they may have attracted foreign capital to restructure balance of payments deficits, they often failed to created strong linkages with the rest of the local economy and promote effective national development. Let us now turn to a more concrete historical analysis of the development of industrial zones specifically in Palestine, while simultaneously keeping in mind these global developments.

Development of Industrial Zones Pre-Oslo

In the early years of its Occupation of Palestine (from 1967 until the late 1970s), Israel sought to develop some forms of social infrastructure and limited prosperity in the territories in order to prevent social unrest and help normalize the Occupation.[10] Owing to large remittances from the Gulf and Israel, a shift away from domestic agricultural and industrial production towards Israeli integration, and restrictions on developing institutional infrastructure, the Palestinian Territories under Israeli Occupation actually experienced impressive growth, relatively speaking. However, as Neve Gordon notes, "the actual resource base of the economy was steadily eroding, as local investment and development remained stagnant."[11] These effects were only felt much later. Moreover, unlike the 1960s and 1970s, the Israeli development budget in 1980 for the territories was zero.[12] The prohibition on financial institutions, development banks, and restrictions on sources of credit, along with the actions of the Palestinian capitalist class, severely hindered capital accumulation and local industrial development. This created a situation where there was a large reserve army of labour, and a Palestinian economy that was almost completely integrated with Israeli industry and dependent on Israeli demand. As Sara Roy notes, Israel transformed the industrial base in the territories into a de facto free zone for the benefit of Israeli producers.[13]

It was in this context that industrial zones were first envisioned in the Occupied Territories by the Israeli government in the late 1980s.[14] In 1989, the Sadan development plan, established by Israel's Minister of Finance Ezra Sadan and commissioned by Israeli Minister of Defense Moshe Arens, proposed establishing an industrial base in the Occupied Territories. The plan "granted Israeli businesses the higher-added tiers of the industries into which Palestinian enterprises would be integrated."[15] Moreover, in 1991, Military Order 105 "permitted for the first time free Palestinian investment in Gaza", which marked the beginning of Israeli and Palestinian diaspora capital for a joint

[9] Sandrine Tesner, and Georg Kell, *The United Nations and Business: A Partnership Recovered* (London: Macmillan, 2000), 26.
[10] Neve Gordon, *Israel's Occupation* (Berkeley: University of California Press, 2008), 62.
[11] Ibid, 75.
[12] Ibid, 73.
[13] Sara Roy, *The Gaza Strip: The Political Economy of De-Development* (Washington, D.C.: Institute for Palestine Studies, 1995), 239.
[14] Anne Le More. *International Assistance to the Palestinians After Oslo: Political Guilt, Wasted Money* (Abingdon-on-Thames: Routledge, 2008), 125.
[15] Tariq Dana, "The Symbiosis Between Palestinian 'Fayyadism' and Israeli 'Economic Peace," *Conflict, Security & Development* 15, no. 5 (2015): 469.

industrial venture.[16] In light of the First Intifada in 1987 and the imposition of closure, these zones were designed with both security and economic concerns in mind. They functioned, in essence, as hyper-territorialized and hyper-securitized enclaves that embodied all the trends in the Palestinian economy – labour-intensive sub-contracting, export-oriented production for Israeli, Gulf, and European markets, and absorption of surplus-Israeli capital. With regards to security, they helped solve the 'demographic' issue of Palestinians crossing the Green Line into Israel by outsourcing manufacturing and sub-contracting to the Occupied Territories as opposed to being within Israel. Moreover, they proved to be beneficial towards Israeli capitalist interests as the cost of Palestinian labour in Palestine was much cheaper than in Israel. In fact, many of these industrial zones relied upon exploitative Jordanian labour laws from the 1960s, as opposed to Israeli ones that were more labour-friendly. Furthermore, the Israeli government believed that these industrial parks would absorb surplus Palestinian labour, thereby assuaging social conflict and promoting limited development at the expense of freedom from occupation and full national liberation.

The history of industrial zones in the Occupied Territories points to the fact that these zones were developed in response to a deteriorating Palestinian economy and to the benefit of Israeli capital. By outsourcing production to the territories, Israeli capital could exploit cheaper Palestinian labour whilst also joining forces with Palestinian diaspora capital. In turn, this dynamic suggests that only wealthy Palestinians and Israelis were able to invest in the development of industrial zones, and therefore solidified their position as legitimate nation builders.

Industrial Zones in the Context of the Oslo Accords

The concept of industrial zones resurfaced during the Oslo years (early 1990s), albeit in a different form. One of the most popular ideas promoted by the Israeli Left and the Labour Party was the notion of economic regional cooperation. Under this framework, *joint* industrial parks were highlighted as a way to encourage development in a weak Palestinian economy and build mutual trust between the PA and the Israeli government. Initially, the estates were to be developed by both governments, mainly on the border in order to fuse Israeli capital with Palestinian labour.[17] They were planned in locations such as Nablus, Tulkarem, Jericho, Hebron, Karni, and the Rafah/Keren Shalom border.[18] Israeli investors hoped that the products would be exported under the label 'Made in Palestine', which would allow Israel to penetrate Arab markets and avoid international boycott campaigns.[19] By 2000, on the eve of the Second Intifada, six industrial parks were under construction with investments amounting to approximately $250 million.[20] However, early in the course of negotiations, the prospect of building these joint industrial parks faded rapidly. Israel instead proposed the establishment of Israeli-controlled zones like the Erez Industrial Estate in Gaza. In response to this, the PA and

[16] Peter Lagerquist, "Privatizing the Occupation: The Political Economy of an Oslo Development Project," *Journal of Palestine Studies*, 32, no. 2 (2003): 7.
[17] Markus Bouillon, *The Peace Business: Money and Power in the Palestine-Israel Conflict.* (New York: IB Tauris, 2004), 88.
[18] Ibid, 88.
[19] Ali Abunimah, *The Battle for Justice in Palestine*. (Chicago: Haymarket Books, 2014), 14.
[20] Bouillon, *The Peace Business*, 88.

other Palestinian elites decided to unilaterally develop their own zones, handing over the process to the Palestine Investment and Development Company (PADICO), resulting in the Gaza Industrial Estate (GIE) in 1998.[21] However, security guarantees for the free movement of goods and peoples were never obtained, and the political environment was seemingly too unstable to attract many investors. To make matters worse, during the Second Intifada (2000-2005), the construction of many of these industrial estates came to an abrupt end, with 75 factories destroyed in the West Bank and the Gaza Strip and four Israeli factories torched (employing 300 Palestinians) next to the Khaddourie Park in Tulkarem.[22] According to a 2010 Paltrade report, out of the six planned industrial zones – the Gaza Industrial Estate, Jenin Industrial Estate, Khadoury Information Technology Estate in Tulkarem, the Agro Industrial Park in Jericho, Bethlehem Industrial Estate, and an industrial zone in Tarqumiyah – only the Gaza Industrial Estate had been operating successfully.[23] To date, only the Jericho-Agro Industrial Park, the Bethlehem Industrial Estate, and the GIE are still in operation.[24]

Therefore, whilst there was initial cooperation between Palestinians and Israelis in developing industrial zones in the Palestinian territories, the history indicates that this cooperation was largely meaningless. This manner of cooperation was a microcosm for the wider peace process at hand. The Oslo Accords were a step towards peace, yet it nonetheless reduced the two sides to equal players without recognizing the vast asymmetry in power. In light of this asymmetry and the lack of bargaining power on the part of the Palestinians, it became increasingly difficult to obtain security guarantees from the Israelis in the context of a military occupation. Consequently, the development of industrial zones seemed flawed from the outset. Although the zones were initially designed to facilitate the integration of Israeli capital with Western and Gulf markets, Israel often relocated its manufacturing to Jordan and Egypt largely because of political stability and cheaper labour costs. As I explain in the following section, by relying on the cooperation of an occupying power in the face of drastic changes in the global economy (i.e. offshore production), industrial zones failed to materialize and effectively promote Palestinian economic development.

