

**T.C.
SAKARYA UNIVERSITY
INSTITUTION OF SOCIAL SCIENCES
DEPARTMENT OF FINANCE**

**THE PALESTINIAN ECONOMIC AND TAX SITUATION
ACCORDING TO THE PALESTINIAN NATIONAL LAW AND
PARIS AGREEMENT**

Alaa ISIFAN

MASTER DEGREE THESIS

Thesis Supervisor: Assoc. Prof. Murat GÜVEN

JULY - 2025

**T.C.
SAKARYA UNIVERSITY
SOCIAL SCIENCES INSTITUTE**

**THE PALESTINIAN ECONOMIC AND TAX SITUATION
ACCORDING TO THE PALESTINIAN NATIONAL LAW
AND PARIS AGREEMENT**

MASTER DEGREE THESIS

Alaa ISIFAN

Department: Finance

“This thesis was defended face to face on 30/07/2025 and was unanimously accepted by the jury members whose names are listed below.”

JURY MEMBER	APPROVAL
Prof. Dr. Şakir GÖRMÜŞ	Accepted
Prof. Dr. Furkan BEŞEL	Accepted
Doç. Dr. Murat GÜVEN	Accepted

ETHICS STATEMENT

According to the Similarity Report received by your institute within the framework of the Implementation Principles, the similarity rate of the thesis work, whose information is given above, does not contain any plagiarism; I declare that I accept all kinds of legal responsibility that may arise in a possible situation where the opposite is determined and that I have received the approval document if Ethics Committee Approval is required.

Is an ethics committee approval document needed?

Yes ☐

No ☒

(The studies that require the approval of the Ethics Committee are as follows:

- All kinds of research conducted with qualitative or quantitative approaches that require data collection from the participants by using survey, interview, focus group work, observation, experiment, interview techniques,
- The use of humans and animals (including material/data) for experimental or other scientific purposes,
- Clinical studies on humans,
- Research on animals,
- Retrospective studies in accordance with the personal data protection law.)

Alaa ISIFAN

30/07/2025

THE PREFACE

First of all, I would like to thank my thesis advisor, Assoc. Prof. Dr. MURAT GÜVEN for his support, patience and unwavering trust throughout this theses. I would also like to express my sincere gratitude to all the faculty members of the Department of Finance at Sakarya University for their excellent teaching and the valuable knowledge they imparted, which greatly enriched my academic career.

I also would like to thank the jury members who agreed to participate in my thesis defense. And I would like to express my gratitude to my family who have been patient with me throughout this entire stage, with all its difficulties and phases. And to everyone else, who in one way or the other, played a role towards the successful completion of this thesis.

Alaa ISIFAN

30/07/2025

TABLE OF CONTENTS

ABBREVIATION.....	v
LIST OF TABLE.....	vi
LIST OF GRAPHIC.....	vii
ABSTRACT	viii
ÖZET	ix
INTRODUCTION	1
1. CHAPTER: A HISTORICAL OVERVIWE OF THE PALESTINIAN ECONOMY	4
1.1.The Islamic Era.....	4
1.1.1. Early Islamic Governance	4
1.1.2. Economic Structure and Institutions	5
1.2. The Ottoman Rule	5
1.2.1. Administrative Divisions.....	5
1.2.2. Agricultural and Industrial Sectors.....	6
1.2.3. Ottoman Tax System	6
1.3. The British Mandate	7
1.3.1. British Colonial Policies and Zionist Empowerment	7
1.3.2. Economic Displacement and Control Mechanisms.....	8
1.3.3. Currency, Trade, and Infrastructure Policies.....	10
1.3.4. Palestinian Institutional Responses and the Road to Revolt	13
2. CHAPTER: THE PALESTINIAN ECONOMY UNDER OCCUPATION (POST – 1948 & POST- 1967).....	16
2.1. Post-1948 Fragmentation and Economic Displacement.....	16
2.1.1. Implementation Failure of the Partition Plan	16
2.1.2. Displacement, Refugees, and Fragmented Authority.....	16
2.1.3. Economic Isolation of the West Bank and Gaza	17
2.2. Israeli Occupation After 1967: Policies and Economic Integration.....	17
2.2.1. Economic and Legal Policies of Occupation.....	18
2.2.2. Labor Integration and Economic Dependency	19
2.3. Occupation-Era Taxation and Trade Policies.....	20

