

Palestinian Economy – From Asymmetrical Dependency to Regional Cooperation?

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1. Introduction

State-building as an indigenous process in entities emerging from violent conflicts is a growing issue not only in conflict studies, but in Development policy and in Development Economics. There are a growing number of studies related to post-conflict scenarios, weak and fragile states. Studies often deal with theory and models, mainly as policy issue, and with institution-building as a technical subject, enriched with recommendations for external and internal actors, as well as for donors and international organizations.

According to ODI, basic lines in characterizing a development model over the last twenty years is “political liberalisation and the explicit promotion of democracy“, “economic liberalisation towards a market-based economy“, “state capacity-building” (Fritz/Menocal). Regarding the field of economy the international financiers IMF and World Bank are committed to promoting “macroeconomic stability and open-market economies“, also in fragile and post-conflict states. They are in favour of property rights in financial issues, mainly in the government’s financial policy. So “they advocate inflation and deficit reduction; international economic integration; improved tax collection systems and budgetary management; market liberalisation; and privatisation” (Fritz/Menocal), as it is postulated in the so called Washington Consensus (Rodrik).

Summarizing all these policies, recommendations and suggestion, the conclusion is, that a) there is a lack of order, b) there are still few experiences with real sustainable and successful outcomes, c) development circumstances in (post-)conflict entities are very different, d) there are more model reviews than positive examples, and e) a coherent state-building theory is still missed, as well as f) a “unique correspondence ...between politics and outcomes“ (Rodrik/Rosenzweig) is still missed and an open research question for further analyzing and comparing.

What we do find is a growing consensus that “in developing countries, emerging from violent conflict, sustainable and just peace must be consolidated on the basis of social and economic development, meeting the needs of the whole population“ (GTZ). The question is 1. To connect peace and economy, 2. To connect economic reforms with social context and local knowledge (to put economic reforms in the social context), to prevent an imbalance, an uneven distribution of economic and political rights.

“Development” is a social process and covers and includes more than GDP and personal income growth, industrialisation and modernization. It is a process of extension of human freedom (Sen). These economic parameters are *instruments, means* to achieve freedom. Regarding Palestine, these questions are more than connected with each other. The situation in Palestinian West Bank and Gaza Strip (WBGS) is hardly a “post-conflict” situation with a conflict sensitive economy and economic development.

Considerations regarding interconnection of conflict and economic development raise two practical questions: Firstly: How did the conflict influence the economy in West Bank and Gaza Strip? Secondly, with regard to the state-building process as project: Is it politically realistic and economically practical to proclaim a separation of the Palestinian economy from Israel and an independent Palestinian economy, not least taking into consideration the global economic and technological processes?

Whether a “national economy as a pillar of a modern Palestinian state” as proclaimed by Prime Minister Salam Fayyad (2009) or Palestinian President Mahmoud Abbas’ personal opening of the first Palestinian Investment Conference in Bethlehem in 2008 and his affirmation that economy is the path for peace (2008), whether an “economic peace” as suggested by Israeli Prime Minister Benyamin Netanyahu (2008) or a “peace economy” to “economize politics” as propagated by Israeli President Shimon Peres (1994), either way: politicians lay emphasis on the economic aspects of Israeli-Palestinian settlement policy and its implications for conflict. For many decades, the economy has been a main aspect of the conflict. Up to the 1980s, researchers, dealing with Israeli-Palestinian relations, laid emphasis on politics, rather than on the economy or political economy. Nevertheless, analyzing the topics requires an interdisciplinary approach. So we shall focus not only on macroeconomic terms, but also on the political framework, and widen our perspective beyond the Palestinian economy to the Israeli economy and economic policy.

The Palestinian economic development is marked by natural conditions, such as a lack of raw materials and energy resources, water shortage, a small area and land suitable for agriculture cultivation, a low level of integration in regional markets, including the south-south-integration. During the last four decades of Israeli occupation system, West Bank and Gaza Strip economic base structures have been decisively characterized by a grown asymmetrical interdependence of Palestinian and Israeli economies and dependency (Sayigh), which influence the current economic re-structuring process. Following the 1993 *Declaration of Principles* (DoP) and further statements and agreements, asymmetry and dependency have been partly eroded and partly modified, but not reversed and have an ambivalent impact on establishing Palestinian national economic system. Before looking to the *current* situation in WBGS, let’s have a brief view back to the periods before the 1990s.