Oslo and Beyond - the New Middle East

The historical development of industrial estates in Palestine can be traced back to Israeli concerns regarding their own economy and management of the Occupied Territories, coupled with changes in the global political economy. However, international financial institutions (IFIs) and Palestinian political elites also played a critical role in their development. Alongside the discussions in Oslo in 1993, a Palestinian industrial estates program was established in a somewhat enthusiastic atmosphere by a trilateral economic committee headed by Palestinian chief negotiator Abu ‘Ala, US Middle East envoy Dennis Ross, and Israeli Foreign Ministry director Uri Savir.[25] Throughout these discussions, tentative agreements on the construction of industrial estates were reached

[21] Ibid, 88.
[22] Ibid, 91-92.
[23] Palestine Trade Center, *Investment in Palestine: The Reality.*
[24] “Home” Palestine Industrial Estates & Free Zone Authority, http://www.piefza.ps/en/home
[25] Lagerquist, “Privatizing the Occupation,” 8.

and on 14 May 1995 the World Bank proposed backing the Gaza Industrial Estate.[26] IFIs and national governments viewed the establishment of industrial zones in Palestine largely within the framework of neoliberal economics as a solution to political problems. Even Bill Clinton remarked, "If you agree to establish industrial zones in the West Bank and Gaza and elsewhere, I am prepared to go to Congress and seek approval for extending duty-free treatment to products coming out of those zones."[27] On the one hand, these zones would strengthen the PA both materially and ideologically, and on the other hand, break the Arab boycott on Israel.[28] By doing so, the United States and IFIs would be able to realize Shimon Peres' dream of a 'New Middle East' built on the shoulders of free trade, regional interdependence, and globalization, that would be incorporated into the broader 'New World Order.'[29] However, this dream had already sowed the seeds of its own destruction, especially for the Palestinians. Whilst the 1994 Protocol on Economic Relations was written well within the neoliberal paradigm of the time, it nonetheless permitted Israel to have full control over its own border *as well* as those of the Palestinian Authority.[30] Moreover, Israel retained control over all Palestinian import tax and VAT revenues, freedom of movement, water, and other natural resources.[31] Thus, the idea of a "New Middle East" defined by 'interdependence', 'good governance', and 'free trade' materialized into a watered-down marriage of Israeli 'security concerns' and neoliberalism. In fact, by breaking the Arab boycott through the Protocol on Economic Relations, the establishment of industrial zones in the late 1990s accelerated the process of the internationalization of Israeli capital far more than promoting Palestinian economic development.

Notwithstanding these internal contradictions and the major security lapses during the Second Intifada, IFIs and donor nations were still pushing for the establishment of industrial zones in Palestine even after the Second Intifada. For example, a 2004 World Bank report noted that the strategy for development in Palestine depended upon "well serviced land and supporting infrastructure" in a space subject to a "regulatory regime with a minimum of red tape."[32] Whilst the Bank was adamant on building an "efficient border crossing regime", they nonetheless believed that industrial estates on the border between Israel and Palestine would attract Palestinian entrepreneurs and foreign investors and support "export-based growth."[33] The Bank report makes clear five prerequisites to reviving the industrial estates program after its halt during the Second Intifada. They expressed the need for (1) "efficient and uninterrupted access of goods", (2) the "maintenance…of linkages with Israeli business and markets", (3) the use of industrial estates as a "springboard to the development of exports to third countries", (4) providing

[26] Gershon Baskin, and Zakaria al-Qaq, *A Reevaluation of the Border Industrial Estates Concept* (Jerusalem: IPCRI, 1998), 2-3.
[27] Quoted in Dana, "The Symbiosis Between Palestinian 'Fayyadism' and Israeli 'Economic Peace," 470.
[28] Lagerquist, "Privatizing the Occupation," 9.
[29] Shimon Peres, and Arye Naor, *The New Middle East* (New York: Henry Holt & Co, 1995).
[30] Raja Khalidi, and Sobhi Samour, "Neoliberalism as Liberation: The Statehood Program and the Remaking of the Palestinian National Movement," *Decolonizing Palestinian Political Economy*, ed. Mandy Turner and Omar Shweiki, 179-199. (Basingstoke: Palgrave Macmillan, 2014.)
[31] Mushtaq Khan, George Giacaman, and Inge Amundsen, *State Formation in Palestine*. (London: RoutledgeCurzon, 2004).
[32] Omer Karasapan and Roby Fields, "Stagnation or Revival? Palestinian Economic Prospects) MENA Knowledge and Learning Quick Notes Series; no. 61, (Washington, DC: World Bank, 2012), 1.
[33] Ibid, 1.

support to PIEFZA and PIEDCO, and (5) agreeing on a protocol between Israelis and Palestinians that would "take advantage of the free zone provisions under the PIEFZL."[34] Though the authors of the report seem sceptical of the industrial estate program's prospects of success, its recommendations prove to be problematic as well. In the context of deteriorating relations between Palestinian and Israeli elites (especially under the Likud government), the likelihood of uninterrupted access of goods seems like a pipe dream in the absence of a comprehensive political solution to the conflict. Moreover, even if this were to occur, its benefits seem somewhat limited.

The report also emphasizes the importance of maintaining linkages with Israeli business. This is problematic for two reasons. Firstly, although the Palestinian economy has collaborated (and likely will have to continue to do so) with the Israeli economy, it seems highly problematic to call for further economic integration between the Occupier and the Occupied. Without reaching a political solution, economic integration between Israeli/foreign capital and Palestinian labour, coupled with a rent-seeking Palestinian political-elite, will serve only to weaken any prospects for effective development and deepen the occupier's control over Palestinian economic and social life.[35]

Secondly, the entire developmental strategy of relying on Israeli business is flawed. A brief historical analysis proves this point. Due to security concerns and Israeli domestic restrictions, it is not particularly easy for Israeli business to invest in industrial zones/estates that are under full Palestinian control. As noted earlier, since the Oslo Accords served the interests of Israeli capital by breaking the Arab boycott, Israeli and Arab economic relations began to integrate more rapidly. The Oslo Accords, coupled with the 1994 Jordanian-Israeli Peace Treaty, created an environment for further economic integration, resulting in an agreement brokered by the US between Israel and Jordan on Qualifying Industrial Zones (QIZ). QIZs are special EPZs that allow jointly manufactured goods to enter the US market without import restrictions as long as they contain a certain Israeli input. Moreover, Egypt joined the QIZ agreement in 2004, further intensifying the trend towards Arab and Israeli integration. Because of lower labour costs and fewer security risks in Jordan and Egypt, a feasibility study for the Nablus Industrial Estate noted that "the QIZ in Irbid and the other QIZs to be designated within Jordan and Egypt will be direct competitors."[36] In fact, many small Palestinian businessmen who relied on Israel for subcontracting were deprived of their income as manufacturing relocated to Jordan and Egypt. As Bouillon notes, the relocation of manufacturing to Jordan proved to be so successful that "outsourcing industrial production there often replaced industrial collaboration with Palestinian firms in the West Bank and Gaza Strip."[37] Therefore, relying on the Israeli business community in an increasingly globalized production landscape only served to hurt smaller Palestinian businesses.

In spite of this, Palestinian political elites, like those associated with the Palestine Industrial Estate Development and Management Company (PIEDCO), still believed that

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[34] Ibid, 6-7.

[35] Adam Hanieh, *Lineages of Revolt*: *Issues of Contemporary Capitalism in the Middle East* (Chicago: Haymarket Books, 2013), 122.

[36] Palestine Industrial Estate and Free Zone Authority, "Nablus Industrial Estate Feasibility Study," 3-16.

[37] Bouillon, *The Peace Business*, 152.

"Palestinian products could withstand the pressure of rivalry."[38] This statement is hardly surprising as the stakes for the post-Oslo Palestinian capitalist class were far lower than for small Palestinian business owners. For example, the Fakhoury family that helped develop the Jenin Industrial Estate nonetheless benefitted from the relocation of capital away from Palestine to Jordan because they were heavily invested into the QIZ business in Jordan.[39] Unlike small Palestinian business owners who were completely dependent on Israeli subcontractual relations, the wealthier Palestinian political-economic elite acquired more rents from IFIs and donor agencies for establishing more industrial estates.[40] In a sense, it did not matter whether the estates were successful or not – it mattered only that these estates were heavily subsidized.

Lastly, the World Bank's recommendations regarding support for the Palestinian Industrial Estate and Free Zone Authority (PIEFZA) and PIEDCO, in addition to taking advantage of the free zone laws, seem to accelerate the trend towards greater social inequality in Palestine. By strengthening the transnational Palestinian capitalist class via subsidies and political legitimization, IFIs and donor agencies serve to strengthen a neopatrimonial Palestinian proto-state. As Brynen notes, in this neopatrimonial order the boundaries between "public role and private interest" are constantly blurred, public office enables private rent-seeking, and "state resources are used to lubricate patron-client networks."[41] In fact, Bouillon argues that it was precisely this neopatrimonial order that contributed significantly to the public indignation in the lead up to the Second Intifada.[42]

However, this neopatrimonialism must not be conceived of in a historical vacuum. Rather, as Tariq Dana argues, it denotes a "locally influential political-economic elite that is tied into the global system economically, ideologically and politically."[43] Therefore, it is crucial that we understand the development of industrial zones in the West Bank and the Gaza Strip as both symptomatic of, and contributory to, social, economic, and political inequality. In a highly globalized context, Palestinian political-economic elites were well-positioned to channel rents from IFIs and donor agencies, whereas small business owners and workers bore the brunt of exploitation, and worse, economic deprivation when manufacturing relocated from the Occupied Territories to Jordan and Egypt.