2.3.1. Imposed Customs Union and Trade Barriers	20
2.3.2. Socioeconomic Impact of Regressive Taxation	21
3. CHAPTER: THE FIRST AND SECOND INTIFADAS: ECONOMIC IMPACT	22
3.1. The First Intifada: Roots, Developments, and Economic Impact (1987–1993).....	22
3.1.1. Political Context and Causes	22
3.1.2. Tax Measures During the Intifada (VAT, Intifada Tax)	23
3.1.3. Declaration of Independence and Political Shifts	24
3.2. The Second Intifada: Escalation, Resistance, and Economic Collapse (2000– 2005).....	26
3.2.1. Political Triggers and Early Events.....	26
3.2.2. Economic Collapse and Loss of Revenue	27
3.3. Taxation Under Occupation: Structures, Trends, and Fiscal Control.....	28
3.3.1. Trends in Revenue Composition (1968–1992).....	28
3.3.2. Dominance of Indirect Taxes and Revenue Utilization	29
4. CHAPTER: THE OSLO ACCORDS AND THE PARIS PROTOCOL	30
4.1. Political Context of the Oslo Accords	30
4.1.1. Political and Economic Foundations	30
4.1.2. Political Developments and Economic Setbacks Post-Oslo.....	32
4.2. Structure and Scope of the Paris Protocol	34
4.3. Trade Policies and Border Control	36
4.3.1. Trade Arrangements and Border Crossings	36
4.3.2. Import Policies and Violations of the Paris Protocol	38
4.3.3. Economic Impact of Trade Dependency	40
4.4. Labor Mobility and Employment	44
4.4.1. Conditions of Palestinian Labor in Israel	44
4.4.2. A Testimony of a Palestinian Worker	45
4.4.3. The Palestinian Labor in Numbers	46
4.5. Currency, Banking, and Monetary Authority	46
4.5.1. Role of the Palestinian Monetary Authority.....	46
4.5.2. Lack of National Currency	47
4.6. Taxation Under the Paris Protocol	48

4.6.1. Tax Structure and Revenue Allocation.....	48
4.6.2. Administrative Deductions and Delays	49
4.7. Access to Natural Resources and Infrastructure.....	50
5. CHAPTER: THE PALESTINIAN FISCAL SYSTEM: TAXATION AND CLEARANCE REVENUES	51
5.1. Historical and Legal Foundations of Taxation in Palestine.....	51
5.2. The Laws and Decisions Governing the Tax Framework in The West Bank and Gaza Strip.....	52
5.2.1. The Palestinian Income Tax Law No. (8) of 2011	52
5.2.2. The Egyptian Income Tax Law No. 14 of 1947.....	52
5.2.3. The Palestinian Investment Promotion Law No. (1) of 1998.....	53
5.2.4. The Paris Economic Protocol of 1994.....	53
5.2.5. Jordanian tax laws enacted during the mid-20th century	53
5.3. Types of Taxes in the Palestinian Territories	55
5.3.1. Direct Taxes	55
5.3.2. Indirect Taxes	55
5.4. Institutional Framework and Tax Administration	56
5.4.1. Tax Collection Bodies in the West Bank	56
5.4.2. Tax Administration in the Gaza Strip.....	57
5.5. The Clearance Revenue System	57
5.5.1. Legal Framework and and Importance in Public Revenues.....	57
5.5.2. Statistical Trends and Recent Crises (1996–2023).....	59
6. CHAPTER: COMPARATIVE ECONOMIC PERFORMANCE UNDER OCCUPATION, AGREEMENT, AND UPRISING	61
6.1. Macroeconomic Comparison: Pre-Oslo, Post-Oslo, and Second Intifada.....	61
6.2. Income Tax Systems in the West Bank and Gaza Strip	64
6.3. VAT and Indirect Taxation Differences	65
6.4. Customs Management and Clearance Revenue Structures	67
6.5. Protocol vs. Practice: Evaluation of the Paris Agreement Implementation	68
CONCLUSION	70
REFERENCES	72