2. Periods of change

1948. From the beginning, political, economical, and political-economic starting positions in West Bank, Gaza Strip, and in Israel differed from area to area. After founding the state in 1948, the Government of Israel (GoI) introduced a centralized, regulated and structured mixed economy. Its economic policy was oriented on western European modern societies, market economy and industrialization. Immigrants’ social integration was fixed by extending the social net and employment systems and based on capital import. These investments mainly from West Germany and International Jewish organizations were channelled into the state sector and the Histadrut (union) sector. In the period of worldwide awakening national liberation movements, Israel was non-integrated in the Middle East, its natural regional market, but oriented to the industrial countries and world market competitiveness.

The WBGS’s economic development has always been influenced by “seemingly endless political turbulence and human tragedy” (Abed). Until the war 1948-49, the West Bank was fully integrated in the Palestinian economy. As a result of the partition, West Bank business men lost important trade and industrial centres, a certain part of its market place for agricultural products and its access to the Mediterranean Sea. After the annexation by Jordan in 1951, the West Bank was “characterised by a large agricultural sector

with a weak and underdeveloped industrial sector dominated by small-scale industry and handicrafts“ (Mansour). At the same time, the Gaza Strip was governed by Egyptian military administration. The Gaza Strip’s economy was “fragile“ (Abu-Amr), offered a surplus of labour because of the Palestinian refugees’ crowds and the economic infrastructure which was insufficiently developed. Besides public and private aid (rents), the economic main source of income was agriculture, mainly citrus fruits growing /cultivation. Workshops were part of the society, but without the following up of an outspoken interest policy of their own. Citrus industry expanded, mainly for Eastern European export demands, but almost no other industry developed. Because of the Gaza Strip’s closed location, the preferred business field was commerce (Kimmerling/ Migdal; .

Summarizing, until 1967 the West Bank and the Gaza Strip in certain degrees became part of two different, less developed, traditional Middle Eastern economy national systems. Market relations were Middle East oriented, but neither Jordan for the West Bank nor Egypt for the Gaza Strip were interested in enforcing an outspoken economic development policy for these territories and societies.

1967. After a decade of robust economic growth in the 1950s and 1960s, and the recession, Israeli government supported the national economy structural extension. The military export boycott against Israel was the final reason to transform the domestic military industry for national needs into an increased production for export as a value added addition, into profitable business by qualitative and quantitative improvement. While the orientation on high technology for security needs took place in Israeli companies, enterprises outsourced labour intensive civil production departments into Occupied Palestinian Territories (OPT).

After the 1967 war the economic development in WBGS was determined by the Israeli occupation policy (Arnon 2007). The economic structure of the West Bank was different from that in the Gaza Strip, but both territories were characterized by less developed industry in family run firms and less expanded infrastructures, high natural resources import dependency, and high investment needs (Abu-Amr 1988).

In the early 1970s in the WBGS a period of economic growth took place, when not only the GNP, but also the GDP increased relatively quickly, followed by a recession in the 1980s because of the oil boom collapse and stagflation. The GNP per capita growth of 7.1 per cent in the 1970s and 1.1 per cent in the 1980s was higher than growth in the neighbouring Arab states (6.3 per cent and 0.3 per cent) (World Bank 1993). It was caused by two factors which are economically relevant until today.

On the one side, growth resulted from income from abroad, mainly remittances of Palestinian workers in the Gulf countries and in Israel, and from transfers from the Diaspora, Arab countries, and international aid institutions. These external resources were growing steadily. In 1987, one quarter of the WB and one third of the GS income resulted from transfer payments from abroad. Therefore, in the Palestinian national balance, the value of domestic economic activities in relation to income from external resources decreased. Following this, tax revenues decreased and Palestinian local authorities’ expenditures for infrastructure and social purposes as well (Hamed/ Shaban). All in all, WBGS became more depended on non-domestic income.