Therefore, it is clear that the establishment of industrial zones was pushed heavily by Palestinian elites and IFIs in the context of the Oslo Accords, neoliberal globalization, and a vision for the new 'New Middle East.' However, this historical analysis has demonstrated that the agreements reached, especially the 1994 Protocol on Economic Relations, always favoured the Israelis over the Palestinians. Moreover, relying on Israeli businesses as a source of capital in light of increasing globalization and relocation of manufacturing proved to be an ineffectual developmental strategy. Lastly, strengthening the power of Palestinian economic elites through financial subsidies and aid also reinforced structures of social, political, and economic inequality that are ultimately at

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[38] Ibid, 73.
[39] Ibid, 89.
[40] Toufic Haddad, *Palestine Ltd: Neoliberalism and Nationalism in the Occupied Territory* (New York: I.B. Tauris, 2016).
[41] Rex Brynen, "The Neopatrimonial Dimension of Palestinian politics." *Journal of Palestine Studies* 25, no. 1 (1995): 25.
[42] Bouillon, *The Peace Business*, 146.
[43] Dana, *The Symbiosis Between Palestinian 'Fayyadism' and Israeli 'Economic Peace*, 457.

odds with a coherent and popular national economic program. Hence, although Palestinian elites may have benefitted from the rents associated with the establishment of industrial zones, this did not materialize into effective economic development for the Palestinian Territories as a whole. Let us now turn to how industrial zones have developed in more recent years after the Second Intifada came to an end under the administration of Prime Minister Salam Fayyad.

Industrial Zones, Fayyadism, and the PRDP

An overview of the political economy under Prime Minister Salam Fayyad and his developmental paradigm also illustrates the failure of preconditioning economic development on neoliberal reform, increasing foreign ownership, and the Occupier's goodwill. The enthusiasm for building industrial estates and free zones was once again reignited under Prime Minister Salam Fayyad (2007-2013). This period, in terms of its policy positions and wider ideology, is often termed 'Fayyadism.' Although it does not represent a radical departure from PA policies of the 1990s, it does entail a further shift towards economic normalization, neoliberal fiscal and monetary reforms, security reform and cooperation, privatization, and rhetorical calls for 'good governance' and transparency.[44] Fayyad himself, educated largely in the United States, cut his teeth at the World Bank from 1987 to 1995, and then at the IMF from 1996 to 2001. In the eyes of the United States and IFIs, he seemed like 'their kind of guy.' He acceded to all the economic and political positions promoted by IFIs, subscribed to the US-Israeli project of 'A New Middle East', and seemed willing to work with the United States and Israel.

One of the most important documents that Fayyad authored alongside the World Bank was the Palestinian Reform and Development Plan 2008-2010 (PRDP). This sought to achieve four primary objectives – "safety and security", "good governance", "increased national prosperity", and "enhanced quality of life" – through a PA monopoly on violence to deter Hamas and neoliberal economic reform to attract foreign capital and secure further donor funding.[45] This proposal emanated from a conference that took place on 17 December 2007 where over 90 representatives from donor agencies and countries pledged their support for the PA. Chaired by the French and Norwegian governments, former British Prime Minister Tony Blair, and the European Commission, the attendees pledged over $7.7 billion to the PA.[46] The close links between IFIs and Palestinian political-economic elites in dictating Palestinian economic policy is clear. As Adam Hanieh notes, "the first thing to note about the PRDP is that the heavy hand of the World Bank, the International Monetary Fund … can be clearly seen in its policy recommendations and outlook."[47] In fact, the $7.7 billion earmarked for the PA was conditional on the PRDP's implementation. In addition to cutting public sector jobs by 21% (except for the security sector, where $257 million in funding was secured), reducing the wage bill, ending subsidies on electricity and water (which would adversely affect the poor), the PRDP proposed the continued establishment of these same border

[44] Philip Leech, "Re-reading the Myth of Fayyadism: A Critical Analysis of the Palestinian Authority's Reform and State-building Agenda, 2008–2011", (Arab Center For Research & Policy Studies, 2012), 15.
[45] Palestinian National Authority. *Palestinian Reform and Development Plan 2008-2010*, 2007, 5.
[46] Adam Hanieh, "Palestine in the Middle East: Opposing Neoliberalism and US Power." *Monthly Review MRZine*, July 19, 2008.
[47] Ibid.

industrial zones in Jenin, Jericho, and Tarqumiyah, and municipal industrial parks in Tulkarem and Hebron.[48]

This plan exhibited numerous flaws from the start. First, the fact that these zones remained incomplete yet are still being promoted signals a strategy that is based on consistently rehashing unsuccessful projects. Additionally, the PRDP highlighted the expansion of foreign funding to develop such zones. Germany, Japan, France, and Turkey pledged to substantially develop the border industrial zones. Japan pledged approximately $50 million to the Jericho-Agro Industrial Park, Germany provided $14 million in soft loans, and has pledged to provide another $40 million for the Jenin Industrial Free Zone. France offered a 50% grant for French machinery, and a 50% guaranteed loan for infrastructural development at the Bethlehem Industrial Estate.[49] Moreover, a concession agreement that was leaked in 2012 revealed that the land rights for the Jenin Industrial Free Zone were set to be transferred to the Turkish firm, Tobb-Bis Industrial Parks Management Company – though this has yet to happen.[50] In sum, the zones were set to function as offshore nodes facilitating the expansion of global capital, whilst simultaneously legitimizing Palestinian elites as nation-builders, harbingers of effective development, and practitioners of 'good governance.'

Another problem concerning the PRDP and its advocacy for establishing these industrial zones is the issue of free movement within the context of occupation. A 2008 progress report acknowledged that "closure of Gaza by the Government of Israel (GOI) and the continued impediments to access and movement in the West Bank" was the primary obstacle to economic development.[51] The report notes that Israel had yet to provide free access and movement from planned industrial zones within area A, which was supposed to be under full PA control (see footnote for explanation).[52] Moreover, the PRDP called for the establishment of the Tarqumiyah zone that is to be built on area C. It seems contradictory to repeatedly advocate for the building of industrial zones on lands that fall in area C given that even those built on area A fail to guarantee the free movement of goods and people. In essence, the developmental program at hand depended upon the Occupier's goodwill.

The question of labour and employment has proven problematic in this plan. The PRDP posited that the industrial zones will directly employ 40,000 workers and create another 40,000 in indirect jobs, meaning that 20% of jobs in the Occupied Territories will be associated with such industrial zones. However, for all the talk of job promotion and raising standards of living, the main trade union body in the Palestinian Territories, the Palestinian General Federation of Trade Unions (PGFTU), has not been given the right to

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[48] Palestinian National Authority, *Palestinian Reform and Development Plan 2008-2010*, 2007, 128.

[49] "Commercial Law Report: A Reevaluation of the Border Industrial Estates Concept" (Jerusalem: ICPRI, 2013), http://unispal.un.org/UNISPAL.NSF/0/FAD0681D02188DEA85257B0C00456B85\; Office of the Quartet Representative Tony Blair, "Initiative for the Palestinian Economy," 2014 http://www.tonyblairoffice.org/quartet/pages/the-initiative-for-the-palestinian-economy/.

[50] Charlotte Silver, "Leaked Documents Show PA Outsourced Palestinian Land and Rights to Turkish Firm," *Electronic Intifada,* September 19, 2012, https://electronicintifada.net/content/leaked-documents-show-pa-outsourced-palestinian-land-and-rights-turkish-firm/11680.

[51] Palestinian National Authority, *Progress Report on the Implementation of the Palestinian Reform and Development Plan*, 34.

[52] Area A = full civil and security control by the PA. Area B = Palestinian civil control and joint Israeli-Palestinian security control. Area C = Full Israeli civil and security control.

represent workers in the zones.[53] This highlights the trend towards a labour-hostile environment and a 'race to the bottom' for wages in an already tumultuous political situation. Moreover, in light of the experiences of the Gaza Industrial Estate (GIE), there is reason to be suspicious of these employment projections. Established in 1998, the World Bank hoped that the GIE would directly create some 16,000 jobs by 2005 in addition to 30,000 indirect jobs. In reality, the GIE only employed 6.6% of its direct employment target and 5.3% of its indirect employment target. It was also unable to provide a genuine alternative to wage-work in Israel as both the average unskilled and skilled wage at the estate was lower than the average Palestinian wage in Israel proper.[54] In fact, Israeli firms 'outsourced' production to the estate where both labour costs and tax rates were lower. Additionally, Israeli security concerns were assuaged as this type of production no longer required the inflow of Palestinians into Israel proper. Last, since many of these jobs were often low value-added textile jobs that were subcontracting for Israeli firms, they had little effect on local Palestinian capital accumulation. Though one cannot superimpose the experiences of the GIE onto other zones, that fact that the PRDP continues to champion the GIE and the industrial zone model as a successful developmental blueprint for Palestine is nonetheless concerning.