APPENDIX	79
CURRICULUM VITAE	86



ABBREVIATION

UN	: The United Nations
PLO	: The Palestinian Liberation Organization.
AREA A	: Administered by Palestinian Authority
AREA B	: Administered by Palestinian Authority Shared Security Control with Israel.
AREA C	: Administered by Israel
JEC	: Joint Economic Committee
AD	: Years after the birth of Jesus
CE	: Current Era
U.S	: United States
JEB	: The Joint Economic Board
No	: Number
GDP	: The Gross Domestic Product
PA	: Palestinian Authority
PNA	: Palestinian National Authority
Dr	: Doctor
EU	: European Union
EUBAM	: European Union Border Mission
ID	: Identification
PMA	: The Palestinian Monetary Authority
DC	: District of Colombia
USD	: United States Dollar
PIPA	: Palestinian Investment Promotion Agency
GNI	: Gross National Income

LIST OF TABLE

Table 1: Contribution of Taxes to Palestine’s General Budget (1939–1944).....	12
Table 2: Key Economic Indicators (2000–2002)	27
Table 3: Composition of Collected Taxes and Other Revenues in the West Bank (1968–1992).....	28
Table 4: Key Palestinian Trade Indicator (2023-2024)	43
Table 5: Labor Market Indicators (2023–2024)	46
Table 6: Tax Revenue Sources Under the Paris Protocol.....	49
Table 8: Comparative Economic Indicators Table	62
Table 9: Comparison of Income Tax System in the West Bank and Gaza Strip.....	64
Table 10: VAT and Indirect Tax Comparison – West Bank vs. Gaza Strip.....	66
Table 11: Customs and Clearance Revenue Comparison – West Bank vs. Gaza	67
Table 12: Comparison between Protocol Provisions and Actual Implementation.....	69

LIST OF GRAPHIC

- Graphic 1:** Real GDP (at 2004 prices) By Region, 1994- 2013 (in millions of US\$)....42
- Graphic 2:** Development Of Clearing Revenues During The Period 1996-2020 59



ABSTRACT	
Title of Thesis: The Palestinian Economic and Tax Situation According To The Palestinian National Law and Paris Agreement	
Author of Thesis: Alaa ISIFAN	
Supervisor: Assoc. Prof. Murat GÜVEN	
Accepted Date: 30/07/2025	Number of Pages: ix (pre text) + 78 (main body) + 7 (add)
This study examines the fiscal structure and economic dependence of the Palestinian Authority (PA) by analyzing both national tax legislation and the 1994 Paris Economic Protocol. It explores the historical trajectory of the Palestinian taxation system, beginning with the Ottoman era and extending through the British Mandate, Jordanian and Egyptian governance, and up to the current Palestinian administrative structure. The research aims to assess the effectiveness and implications of the Paris Protocol, particularly in its treatment of indirect taxation, clearance revenues, trade arrangements, and labor mobility. By comparing the agreement's provisions with its practical application from 1994 to 2024, the study highlights how the Protocol has perpetuated economic dependency and constrained the PA's financial autonomy. Utilizing a mixed-methods approach, the research incorporates legal analysis, economic indicators, and comparative data, supported by official statistics and policy documents. It also investigates key disruptions in revenue flow, including clearance crises and the consequences of political instability, such as the Second Intifada and the Gaza blockade. The findings reveal that the existing tax system and economic agreements are inadequate for achieving fiscal sovereignty or social justice. As a result, the study proposes policy recommendations focused on tax reform, institutional modernization, and the renegotiation of economic arrangements to foster long-term financial independence and equitable development in Palestine.	
Keywords: The Paris Agreement, The Paletinian Economy, The Palestinian Tax System, Taxes	