On the other side, the GoI agreed to the extension of the Palestinian economy’s branches in those it was interested in and that were compatible to the Israeli economy (Benvenisti 1986). But it did not intend to enforce a productive integration of the Palestinian territories. Israeli entrepreneurs outsourced labour intensive production processes. Hence, traditional Palestinian manufactories became sub-contractors of Israeli companies, inter alia in textile and garment, food, and in leather production as well as shoe manufacturing. Palestinian shop holders opened up new service branches for Israeli companies, as for example car repair, garages and workshops for agricultural implements and tools. From

the late 1960s until the late 1980s, the Israeli economy had become the most important labour market for Palestinian workers. In 1992 115,600 Palestinians earned their wages by working in Israel, encompassing a total of 36.6 per cent of Palestinian employees in the WBGS (for all statistics see CBS, EU, IMF, PCBS, PSE, PMA, UNRWA, UNSCO, World Bank publications). The Palestinian trade import from Israel was about US\$1 billion per year, which was financed by the wages the Palestinian workers had earned in Israeli labour market. By introducing Dayan's *open bridge*-policy, the Israeli Military Authority permitted Palestinian exports to Jordan, but limited the transfer of Palestinian products into Israel. In 1986, one third of the Palestinian income resulted from economic activities with Israel, while Israeli income from trade with the Palestinian economy was three per cent (Kleiman). Through this "externalization" (Roy 1995) the OPT' economy was gradually integrated into the modern and technologically higher developed Israeli economic structures.

The outbreak of the Palestinian uprising, the *Intifada*, in December 1987, demonstrated that the dependency of the Palestinian economy from Israel has negative effects on the Israeli economy and society, which may not be a prime impediment, but nonetheless of significant character (Benvenisti 1987; Haile 1992; Kleiman 1993): In 1988 because of the *Intifada*, the Israeli economy sustained 1.9 per cent of the GDP financial losses (Halevi 1993).

In the late 1980s and early 1990s the GoI modified its occupation policy taking into consideration the national economy's structural transformation and the conclusions of the so called *Sadan Report*. Thus, it endorsed investments into the industrial base and as an effort to create jobs, as well as to enforce a reduction of the OPT' dependence of the labour market and economy in Israel (UNCTAD 1993) and Israeli dependency from Palestinian labour inside Israeli territory. So GoI changed its policy and required every Palestinian seeking work inside Israel to be equipped with a permit. Authorities enforced this regulation increasingly strictly: since 1993, Israel introduced a "closure policy", roadblocks were set up on major transport arteries, denying entry into Israel from the OPT. Already in the early 1990s, the impact on the Palestinian economy was "devastating" (Arnon 2007), since Palestinians, working in Israel and their families were affected by the closure. Local employment was also affected, since domestic economy is depended on imports, imports from Israel and abroad, such as the imports of raw materials for local shops and manufacturing, for public and private service etc.

1993. By signing the *Declaration of Principles* (DoP) in 1993 the GoI and the PLO accepted a re-structuring of their political relationship in the West Bank and Gaza Strip. With the DoP, the *Road Map*, and the documents signed in the following years, both sides compromised on the option of two states. This understanding is the changing element, a "historic breakthrough" in the Israeli-Palestinian relationship (Golan 2007) and a move in the direction of establishing a Palestinian governmental system (Asseburg 2003).

For the economic field, in April 1994 both sides signed the *Protocol on Economic Relations between the Government of Israel and the P.L.O., representing the Palestinian People*, (PER). It is an economic regime for regulating economic and political economic issues. According to this Protocol, the Palestinian economy is not fully subject to Palestinian self-determination, both sides agree in main aspects to coordination, for example in trade. So the PER includes special lists for enforcing Palestinian trade with neighbouring Egypt and Jordan and extending regional trade relations. With the mechanism of regulated import tariffs for Israeli and Palestinian imports, both sides introduced a customs envelope. In labour market policy, they agreed to the "normality of movement of labour", with both sides' right "to determine from time to time the extent and conditions of labour movement into its area" (PER, Art. VII). The basic question is the economic link between the Israeli

and the Palestinian economy, whether there exists a border between Israeli and Palestinian economy or not. The concept grounded on the assumption of openness and of no economic border. But reality of closure policy was different and “proved the architects of the protocol to fail” (Arnon 2002). So the PER modified, but did not change the economic regime radically.

Since signing the DoP by Abbas and Peres in September 1993, Palestinian state building process is characterized by different periods, which are marked by times of political progress and economic growth on the one side, and times of instability, stagnation and crises on the other. What is the situation since the early 1990s? What are the determining factors?