In sum, the PRDP and the underlying peace process have only legitimized the elites as nation-state builders in the eyes of the international community. Additionally, it has reified elite decision-making bodies and institutions as the principal channels through which development is practiced, regardless of whether they reflect needs of Palestinians. This seems to be a prime example of a peace process that depends upon "inter-elite political accommodations whose aim is often not so much 'peace' as the reconfiguration of domestic hegemony and/or international legitimacy," as Jan Selby has noted.[55]

In effect, the growing influence of IFIs and foreign capital vis-à-vis the PRDP, accelerates the process of undemocratic economic planning. Since Palestinian political-economic elites owe their class position to integrating with foreign capital, they certainly stood to benefit from the PRDP. Moreover, that industrial zones were always dependent on foreign funding and, in some cases, the commercialization of Palestinian land, indicates a developmental strategy at play that prioritizes the interests of capital, donor agencies, and rent-seekers. Furthermore, the PRDP, like previous reports from IFIs, internalized the Occupation and ensured that development was contingent on the Occupier's goodwill. Lastly, a lack of cooperation with trade unions on extensive economic programs is indicative of the fact that these political-economic projects were elite-centered. However, it was not solely the industrial zones, but rather the entire PRDP package that strengthened the neopatrimonial Palestinian state and their repressive status apparatus at the expense of a more egalitarian economic strategy.

While the history of the industrial zones in Palestine is crucial for understanding wider regional and global contexts as well as decision-making processes involved, this

[53] Hanieh, *Palestine in the Middle East. Implementation Completion Report On A Proposed Trust Fund Credit In The Amount of US $10 Million To The West Bank And Gaza For The Gaza Industrial Estate Project,* Rep no. 34718, (Washington, DC: World Bank, 2005), 6.

[54] *Implementation Completion Report On A Proposed Trust Fund Credit In The Amount of US $10 Million To The West Bank And Gaza For The Gaza Industrial Estate Project,* Rep no. 34718, (Washington, DC: World Bank, 2005), 6.

[55] Jan Selby, "The Political Economy of Peace Processes," In *Whose Peace? Critical Perspectives on the Political Economy of Peacebuilding,* ed. Michael Pugh et al. (Basingstoke: Palgrave Macmillan, 2008), 13.

article will now provide a spatial analysis of industrial zones in Palestine to highlight some elements in a wider political and economic project that is being increasingly defined by political, economic, and spatial fragmentation.

Spatial Analysis of Industrial Zones in Palestine

Drawing upon frameworks established in the field of critical geography will elucidate the relationship between social class and social space in Palestine in order to assess whether these zones promote economic development. To do so, I will focus on (i) the economic implications of location and geography of the zones, (ii) land dispossession and environmental concerns, (iii) increasing Israeli control over Palestinian social and economic life, and (iv) projections of territorial sovereignty as class power. The focus will be on the Jericho-Agro Industrial Park (JAIP), the Bethlehem Industrial Estate (BIE), the Jenin Industrial Free Zone (JIFZ), and the Tarqumiyah Industrial Estate (TIE).

Economic Implications of Location

Firstly, it is important to investigate the economic implications of the Palestinian industrial zones' geography. Doing so will assist us in explaining how they function within the Palestinian economy, and in turn, their developmental implications.

The Jericho-Agro Industrial Park (JAIP), which began operating in September 2013, is located on the south side of Jericho's border from Al-Nabi Moussa Land, on the southern fringe of the Jericho Municipality, occupying approximately 1,115,000m^2.[56] Clearly, judging from the location near the Jordanian border and according to the final feasibility study, the JAIP is intended to primarily export its agro-industrial produce to Gulf and European markets.[57] In 2011, Israel approved the request from the JAIP's developers to build an access road from the Allenby Bridge (connecting the West Bank to Jordan) to the industrial park.[58] Thus, even the geographical location of the zone itself is indicative of neoliberal orthodoxy – produce for export is prioritized even though Palestine suffers from a lack of food sovereignty. According to Wilson and Bruins (2005), the food security for the Palestinian Territories was rated as 'very low.'[59] They received a score of 43 on the Food Security Index, which ranges between -40 and 50, with 50 being the most insecure. Further, out of all the Middle Eastern countries surveyed, only Jordan ranked below Palestine.[60] In effect, the enclave-like nature of the zone located on the border of the West Bank ultimately creates few linkages with the rest of the local economy and accelerates the trend towards further food insecurity.

[56] Japan International Cooperation Agency, *Feasibility Study on Agro-industrial Park Development in the Jordan River Rift Valley,* S-10.
Palestine Industrial Estates & Free Zone Authority, http://www.piefza.ps/en
[57] Japan International Cooperation Agency, *Feasibility Study on Agro-industrial Park Development in the Jordan River Rift Valley,* S-3.
[58] Israeli Ministry of Foreign Affairs, *Projects in Area C 2011-2012*, 49.
[59] JP Wilson and HJ Bruins, "Food security in the Middle East since 1961," *The Jacob Blaustein Institute for Desert Research, Ben-Gurion University,* (2005): 2011.
[60] Jane Harrigan, *The Political Economy of Arab Food Sovereignty,* (New York: Springer, 2014), 26.

Moreover, its location in the Jordan Valley has significant implications for the local agricultural industry. According to PIEFZA, this projection of territorial sovereignty via the establishment of the JAIP is necessary in order "to revive Palestinian valleys areas that are threatened with confiscation and settlement."[61] Whilst the threat of land confiscation by Israeli authorities and settlers is evidently real, Palestinian elites and their foreign counterparts utilize this fear to justify their own economic projects based on these genuine concerns. However, according to a 2007 Stop The Wall Campaign report, rather than protecting small farmers who make up the vast majority of economic activity in the Jordan Valley, donor agencies envisage a situation where farmers will work as wage-labourers in large-scale agro-industry, in turn, producing surplus value for international capital.[62] Writing on the growth of the 'offshore economy,' Palan notes "the perceived threat of relocation and decline [or, in this case, confiscation], whether real or not, was seized upon to rationalize and restructure power relationships in the center."[63] Therefore, this spatial dynamic can also be viewed as an effect produced by class power, which aims to project political and economic control over certain territories, in turn, channeling surpluses to domestic and international ruling coalitions.[64]

This dynamic is certainly not unique to the JAIP. The Jenin Industrial Free Zone (JIFZ), located 3km from the Jenin city centre, also lies near the northern border with Israel (see figure 1). As seen in figure 1, the JIFZ is to be established next to the Al-Jalameh security checkpoint but its potential to successfully export out of the territories and into Israel seems unattainable. Haifa, the closest main Israeli city to Jenin, is only 45 kilometers away. However, as a feasibility report notes, a 'good' total travel time (in times of peace) would be 648 minutes and a 'bad' time (in times of political turmoil) to be 1026 minutes.[65] Thus, whilst these zones were planned to satisfy the space-time compression needs of global capitalism (condensing spatial and temporal distances to speed up the circulation of capital) by being 'outside' of the Occupation and exploiting cheap labour, the extremely lengthy travel times are indicative of its own failures.[66] Once again, if we consider seriously the exorbitant transport times and costs, it seems only 'reasonable' for firms to relocate their manufacturing to QIZs in Jordan and Egypt. Therefore, even on the zone's own terms – a successful export processing zone – the project seems uncompetitive in a globalized economy and does not promote Palestinian economic development.

[61] "Jericho Agro Industrial Park," Palestine Industrial Estate and Free Zone Authority, http://piefza.ps/en/jericho-agro-industrial-park-industrial-estate.

[62] Stop The Wall Campaign, "The Japan International Cooperation Agency's Development Proposals for the Jordan Valley*"* 2007, 15.

[63] Palan, *The Offshore World*. 131.

[64] Arang Keshavarzian, "Geopolitics and the Genealogy of Free Trade Zones in the Persian Gulf," *Geopolitics* 15, no. 2 (2010): 263.

[65] Sironi, et al, *A feasibility Analysis of the Jenin Sustainable Industrial and Logistics District*, 220.

[66] Caison, Gina, and Boris Vormann, "The Logics and Logistics of Urban Progress: Contradictions and Conceptual Challenges of the Global North-South Divide," *The Global South* 8, no. 2 (2015): 76. David Harvey, *The Condition of Postmodernity: An Enquiry into the Conditions of Cultural Change*. (Oxford: Blackwell, 1989).

Land Dispossession, Land Rights, and Environmental Concerns

Since the establishment of industrial zones depends on relatively large swathes of territory, it is important to explore the developmental implications of land dispossession and land rights associated with their construction. By analyzing cases of both land appropriation and environmental issues, it will become clear that elite concerns and foreign interests are prioritized over the needs of the local economy, especially that of agriculture.