ÖZET	
Başlık: Filistin Ulusal Kanunu ve Paris Anlaşması Uyarınca Filistin'in Ekonomik ve Vergi Durumu	
Yazar: Alaa ISIFAN	
Danışman: Doç. Dr. Murat GÜVEN	
Kabul Tarihi: 30/07/2025	Sayfa Sayısı: ix (ön kısım) + 78 (ana kısım) + 7 (ek)
Bu çalışma, hem ulusal vergi mevzuatını hem de 1994 Paris Ekonomik Protokolünü analiz ederek Filistin Yönetimi'nin (PA) mali yapısını ve ekonomik bağımlılığını inceler. Osmanlı döneminden başlayarak İngiliz Mandası, Ürdün ve Mısır yönetimine ve günümüz Filistin idari yapısına kadar uzanan Filistin vergi sisteminin tarihsel yörüngesini araştırır. Araştırma, Paris Protokolü'nün, özellikle dolaylı vergilendirme, tasfiye gelirleri, ticaret düzenlemeleri ve işgücü hareketliliği konusundaki etkinliğini ve etkilerini değerlendirmeyi amaçlamaktadır. Anlaşmanın hükümlerini 1994'ten 2024'e kadarki pratik uygulamasıyla karşılaştırarak, çalışma Protokolün ekonomik bağımlılığı nasıl sürdürdüğünü ve PA'nın mali özerkliğini nasıl kısıtladığını vurgulamaktadır. Karma yöntemli bir yaklaşım kullanan araştırma, resmi istatistikler ve politika belgeleriyle desteklenen yasal analiz, ekonomik göstergeler ve karşılaştırmalı verileri bir araya getiriyor. Ayrıca, İkinci İntifada ve Gazze ablukası gibi tasfiye krizleri ve siyasi istikrarsızlığın sonuçları da dahil olmak üzere gelir akışındaki temel kesintileri araştırıyor. Bulgular, mevcut vergi sisteminin ve ekonomik anlaşmaların mali egemenliğe veya sosyal adalete ulaşmak için yetersiz olduğunu ortaya koymaktadır. Sonuç olarak, çalışma, Filistin'de uzun vadeli mali bağımsızlığı ve adil kalkınmayı teşvik etmek için vergi reformu, kurumsal modernizasyon ve ekonomik düzenlemelerin yeniden müzakere edilmesine odaklanan politika önerileri sunmaktadır.	
Anahtar Kelimeler: Paris Sözleşmesi, Filistin Ekonomesi, Filistin Vergi Sistemi, Vergiler	

INTRODUCTION

Fiscal and taxation policy is a fundamental pillar of economic sovereignty in any political entity. In the Palestinian context, however, this issue is uniquely complex due to the ongoing Israeli occupation and the institutionalized financial dependencies rooted in interim agreements most notably, the 1994 Paris Economic Protocol. Originally intended to regulate economic relations between the Palestinian Authority (PA) and Israel, the Protocol has, in practice, reinforced structural fiscal dependency and significantly constrained Palestinian financial autonomy.

The core problem addressed by this study lies in the erosion of Palestinian fiscal sovereignty due to an imbalanced economic relationship imposed by the Paris Protocol, alongside the continued application of outdated and fragmented tax laws inherited from previous ruling authorities. Despite the passage of decades, these structural issues have not been comprehensively reassessed within a unified legal and economic framework.

Accordingly, this research traces the major historical phases that have shaped the Palestinian economy, providing essential context for understanding its current limitations. Beginning with the Islamic and Ottoman periods, it then examines the British Mandate era, the 1948 Nakba, the 1967 occupation, and the post-Oslo period that saw the establishment of the Palestinian Authority.

The core focus of the study is the Paris Economic Protocol and its main components, including the unified tax system, customs union, clearance revenue mechanism, and the now-dormant Joint Economic Committee (JEC). Particular attention is given to the clearance revenue system, through which Israel collects indirect taxes (customs, VAT, and purchase taxes) and transfers them to the PA after deducting administrative fees. This mechanism, originally conceived as temporary, has become the PA's primary income source (60–70%), rendering it highly vulnerable to Israeli deductions, delays, and political pressure.

The study also analyzes the national taxation framework, including income and property taxes and trade-related levies many of which still reflect outdated laws from Ottoman, British, Jordanian, and Egyptian eras. Despite legal reforms like the 2011 Income Tax Law, political division between the West Bank and Gaza Strip continues to hinder tax harmonization and fiscal unification.

Finally, a comparative analysis is provided to assess the Palestinian economy across three key political stages: direct occupation, the implementation of the Paris Protocol, and the period of political uprisings. This assessment underscores recurring patterns of vulnerability and illustrates how political contexts have profoundly influenced fiscal autonomy and economic performance.

This study seeks to fill the analytical gap by offering a critical reassessment of the intertwined legal and economic structures that perpetuate dependency. It aims to provide a clearer understanding of the current fiscal reality one that can inform future research, guide policy reform, and support experts and decision-makers working toward financial sovereignty and national development.

