



The Economic Cost of the Israeli Occupation

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The Israeli occupation of Palestine imposes a huge price tag on the Palestinian economy. Israel restricts Palestinian access to their natural resources, controls Palestinian import and export processes due to its control over borders, hinders the development of many Palestinian industries, and continues to damage Palestinian infrastructure while restricting economic development, especially in Area C.

This paper aims at analyzing Israeli restrictions imposed on the main economic sectors and resource development in Palestine. It calculates the direct costs of these restrictions and the forgone revenue due to lost development opportunities through the use of economic models. More specifically, the paper measures the direct and forgone revenue losses from: (1) the gas marine reserve and fish industry due to restricted control over territorial water near the Gaza Strip; (2) the cost of confiscated land in the West Bank; (3) the forgone revenue from irrigated agriculture due to access restrictions to Palestinian water resources; (4) the cost of Israeli assault on Palestinian infrastructure, including the implications of the Israeli assault on Gaza Strip in 2014 and house demolitions in the West Bank; (5) cost of electricity purchased from Israel; and (6) the cost of restrictions on movement of goods and people within the West Bank.

The paper extends the analysis to include the impacts on Palestinian industries of mining and quarrying, tourism, banking, telecommunications, and the extra cost of import and export restrictions as well as the costs of fiscal revenue leakage from the Palestinian authority to Israel due to trade agreements and the current clearance system.

The paper estimates that the total economic cost of the Israeli occupation in Palestine to be around 9.95 billion US dollars, representing almost 78% of Palestinian nominal GDP for 2014