In terms of land dispossession and land rights, the Jenin Industrial Free Zone (JIFZ) is the most concerning. When the PA decided to build the zone, some families sold their land, totaling approximately 500 dunams (1 dunam = 1000m^2). However, this was not sufficient for the establishment of the zone as five families refused to sell their land to the PA. In 2000, the PA then proceeded to appropriate 933 dunams of land from the farmers and transferred it to PIEFZA in the name of 'public use.'[67] At the time, farmers filed a lawsuit against President Abbas and Prime Minister Fayyad, claiming that the land appropriation would destroy local agriculture in the region.[68] PIEFZA did obtain the land and will be overseeing the project, but the land rights were set to be transferred to the Turkish firm, TOBB-BIS. To borrow Palan's term, this can be described as the 'commercialization of sovereignty' where "offshore jurisdictions are offering sovereign protection or a right of abode, whether real or fictional, and using this as a source of revenue."[69] The bitter irony is that the PA already faces many challenges to establish sovereignty over the Occupied Territories, and the re-territorialization of Palestinian land into something that operates above the state level for global capital is indicative not of the irrelevancy of the Palestinian state, but rather, of its class dynamics. Whether the aim of transferring land rights was because of financial constraints or not, it nonetheless demonstrates that PA elites are beholden to the dictates of international capital and not accountable to the people they are supposed to represent. As Arang Keshavarzian notes in his study of free zones in Dubai and Iran, these zones function as "gated fiefdoms for private interests and extraction of surplus by economic and foreign interests. Willing or not, public law is rendered as a mere tool of private interests."[70] The process of establishing industrial zones in Palestine indicates a willingness on the part of Palestinian elites to disregard local developmental projects, carve out small pockets of territory for global capital to accumulate, and create revenue streams from such land transfers.

Another set of issues that arise with the development of such zones/estates on Palestinian land are those related to environmental and health concerns. According to a 2009 environmental and social impact assessment of the Bethlehem Industrial Estate (BIE), there are many causes of concern regarding the establishment of the estate. As seen in figure 2, the estate takes over large swathes of field crops and is adjacent to two olive fields. The report notes that it is possible that acid rain resulting from industrial pollution may "contaminate drinking water and vegetation, damage aquatic life, and

[67] Silver, "Leaked Documents."
[68] Ahmad Melhem, "Palestinian industrial parks: Boon or Bondage?" *Al-Monitor,* January 11, 2016 http://www.al-monitor.com/pulse/originals/2016/01/palestinian-jenin-industrial-estate-project-israel-economy.html.
[69] Palan, *The Offshore World*, 59.
[70] Keshavarzian, *Geopolitics and the Genealogy of Free Trade Zones in the Persian Gulf*, 284.

erode buildings."[71] Moreover, owing to the westerly and northwesterly wind direction, "most of the eastern part of Hindazah inhabitants (about 2000 people) as well as all of Beit Ta'mir inhabitants will be affected by air pollution (580 people)."[72] Furthermore, the majority of inhabitants in the area believed that the presence of the BIE would adversely affect their own agricultural projects (see figure 3). The report also concludes that "the proposed industrial park construction will create negative impacts" on noise and vibration, dust from earth works, problems on access roads and traffic jams, runoff erosion from cut and fill areas, fumes from excavation, displacement of workers and farmers, destruction of significant agricultural land use, and possible impact of the al Khirba archaeological site.[73]

Whilst industrial development usually entails some form of environmental and/or health problems, one of the biggest concerns is the effect on local agriculture. Once again, as noted earlier, since Palestine already suffers greatly from food insecurity, any destruction to local agriculture must be viewed seriously and scrutinized. The fact that local inhabitants felt that the industrial estate would adversely affect agriculture is testament to the PA's undemocratic economic planning. Moreover, it seems only to fall under what Marxist geographer David Harvey terms 'accumulation by dispossession' – a process that includes the "commodification and privatization of land and the forceful expulsion of peasant population; conversion of various forms of property rights into exclusive private property rights; suppression of rights to the commons; commodification of labour power and the suppression of alternative (indigenous) forms of production and consumption."[74] As Marx notes in the *Grundrisse*, "capital by its nature drives beyond every spatial barrier."[75] In the case of the BIE, French and Palestinian capital, along with aid from IFIs, functions the same way. Inhabitants' concerns and local agriculture, which functioned as barriers to the expansion of capital, are disregarded and removed to pave the way for new forms of capital accumulation. For example, the only company to operate at the BIE thus far is the French firm Schneider Electric.[76]

In turn, by removing farmers from their land, they are then forced to enter the labour market to work for wages whilst other Palestinians who work in the estate produce surplus-value for foreign capital that is rarely reinvested back into the local economy. Instead, the capital is siphoned off to France, with PA elites extracting rents from these business operations. In effect, these zones are spatial strategies to further maximize profit for foreign capital. As Keller Easterling writes, "today we might understand the zone to be the embassy or parliament of the elite parastate corporation, the site of multinational and offshore headquartering and the spatial instrument for externalizing obstacles to profit."[77] Therefore, rather than accommodating indigenous forms of production and consumption, industrial zones represent a process whereby land rights serve the interests

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[71] Hammad et al, *Environmental and Social Impact Assessment and Action Plan (ESIAAP) for Bethlehem Multi Industrial Park (BMIP)*, 38.
[72] Ibid, 39.
[73] Ibid, 33-34.
[74] David Harvey, *Spaces of Global Capitalism*. (London: Verso, 2006) 43.
[75] Karl Marx, *Grundrisse*. (London: Penguin, 1993), 524.
[76] "Schneider Electric Opening," Bethlehem Multidisciplinary Industrial Park http://bmipbethlehem.com/index.php/our-news/item/80-schneider-electric-opening.
[77] Keller Easterling, "Zone: The Spatial Softwares of Extrastatecraft." *Places Journal* (2012).

of foreign capital, Palestinian economic-elites, and the pursuit of profit at the expense of the local Palestinian economy.

Navigating the Occupation, Israeli Biopower, and Securitized Development

Another issue associated with the development of industrial zones in Palestine is that of the Israeli Occupation. There is no doubt that the Occupation is the most pervasive structure permeating economic, social, and political life in the Palestinian territories. Therefore, even though industrial zones were designed to function 'outside' the Occupation, the evidence suggests the contrary. Rather than resisting occupation, this section will demonstrate that industrial zones in fact seem to normalize and integrate with aspects of the Occupation, create more markets for the Israeli security industry in the West Bank, and reinforce Israeli biopower on the ground.

Through an examination of some crucial spatial aspects of the PA-sponsored industrial zones, the ways in which they are preconditioned on structures of occupation will become evidently clear. For example, in 2003, the Israeli military confiscated some of the land for the establishment of the JIFZ in order to build the Separation Wall and for a 'buffer-zone.'[78] Hanieh writes that the Wall will form the northern border of the zone.[79] Therefore, rather than simply functioning as a hub for global capital, the zone will now also architecturally depend upon the Separation Wall – arguably the most visible feature of the Israeli Occupation. This is in fact extremely problematic from the perspective of Palestinian national liberation and development since the Occupation has severely hindered attempts to promote Palestinian economic development.[80] In turn, this example demonstrates that neoliberal forces in Palestine become actualized both economically and spatially through a structural coupling with (material) structures of occupation.

The Jericho-Agro Industrial Park (JAIP) poses a similar problem, though not as directly as the previous example. According to a report from Stop The Wall Campaign, officials from the Japanese International Cooperation Agency (JICA), which is financing most of the JAIP's costs, told news agencies that it plans to build the Al-Mujarat road that will link Jericho to Palestinian towns in the north and the south.[81] However, the road cuts straight through Highway 45, which links Jericho to Jerusalem for Palestinians. In turn, this may further entrench the divisions of the West Bank into three separate enclaves, thereby accelerating the process of spatial fragmentation and the separation of Jerusalem from the rest of the West Bank.[82] Moreover, a report from the Bisan Center for Research and Development noted that the "Jericho Agro-Industrial Park may improve agriculture in the project area, but it was also designed to improve exports to the Jordan Valley [Israeli] settlements and improve their status."[83] If it is the case that both Palestinian and international funding to a project may aid illegal settlements in the West

[78] Stop the Wall Campaign, *Development or Normalization?*
[79] Hanieh, *Palestine in the Middle East.*
[80] Sara Roy, *The Gaza Strip: The Political Economy of De-Development* (Washington D.C.: Institute for Palestine Studies, 1995).
[81] Stop The Wall Campaign, *The Japan International Cooperation Agency's Development Proposals for the Jordan Valley.* 19-20.
[82] Ibid, 20.
[83] Alaa Tartir, "Jericho Agro-Industrial Park: A Corridor for Peace or Perpetuation of Occupation?", *Development Paper Series, 8*. (Ramallah: Bisan Center for Research and Development, 2012), 5.

Bank, then this is clearly a cause for concern. It seems to normalize the Occupation and the gradual colonization of the West Bank, which is completely at odds with Palestinian national liberation and development.