The Subject of Research

This research examines the Palestinian economic and tax structure through the lens of the Palestinian national legal system and the Paris Economic Protocol of 1994. It addresses the historical evolution of the Palestinian economy under various regimes, the legal and administrative foundations of the current tax system, and the political and economic implications of continued Israeli occupation. By analyzing the interaction between law, economy, and politics, the study highlights how interim agreements have entrenched fiscal dependency and limited Palestinian financial sovereignty.

The Importance of Research

The research is significant in that it addresses a critical gap in the discourse on fiscal sovereignty under occupation. By integrating historical, legal, and economic perspectives, the study reveals how interim economic agreements have structurally limited Palestinian financial independence. It offers essential insights for policymakers, scholars, and development institutions aiming to reform economic relations between Palestine and Israel and to advance the cause of sustainable development and decolonization.

The Purpose of Research

The purpose of this research is to conduct a focused and structured analysis of the Palestinian economic and tax system through the lens of national legislation and the

1994 Paris Economic Protocol. It aims to uncover how historical legal legacies, combined with externally imposed economic arrangements, have shaped the current fiscal realities in Palestine. The study intends to provide a critical evaluation of these structures to generate practical insights and recommendations for building a more independent and resilient fiscal framework.

The Method of Research

The research adopts a descriptive-analytical methodology, which combines historical, legal, and economic analysis with empirical data to provide a comprehensive understanding of the Palestinian economic system. This approach allows for an in-depth examination of legislative frameworks, fiscal policies, and economic agreements, particularly the Paris Protocol, and their consequences on Palestinian economic sovereignty and financial autonomy.

1. CHAPTER: A HISTORICAL OVERVIEW OF THE PALESTINIAN ECONOMY

Palestine has historically been ruled by various entities, beginning with the Islamic Caliphate, followed by the Ottoman Empire, and later the British Mandate after World War I, which played a major role in the establishment of the Zionist state in the region. This section will explore the key historical stages that significantly shaped the Palestinian economy, beginning with a brief overview of the Islamic Caliphate era. It will then examine the major economic developments under Ottoman rule, followed by the British Mandate, which had a profound impact on Palestine in all aspects. Finally, the discussion will cover the Zionist occupation of Palestinian territories, the imposition of control and hegemony through various stages, and the eventual establishment of the Palestinian National Authority.

1.1. The Islamic Era

1.1.1. Early Islamic Governance

Palestine was transformed into a Roman province following the Roman conquest in the early first century AD. Subsequently, it came under Byzantine rule, which lasted until the mid-7th century AD, when the region was incorporated into the Islamic Caliphate following the Muslim conquests. Palestine remained an integral part of the Arab-Islamic world until 1916, when the fall of the Ottoman Empire marked the end of centuries of Islamic rule. This transition was followed by the imposition of the British Mandate, and later, by the Zionist occupation (Barghouthi, S. O, Totah. K, 2015).

The Islamic era in the Levant commenced in 640 CE, when the region was administratively divided into military districts known as junds. One of these, Jund Filastin (Palestine), with Jerusalem as its capital, stretched from Rafah in the south to areas just south of Naqoura in the north, following an administrative model that mirrored the Byzantine system. This structure remained in place until the Mamluk period, during which the region underwent a significant administrative reorganization. Under Mamluk rule, Palestine was divided among three key provinces: The Kingdom of Damascus, the Kingdom of Gaza, and the Kingdom of Safad. The Kingdom of Gaza

(1250–1516) encompassed the governorates of Gaza, Ascalon, and Jaffa, extending northward to the borders of Qaysariyah and southward to the governorate of El Arish. It also included the governorates of Hebron and Jerusalem to the west. The Kingdom of Damascus, in contrast, governed the remaining parts of the Palestinian territories (Scholch, A. Al-asali, 1993\1988).

1.1.2. Economic Structure and Institutions

During that era, the Arab provinces, including Palestine, were governed by religious laws and regulations and were managed according to the economic dynamics of the Islamic state. This led to economic prosperity, with the Ministry of Finance (Bayt al-Mal al-Muslimin) being one of the most significant institutions of the state. Agriculture was the dominant economic activity, with people primarily relying on farming, fishing, and livestock breeding. It can be said that, at the time, the Arab provinces had achieved self-sufficiency and even exceeded their own needs, allowing for surplus production beyond domestic consumption (Ozdemir, 2013).