3. Determinants for Palestinian economic development

Political Factors

Framework requirements for economic development in the PT are *occupation, conflict, pre-statehood and lack of political sovereignty*

In September 1995, the then Israeli Prime Minister Yitzhak declared the political conflict settlement goal is separation of Israel and Palestine. Even so in winter 1999 Prime Minister Ehud Barak approved of the complete separation between Israelis and Palestinians in all fields, including the economy. Already in 1993 the GoI initiated systematically gradual border closure as security strategy (“permanent closure“, “comprehensive closure“, “internal closure“) and the growing cut out of East Jerusalem from the Palestinian economy. Adopting *The Agreement of Movement and Access* (2005) some improvement could temporarily be reached in the movement of people between Gaza and Egypt via the Rafah crossing. For movement of goods between the WB and the GS and Israel today’s regime still lacks openness to trade. There is also no indication that a safe passage of persons, vehicles and goods between the WB and the GS, which was guaranteed under the Oslo Accords, would be reopened.

In the West Bank, the GoI has removed more than 150 roadblocks and checkpoints since April 2008. In autumn 2009, besides the West Bank barrier, there were still 613 Israeli roadblocks within the WB (World Bank 2010).

The territorial and security-political border-system between Israel and the PA and inside the Palestinian Territories (A, B, C-territories, roadblocks, West Bank separation system, Gaza closure) enforces a) an economic border system, b) complicates establishing indigenous Palestinian economic structures across the entire area (West Bank and Gaza Strip), and c) limits development initiatives, d) raises production costs and reduces competitiveness (transport, logistics, back-to-back-system). So the macroeconomic development is unstable. The per capita income has steadily declined since its peak in 1999 to below its post-Oslo start value (World Bank 2009 and 2010). According to World Bank statistic, by 2002 real per capita income had fallen to two thirds its 1999 level and to US\$ 1,020 in 2008 (World Bank 2010). Real GDP growth in 2009 was expected to increase to 5.5 per cent from about 2.25 per cent in 2008 (IMF 2009); this is higher than in Israel and all industrial countries. It was generated mainly in the Palestinian West Bank economy, where the real GDP growth is expected to have risen to 7 per cent. With almost different political circumstances after the war in 2008-09, IMF and World Bank expected an “up-turn” in the Gaza Strip economy from -5 per cent in 2008 to 0 per cent in 2009 (IMF 2009). A different picture of Palestinian economic trends: Economic recovery and business growth in the West Bank; stagnation, depression and missing a motivating private entrepreneurship in the Gaza Strip.

The second point is the state-building process and political circumstances for the economic development. For growth and development, a central role is assigned to govern-

ance and institutions. The Palestinian self-government succeeded in establishing basic structures of state-building and a pre-state society (Asseburg 2002; Mukhimer 2005), but the Palestinian National Authority (PA) has not the sole right of disposition of natural resources and foreign relations, including that of foreign trade.

To encourage economic development and improve investment climate in the Palestinian Territories (PT), the PA is asked for a safe judicial environment, political stability, and economic predictability. In its economic policy, the PA focuses on neo-liberal concepts of market economy, private sector encouragement and new technologies. Also, especially after the war in Gaza, the inner-Palestinian separation and differentiation factors have again been enriched (ICG 2006, 2008).

Rentier Economy System

The Palestinian pre-state authorities and economic development (and policy) *depend on foreign aid* (Beck; UNSCO; Brynen).

From 1999 until 2008 external aid to the PT increased by over 600 per cent to US\$ 3.25 billion per year (DeVoor /Alaa Tartir). On the occasion of the international conference in Annapolis in November of 2007 the donor community comprising states and international organizations promised about US\$ 7 billion to the PA, which was increased in 2008 in Sharm El-Sheikh by a further US\$ 5.2 billion of unilateral transfer. These amounts are roughly as high as the PT's GDP, counting about US\$ 6.64 billion in 2008. The EU is by far the largest donor; it contributes the highest sum to both the PA and the NGO sector, providing nearly 70 per cent of the total funding for the latter. Aid from the Arab countries to the PT has decreased steadily in comparison to Western donors; aid from the US has also decreased steadily. All in all, this pledge is a unique amount for a single entity in the process of state-building in the Middle East. While the relevance of foreign aid as such is undisputed, it is firstly to ask for the transfers' aims in the face of the growing demand of emergency assistance (Keating/ Le More/ Lowe 2006); and it is secondly to take into account that relying on inflow of external resources is connected to conditionality, such as the Washington consensus, and limits the government's space of action, and thirdly, it is also common, that foreign aid should be a *mean*, an *instrument* for a certain period of economic development, but could hardly replace a healthy basis for a viable economy and state (Hanafi; Hanafi/ Tabar).