Lastly, according to a 2011-12 report from the Coordination of Government Activities in the Territories (COGAT), Israeli officials approved of building access roads for the Jericho Agro-Industrial Park, the Jenin Industrial Free Zone, and for the Bethlehem Industrial Estate.[84] COGAT describes itself as "responsible for implementing the government's policy in Judea and Samaria and vis-à-vis the Gaza Strip" and argues that it "constitutes the civilian authority for residential zoning and infrastructure and is responsible for addressing the needs of Israeli settlements in the West Bank."[85] While it is impossible to ignore the Occupation, it is nonetheless concerning that COGAT acts as the final arbiter of Palestinian developmental projects. It must be stressed that a developmental strategy whereby Palestinian developers have to accommodate the needs of COGAT for Palestinian projects is not viable. Moreover, these requests are not trivial in nature – according to the report, the access road for the BIE is set to cost \$22.7 million, and the one at the JAIP to be approximately \$13 million, and so the opportunity costs of these projects are extremely high.[86]

The reinforcement of Israeli biopower is another controversial issue relating to the establishment of industrial zones as this reinforcement has negative developmental implications for the Palestinian economy. Biopower, coined by Michel Foucault, is a technology of power whereby "the basic biological features of the human species became the object of a political strategy, of a general strategy of power."[87] Moreover, he notes that it entails "numerous and diverse techniques for achieving the subjugation of bodies and the control of populations."[88] Some examples of Israeli biopower that will be examined include the imposition of ID cards, restrictions on movement, and control over key Palestinian resources like land and water.

As most of the zones are established near the 'borders' and goods need to cross these Israeli-controlled borders and checkpoints for export, they become necessarily integrated into Israeli control over Palestinian life. As Dana notes, "given the priority of security, restrictive measures will apply on movement in and out of the industrial zones."[89] For example, a feasibility study for the JIFZ described how Palestinian truck drivers need special permits in order to pass through fixed checkpoints. However, the only way to obtain a special permit is for the driver to possess an Israeli ID card, which in turn, imposes restriction on civil status, age, and residential location.[90] Therefore, even though these zones purport to be outside of the Occupation, the imposition of ID cards demonstrates, firstly, that the zones do not function outside the Occupation, and more importantly that Israeli authorities are able to dictate who has the sufficient 'requirements' to be a driver. Furthermore, at the JAIP, transport services "will require

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[84] Israeli Ministry of Foreign Affairs, *Projects in Area C 2011-2012*, 49

[85] "Who We Are," Coordination of Government Activities in the Territories, http://www.cogat.idf.il/896-en/IDFG.aspx.

[86] Israeli Ministry of Foreign Affairs, *Projects in Area C 2011-2012*, 49.

[87] Michel Foucault, *Security, Territory, Population* (New York: Springer, 2007), 1.

[88] Michel Foucault, *The History of Sexuality: An Introduction, Volume I. Trans. Robert Hurley. (*New York*:* Vintage, 1990), 140.

[89] Dana, *The Symbiosis Between Palestinian 'Fayyadism' and Israeli 'Economic Peace'*, 473.

[90] Sironi, et al, *A Feasibility Analysis of the Jenin Sustainable Industrial and Logistics District*. 201-102.

vehicles and drivers registered at security in order to avoid unnecessary disturbances at checkpoints."[91] In essence, the zones, whilst heavily securitized and approved by occupational authorities, still function very much within the confines of the Occupation. This phenomenon is neither unique nor new to the JIFZ. In the early 1990s, IDs were imposed on all Palestinians working within the Erez Industrial Estate (EIE) in Gaza, further intensifying the process of the bureaucratization of Palestinian life.[92] As Lagerquist notes, "in what was to prove an enduring legacy, development came to mean that Palestinians became closely monitored guests in their own economy."[93] In effect, the establishments of industrial zones that necessitate the imposition of ID cards then become spatially integrated into the surrounding architecture of the Occupation.

In addition to the restrictions and control over the movement of Palestinian bodies, the development of industrial zones in Palestine are also determined by Israel's control over key Palestinian resources such as land and water.[94] Most of the industrial zones, especially the JAIP and the Tarqumiyah Industrial Estate (TIE), are designed to include territory that fall under Area C (see footnote for explanation of Areas A, B, and C). Although all the zones require Israeli approval at some level, it is much more difficult to obtain approval for planning on Area C and transforming that territory into Area B. Thus, the third phase of the JAIP, which is located on Area C, has been the most difficult to initiate because of Israeli security concerns. Moreover, although the PA and their financiers may assert significant influence over economic policy and planning, negotiations with the government of Israel are a constant reminder of who is truly in control. The Israeli authorities are always the final arbiters in the re-territorialization of Palestinian land.[95] In addition to land issues, *Al-Monitor* reported that Mekorot, Israel's national water company, will provide the bulk of the water supply to the JIFZ – approximately 530,000 gallons a day.[96] Aside from supplying Israel with 90% of its water, Mekorot also provides water to most illegal Israeli settlements in the West Bank. Thus, whilst it is clearly difficult to establish independent water sources in the West Bank, the zone nonetheless legitimates Mekorot as a suitable contractor for a Palestinian entity, which in turn, has significant implications if a future Palestinian economic strategy is to include boycotting Israeli companies that participate in the process of settlement expansion.

Lastly, the process of development in accordance with Israeli security concerns creates an unsettling dynamic for Palestinian economic development. Due to the nature of industrial zones, their reliance on Israeli approval, and their spatial configuration within a heavily territorialized conflict, the issue of security is a guiding concept in their development. Security is without a doubt prioritized so as not to deter wary investors. For example, the JAIP will at the minimum "consist of fencing, cameras, patrolling cars and control monitoring."[97] A feasibility report for the JIFZ notes that "the entire area will be

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[91] Japan International Cooperation Agency, *Feasibility Study on Agro-industrial Park Development in the Jordan River Rift Valley*, S-7.
[92] Lagerquist, *Privatizing the Occupation*, 8.
[93] Ibid, 8.
[94] Dana, *The Symbiosis Between Palestinian 'Fayyadism' and Israeli 'Economic Peace*', 473.
[95] David Harvey, *The Limits to Capital* (London: Verso, 2007), 405.
[96] Melhem, *Palestinian Industrial Parks: Boon or Bondage?*
[97] Japan International Cooperation Agency, *Feasibility Study on Agro-industrial Park Development in the Jordan River Rift Valley*, S-18.

fenced and the movement of goods and people…will be checked and regulated."[98] Moreover, the zone aims to introduce a video surveillance system, a dome camera with a 360° view, infrared night-lighting system, and an infrared barrier anti-intrusion system. While these features may seem like essentials to any industrial zone, the fact that the projected security cost is approximately €2 million, with much of this having to be purchased from Israeli security firms, serves to benefit Israeli capital and strengthen the asymmetrical relationship between Israel and Palestine in military and security matters. Purchasing Israeli security services is highly problematic, as the West Bank and the Gaza Strip are viewed in spatial terms as 'laboratories' for Israel to test its security 'products.'[99] Additionally, the relationships between the zones and Israeli security firms are not always so indirect. The Gaza Industrial Estate (GIE), established in 1998, directly subcontracted out its security to the Israeli firm, NETACS, which has close ties to the IDF.[100] This further highlights the notion that any unilateral action taken by the PA remains subject to Israeli security concerns, and that even highly territorialized enclaves of economic activity remain integrated within the dynamics of the Occupation's architecture.

In sum, this analysis has illustrated that the industrial zones in Palestine do not function outside the Occupation, contrary to the designs of PA elites and IFIs. In actual fact, the construction of some of the industrial zones, especially the JIFZ, actually depends upon structures of the Occupation. Moreover, in some cases, aspects of their construction, such as access roads, have significant spatial implications that may further intensify the trend towards fragmentation of the West Bank, and in turn, a non-contiguous Palestinian state. Lastly, by preconditioning developmental projects on Israeli security concerns and endorsing the Israeli security industry undoubtedly has controversial implications for the future of a secure Palestinian state, free from occupation.

Projections of Territorial Sovereignty as Class Power

Hitherto, the analysis has exemplified the inability of industrial zones to promote Palestinian economic development by examining the spatial aspects of individual zones, largely in isolation to one another. Whilst drawing upon the arguments above in addition to two neo-Marxist frameworks, this section shall take a more macro-view of industrial zones in Palestine in order to elucidate the relationship between social space and social class. In doing so, this section will argue that industrial zones function as projections of territorial sovereignty produced by class power present within the Palestinian proto-state. In turn, Palestinian elites are creating a future socio-economic landscape that is highly fragmented and rife with inequality.

One of the formative concepts surrounding the establishment of free trade zones, not just in Palestine, but also throughout the world, is the notion of asserting territorial sovereignty in unstable areas. Arang Keshavarzian, writing on free trade zones in Dubai and Iran, establishes a useful framework for understanding the functionality of such zones. He writes that zones are developed to "project territorial sovereignty in turbulent

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[98] Sironi, et al., *A Feasibility Analysis of the Jenin Sustainable Industrial and Logistics District.* 141.
[99] Gordon, *Israel's Occupation*. 47-48.
[100] Sahar Taghdisi-Rad, *The Political Economy of Aid in Palestine: Relief from Conflict or Development Delayed?* (Abingdon-on-Thames: Routledge, 2010), 144.

geostrategic settings and moments as well as nodes to circulate rent to domestic and international members of ruling coalitions."[101] Another constructive framework that this section shall draw upon is the notion of a 'spatial fix' coined by Marxist geographer David Harvey. He describes a 'spatial fix' as "capitalism's insatiable drive to resolve its inner crisis tendencies by geographical expansion and geographical restructuring."[102] These two frameworks will be utilized to further examine the relationship between social space and class in contemporary Palestine, and in turn, to shed light on the elite-centered spatial project.

In response to the Israeli Occupation and the unpredictable security environment, Palestinian elites are creating heavily securitized enclaves that service the interests of foreign capital. In turn, elites seek to control defined territories, establish themselves within circuits of international production, collect rents from these operations, and hope that such operations provide them legitimacy and support from their populace. Because the Occupation seeps into all aspects of Palestinian life, the industrial zones were designed to function outside the reach of the Occupation. However, as the analysis has demonstrated thus far, this is clearly not the case. Moreover, by building such zones as supposedly 'outside' the Occupation, elites legitimize themselves as nation-builders and are able to claim that these territorial enclaves are irrefutably Palestinian. The only thing truly Palestinian about these zones, however, is that they rely upon the exploitation of local Palestinian labour. Furthermore, the industrial zones also function as a spatial fix, in that the geographical restructuring (i.e. building industrial zones) is utilized as a way to temporarily resolve both the political and economic crises that plague the Occupied Territories. Since many of the zones' planners felt that these enclaves would be 'closure-proof' (though this turned out to be wrong), they sought to construct a spatial topography in Palestine where certain territories could service the needs of capital in spaces that were 'outside' of the Occupation whilst also relying on exploiting the pool of cheap local Palestinian labour. Rather than actually solving the underlying political issues however, the re-territorialization of Palestinian land attempts to simply transfer the crisis elsewhere. In effect, the zones function as economic solutions to political problems.

Whilst the zones function as projections of territorial sovereignty in response to the surrounding Israeli Occupation, they also seek to spatially re-configure themselves at a global level by integrating with global production chains and the wider world economy. Capital is often non-Palestinian, profits are hardly reinvested back into the Palestinian economy, few linkages with the domestic economy are created, and most products are produced for export rather than domestic consumption. In a sense, the zones are territorial reflections of the Palestinian capitalist class – their transnational character mirrors the spatial level on which the zones function. In turn, the zones help the transnational Palestinian capitalists class and PA elites integrate further into the wider global economy. Aside from simply strengthening the Palestinian capitalist class' position within the international circuit, they also reify and entrench the internationalization of capital as a process. More specifically, the internationalization of capital is mediated precisely through offshore strategies, as evidenced by lax regulations, removal of tariffs and quotas, and free movement of capital and profits. In turn, offshore strategies become some of the main ways in which the onshore economy is structured. As Palan notes,

[101] Keshavarzian, *Geopolitics and the Genealogy of Free Trade zones in the Persian Gulf,* 263.

[102] David Harvey, "Globalization and the Spatial Fix." *Geographische revue* 2, no. 3 (2001): 24.

"offshore then became the whip with which capital ensured that onshore did not stray off the beaten track."[103] In sum, the zones must be viewed conceptually as products of elites engaging with the world economy, in particular response to the ensnaring Israeli Occupation.[104] Therefore, by creating small, disparate pockets of economic activity 'outside' of the Occupation, Palestinian elites seek to fuse the local with the global as a source of political and economic power.

The establishment of industrial zones, however, is just one feature within the wider social, political, and economic landscape that is emerging in contemporary Palestine. This landscape is being increasingly defined by spatial fragmentation and uneven development that both accommodates and serves the interests of foreign capital and Palestinian elites. Other features include the new planned city of Rawabi (designed by Munib al-Masri's nephew, financed largely by Gulf capital, and intended to house upper-class Palestinians) and the construction of luxury hotels like the Movenpick in Ramallah. These projects are defining elements of a wider development strategy that seeks to build disparate clusters of economic activity outside of the Occupation. Once again, they fit Harvey's notion of a 'spatial fix' – transferring crises elsewhere through geographical restructuring and the re-territorialization of social space.[105] As Caison and Vormann note, "uneven development remains the defining feature of neoliberal urban change in all contexts."[106] Therefore, on a political, economic, and spatial level, elite-centered plans create a future Palestinian homeland that is politically, economically, and most importantly, spatially fragmented. The vision at hand is highly undemocratic, worsens the trend towards social inequality, and is testament to the balance of class forces present in the Palestinian proto-state.

Conclusion

The establishment of industrial zones, estates, and free trade zones are undoubtedly some of the most ambitious projects in the Palestinian economy. Heralded as a way to generate viable employment, jump start Palestinian industry, attract investment, and promote economic development, this article has cast doubt on these claims. Instead, this article has demonstrated that the industrial zones in contemporary Palestine, especially the BIE, JAIP, JIFZ, and the TIE, are not geared towards promoting meaningful economic development. It appears that the industrial zones in Palestine fail on two levels. Firstly, they fail on their own terms as successful export processing zones and employment generating hubs. Secondly, even when they do succeed, their performance is limited, they fail to create effective linkages with the domestic economy, and they do not contribute to a holistic and inclusive strategy for Palestinian economic development. The small benefits that they do reap often serve the interests of foreign capital and a small segment of Palestinian political-economic elites.

These zones are ineffective in promoting wider Palestinian economic development, as produce for export is prioritized over local needs, farmers are

[103] Palan, *The Offshore World*. 187.
[104] Keshavarzian, *Geopolitics and the Genealogy of Free Trade Zones in the Persian Gulf*, 283.
[105] Harvey, *Globalization and the Spatial Fix*, 24.
[106] Caison and Vormann, *The Logics and Logistics of Urban Progress*, 74.

dispossessed from their lands, which in turn further threatens local agriculture, and, in some cases, the establishment of the zones strengthens certain aspects of the Israeli Occupation. Additionally, the spatial dynamics of the industrial zones suggest that the creation of small, fragmented pockets of economic activity to be integrated with the global economy is actually an effect produced by the confluence of class forces present within the Palestinian proto-state, the heavy hand of IFIs, and the Israeli Occupation. The zones seek to function outside the Occupation as splintered economic nodes servicing the expansion of global capital. However, in doing so, they create very few linkages with the local economy, with the exception of the exploitation of Palestinian labour. Therefore, on the spatial level, industrial zones in Palestine are not poised to effectively promote a coherent Palestinian economic strategy. In effect, the contours of the Palestinian political economy are increasingly being defined by political, economic, and spatial fragmentation – a future that is undemocratic and worsens the trend towards social inequality.

Lastly, Israeli capital and the security industry seem to benefit from the establishment of the industrial zones but, paradoxically, the establishment of the zones are routinely delayed, and in some cases, damaged by Israeli authorities. This speaks volumes about the arbitrary, unpredictable nature of the Israeli Occupation and the institutional complexities surrounding it. Whilst we cannot apply a solid theoretical framework to understand the arbitrary nature of the Israeli Occupation, it does illustrate the fact that Palestinian economic development cannot be dependent on the Occupier's goodwill – it is simply not a reliable developmental strategy. That a multitude of elite powers has always controlled the development of industrial zones in Palestine is testament to the zones' inability to serve the local needs of the Palestinian economy and thereby promote Palestinian economic development. Additionally, the international community needs to exert greater due diligence and pressure on Israel when supplying aid to such programs that purport to promote Palestinian economic development, but which in reality, often benefit Israeli capital. Since IFIs and donor agencies are providing aid for developmental programs instead of Israel (as Israel had previously done before the Oslo Accords), but the latter still acts as an occupying power, then this process amounts to nothing less than subsidizing the costs of occupation. Does this not serve to de-incentivize Israel in ending its Occupation?