Economic transformation and asymmetrical economic interrelationship

Surveys and reports (UN, World Bank, IMF and EU) demonstrate that the *economic structure is still unstable and lacks further improvements and modernization*.

For a Palestinian economic recovery, reflecting on the Israeli market alone would be of limited success. Israeli economy has undergone a profound structural change toward higher value products and services. It is not dependent on the physical presence of a high number of Palestinian labours and the export into the PT. As a leading high tech-country with knowledge based production and development centre it is integrated into the world market. As the crises in 2000 and 2008/9 have demonstrated, Israeli economy is less vulnerable to political conflict influence.

According to Israeli data the number of employment permits approved for Palestinians reached 54.300 in September 2009, mainly for the construction sector. This number increased by 8.4 per cent compared with 2008, but decreased sharply to less than half the number of Palestinians, employed in the Israeli labour market in the early 1990s. This downturn *firstly*, declined the value of worker remittances transferred to the PT. *Secondly*, a growing number of workers seeking jobs had to be integrated into the PT economy. Missing an equivalent social security net, unemployment and underemployment is a crucial problem. In 2009, according to official data, the unemployment rate in the West Bank was

16 per cent, in the Gaza Strip 36 per cent (World Bank 2009), but the “real” unemployment might be higher.

The distribution of labour shows two tendencies: from 1997 to 2008 a relative decline of employment in construction sector from 18.2 to 10.8 per cent, and a reduction in the industrial sector from 16.4 to 12.1 per cent. On the other side, the service sector and PA-sector employment increased from 27.9 to 38.2 per cent in WBGS, but in Gaza to 61.4 per cent (UNSCO 1999; World Bank-Checkpoints 2010).

For small countries, trade and an open economy is a prerequisite for economic and social progress, also for the Palestinian economy. According to Israeli data, the total value of Palestinian trade (exports and imports) in 2008 reached nearly US\$4.3 billion (IMFA 2009). This sum is equivalent to 82 per cent of GDP and demonstrates the extent of dependency of the Palestinian economy on trade. The WBGS has always been reliant on trade with Israel in different perspectives (access to the Israeli market for exports and imports to and from Israel; for external trade access to Israeli ports, airports, and transfer feasibility). Since the occupation in 1967, for more than three quarters of POT’ exports and imports of goods and services the destination or source has been Israel (World Bank 2009).

As empirical studies show, there is a positive association between trade and growth (Harrison/ Rodriguez-Clare). Trade, diversification of trade relations and access to new markets will remain a central question for Palestinian economic development. Since the Palestinian economy is less integrated in regional markets and international markets Palestinian enterprises will have to expand their trade potential as well as potential market. The appropriate market and production segment could not only lay in the labour intensive production, rather in a knowledge intensive niche. Therefore, it is a longer process of extending and diversifying existing relations less by neglecting, but by improving relations with Israeli entrepreneurs.

Palestinian entrepreneurs direct fewer efforts to traditional, labour intensive industries of the so-called old-economy, like the Textile and Garment Sector, and more to knowledge intensive economic sectors of the industry and service branch. Hence, wealthy entrepreneurs’ focus is not limited to the PT local market, but directed to the most profitable location and market. In the Palestinian-Israeli economic relationship structural changes have been taking place since the late 1980s. Following the political events, the structural asymmetrical interconnectedness of the Palestinian and Israeli economy still exists in basic economic issues (IMF 2005; UNSCO; Mukhimer 2005). But it has eroded and has generally lost intensity. Economically relevant political and security policy factors are becoming more and more important.

Trans-nationalization in the economy vs. nationalization and state-building in politics

The economic weakening of the central political actor in the PT enhances the appearance of *business actors*, primarily the call for the private sector to enforce growth and development (World Bank 2007; UNDP 2005).

In the case of a central power move, they compete to fill the gap of eroded political authority by traditional structures, like clans and family politics (ICG 2007) and succeed in emerging in an increasingly structured manner. Within all these changes, a (process of) differentiation *inside* the societies took place. Therefore, separated Palestinian *partial*-societies and *partial*-economies in the West Bank, East Jerusalem and Gaza Strip have increased, since the fourth quarter of 2000. While the natural circumstances make a strong argument for the opening of the market, political reasons for market separation prevail (Arnon/ Spivak/ Sussman 2003). Leading entrepreneurs no longer aspire to a closed national market, but rather business connections and liberal competition, including their Israeli neighbour (Bouillon; Ben Porat).