Instead, IFIs, donor agencies, and Palestinian elites must recognize that problems pertaining to development in Palestine are largely political issues and cannot be solved solely through economic measures. While Palestinian policy makers are unable to end the Israeli Occupation themselves, the international community needs to take more effective steps in pressuring Israel to end its Occupation of the West Bank and the Gaza Strip, halt the expansion of settlements, and allow for the free movement of Palestinians. Providing developmental assistance for the Palestinians is clearly necessary for the survival of Palestinian society, but given that Israel still occupies the West Bank and the Gaza Strip while no longer providing assistance (as it had done previously), this risks creating a moral hazard by lowering the costs of occupation. In terms of Palestinian developmental strategy, Palestinian elites, donor agencies, and IFIs need to cater to the direct and local needs of Palestinians. Most importantly, Palestinians are in dire need of stable access to basic resources such as water and electricity and this needs to be addressed. Other crucial needs include, but are not limited to, viable and stable employment, housing provisions, education, protection of agricultural industries, provisions of credit, and investments in social infrastructure that promote local capital accumulation. One of the main objectives must be to create internal cohesion as opposed to spatial fragmentation. Moreover, Palestinian economic planners and their foreign counterparts must fundamentally re-think approaches to economic development through offshore strategies. These zones, which allow for the free movement of capital and profits, while accelerating the internationalization of capital, do not create effective linkages with the domestic economy and impede processes of local capital accumulation. It is impossible for meaningful, holistic, and egalitarian development to take place under low-paid wage work. Furthermore, developmental projects, such as the development of industrial zones, has largely taken place within elite circles without the broad representation of Palestinians, with poor results. Economic planning needs to be radically democratized in order to cater to the needs of ordinary Palestinians. However, the class forces present in the Palestinian proto-state owe their position more to neoliberal aid packages such as the PRDP and to Gulf private equity firms more than to the people they purport to represent. Without a fundamental restructuring of class forces in the state, the democratization of economic planning in Palestine cannot occur. The people of Palestine, who are supposed to be the ones benefiting from these projects, will continue to be marginalized.

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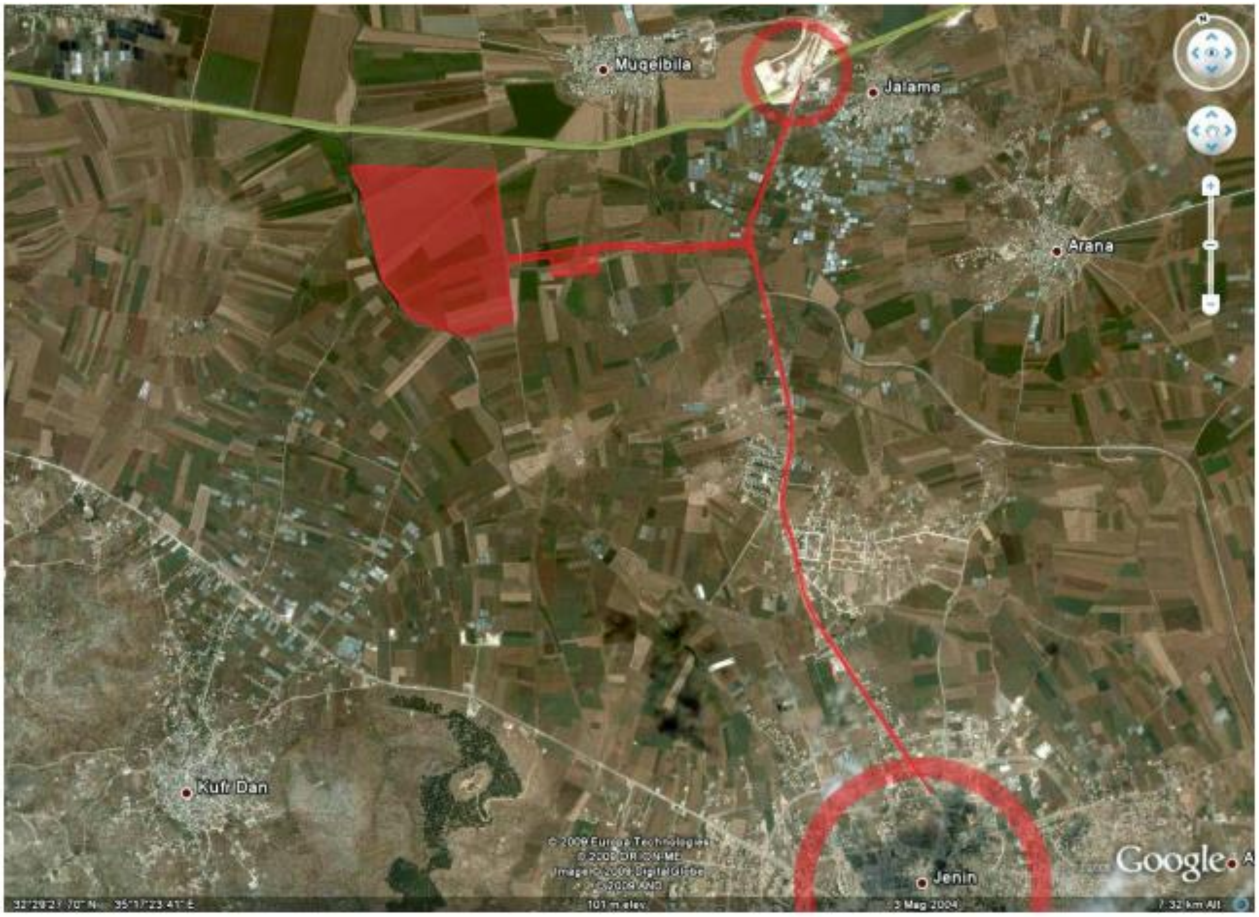
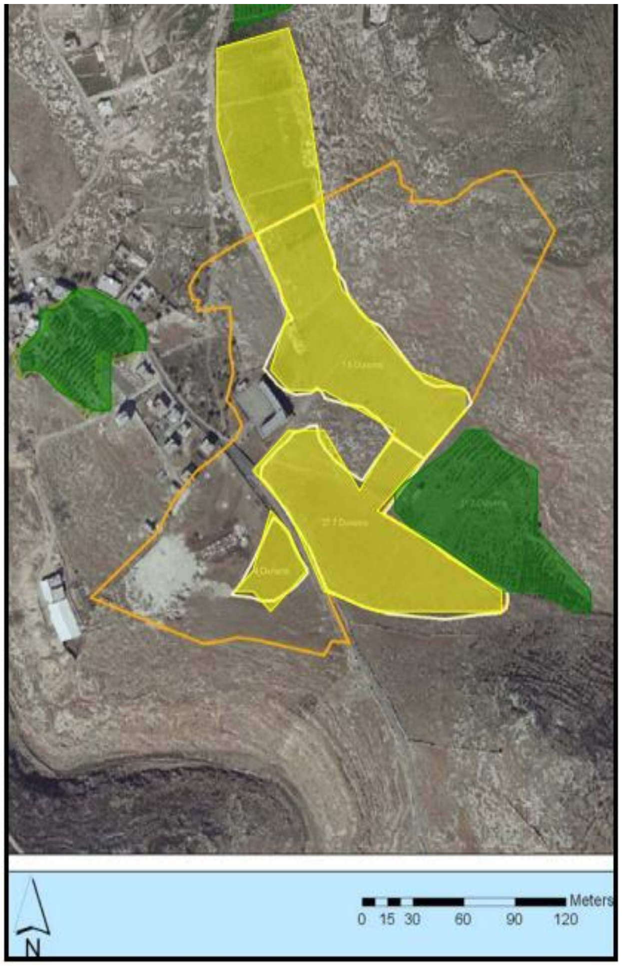
Appendix A: Maps and Charts

Figure 1: Location of the JIFZ in the north-west of the Jenin district: (high) the green line and the Al Jalama check point



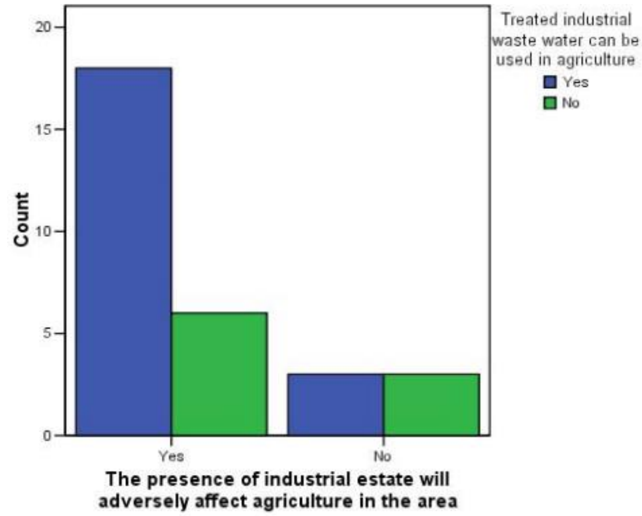
Source: Sironi, et al. *A Feasibility Analysis of the Jenin Sustainable Industrial and Logistics District*. 123.

Figure 2: Existing cultivated areas and cropping pattern in the projected site for the BIE. (Green color is devoted to olive and yellow to field crops)



Source: Hammad et al. *Environmental and Social Impact Assessment and Action Plan (ESIAAP) for Bethlehem Multi Industrial Park (BMIP)*. 25.

Figure 3: Local inhabitants' response to the BIE



Source: Hammad et al. *Environmental and Social Impact Assessment and Action Plan (ESIAAP) for Bethlehem Multi Industrial Park (BMIP)*. 24.