By announcing and heading investment conferences the PA signals a direct commitment of the Palestinian government to national institutions for securing international encouragement in the Palestinian economy. So in May 2008 the premier Investment Conference in Bethlehem was followed up with a London Investment Conference for Palestinian businesses and in 2009 by an Investment conference in the northern West Bank city of Nablus. The next event is planned for June 2010 in Bethlehem. These conferences should open doors to forge genuine partnerships and expand trading opportunities and bring together Palestinian enterprises with international and regional companies and potential investors, not least from the Diaspora.

After the experiences of the Israeli-Palestinian regulation process since 1993, these events are not undisputed. Estimations vary from “events for elitists groups” to “empowerment for the Palestinian economy”. It is less a new tendency, but more an open tendency: economic reform and modernization are taking place *inside* the Palestinian Territories, from “old economy” to “new economy”, from labour intensive to knowledge intensive, to the “web economy”. The World Bank praised the web-economy as appropriate for the PT. Economic activities could “shift at will to any location”, and “no matter where the resources are located” would be for the Palestinian economy an advantage (World Bank 2000). Until now, the internet based economy in the PT took an enormous growth. PA institutions, international organizations, parts of the private sector and the business community consider the web economy, mainly the ICT sector, as “essential” for the PT and driving force in Palestinian economic development (Expotech 2009). According to Palestinian news the ICT sector contributes about 10-12 per cent of GDP with a market size of around US\$500 million and is ready to further expand to penetrate regional and international markets, crossing the “Green Line” between Israel and the Palestinian Territories (Expotech, PITA). The ICT sector opens up huge economic opportunities, but adoption of ICTs alone would not promote growth and development unless there is the “right atmosphere” (PCBS 2007).

4. Outlook

As the interconnection of politics and economy have shown it is difficult to identify *the one* or a static model and strategy to transform a “conflict sensitive economic development” into a “viable economy”. Political circumstances are still the basic prerequisite. Every economic strategy has to take into consideration the topics of the Middle East conflict system. It goes without saying that economic recovery in the Palestinian economy has also regional and international dimensions.

While a stringent territorial separation between Israel and the PT and inside between WB and GS is under way, the economic sector witnesses a transformation process which is not as rigid. It is still an undisputed question, whether it is an imperative factor for an *integrative* direction of development or for a *disintegrative* development. Since the 1980s, institutions and experts have developed various models for Israeli-Palestinian bilateral relations in the main areas of economic and political-economic subjects. Core questions are the general economic relationship between the WBGS and Israel, and the economic policy. Economists’ options are generally based on two models of relationship with open borders or closed borders: a) transnational connected economies, or b) disconnected, separated economies.

The program “Ending the Occupation, Establishing the State”, which was presented by Prime Minister Fayyad in August 2009 as well as the PNA’s “Priority Interventions for 2010”, published in January 2010 stay in line with a “West Bank First” option. These political declarations are backed by the international donors UN, US, EU as well as Arab States. As such, it is a first step, a strategy for two to four years. For a viable economy and

sustainable development it has to be set in the social context of the Palestinian society in the West Bank, Gaza Strip and East Jerusalem.

Finally, I want to outline some questions and challenges with focus on the economic subject:

- Reviewing the Israeli-Palestinian economic regime, most of all PER,
- Checking non-tariff barriers, such as the transfer routes via Allenby Bridge, Rafah, Port of Ashdod etc.,
- Extending the Palestinian-Israeli Joint Economic Committee's activity,
- Participating in common initiatives with Israel, such as in Africa,
- Improving of Palestinian institution-building to enhance authorities' reliability and accountability,
- Refreshing Middle East trade relations, regional cooperation and market integration,
- Initiating contacts and relations to potential new partners outside the region, such as in Europe, South-Asia and Central Asia,
- Enforcing high value products and services in economic niches,
- Establishing a diversified technology strategy for clean technology, middle technology innovative industry and service development (such as ICT sector), not least for further adaptation,
- Updating traditional economic branches, like Textile and Garment sector,
- Preventing Brain Drain, focussing on Brain Gain,
- Extending the participation of women at equal rights,
- Winning the Diaspora for special actions and outstanding initiatives in Palestinian Territories,
- Extending the R&D-Clusters with international cooperation.

Apart from economic conditions, it is still a question of the political ramifications, determined by conflict, political disapproval and boycott. To stabilize the political situation it needs not only a third party, but also useful economic initiatives aimed at a *sustainable development* in these crises areas.