1.2. The Ottoman Rule

1.2.1. Administrative Divisions

The Arab territories came under Ottoman rule in 1512 during the reign of Sultan Selim I. The economic and administrative conditions of the Arab provinces remained largely unchanged from the Mamluk era, as they continued to be organized into governorates, which were later renamed as provinces (vilayat). In 1660, the Ottoman Empire established a new province, the Province of Sidon, which included Palestine, with Acre as its primary center. However, in 1840, when Ottoman rule was reestablished in the Levant, Palestine was incorporated into the Province of Beirut, which included two districts from Palestinian territories. The Ottoman Empire recognized the growing Western and Zionist interests in the Jerusalem district, leading to its separation from the Province of Beirut¹ in 1887 and placing it directly under the authority of the Sublime Porte (Khalla, 1982).

¹ Chek Appendix one, it shows the map of Ottoman Levant showing the Beirut Vilayet and Sanjaks.

1.2.2. Agricultural and Industrial Sectors

During that period, Palestine was renowned for its agricultural production, particularly citrus fruits, olives, and cotton, which played a significant role in the economic prosperity of many Palestinian cities. In contrast, the industrial sector was limited and largely based on traditional crafts such as soap making and olive oil pressing. The years 1889 to 1897 witnessed a notable economic upturn in Palestine, with agriculture experiencing the most significant growth and development (Barghouthi, S. O, Totah. K, 2015).

By the time the Palestinian market transformed into a vast marketplace for European goods, the imports began to exceed exports in the Palestinian trade balance. As a result, the economic standing of Palestinian goods declined, as they were unable to compete with European products, which were known at the time for their superior quality (Institute for Palestine studies, 2003).

1.2.3. Ottoman Tax System

As for the Taxation System, the Ottomans issued a set of regulations aimed at organizing tax collection, reforming the legal system, and eliminating certain unjust obligations. Everyone was subject to various taxes and fees, the two most significant of which were the Tithe and the Wiker (khalla, 1982).

Farmers were legally required to pay a tithe tax on agricultural produce, with the amount determined based on the estimated value of the crop before harvest. This tax was collected through the obligation system, which hindered agricultural expansion and further strained farmers' financial conditions (Amin al-Budayri, 2002).

The Wiker tax applied to a wide range of agricultural products, including cereals, fruits, vegetables, and livestock, and was collected directly from farmers. The proceeds from the Wiker tax were used by the Ottoman government to fund infrastructure, military, governmental expenses, and other essential needs. The currency in use at the time was the Ottoman lira and its various denominations (Amin al-Budayri, 2002).

After 400 years of Ottoman rule in Palestine, Britain and France began to take control of the region, claiming that their governance would respect the free will of the indigenous people without imposing any administrative rule. However, the reality was

entirely different. With the Balfour Declaration, they endorsed the mandate over Palestinian territories, laying the groundwork for future colonial control (Barin, 2014).

1.3. The British Mandate

1.3.1. British Colonial Policies and Zionist Empowerment

During the historical period between 1831 and 1840, colonial powers had already established their foothold in the Arab Levant. This became evident immediately after the end of World War I (1914–1916) when Britain and France signed a secret agreement known as the Sykes-Picot Agreement, which divided the Near Eastern countries between them. Palestine fell under British colonial rule and was governed by the Southern Administration, headquartered in Jerusalem. Its borders began to be arbitrarily and forcibly redrawn, diverging from its natural historical extension (Bseiso, 2016).

The British Mandate divided Palestinian lands into administrative divisions called 'districts.' These included the districts of Jerusalem, Nablus, Haifa, Lydda, Gaza, and Hebron. Each district was headed by a British governor, all of whom reported to the governor of Jerusalem under the supervision of the British High Commissioner (Institute for Palestine studies, 2003).

Palestine was under the British Mandate² from 1918 to 1948, providing the Jews with a golden opportunity to establish a national homeland. At that time, Britain pursued an economic policy to support Jewish settlement, a significant portion of which was carried out in secrecy to achieve the goal of establishing a national homeland for the Jews (Khalla, 1982).

After Britain issued the Balfour Declaration in 1917, it took steps to implement its provisions in pursuit of its own interests. On February 14, 1918, Lord Robert Cecil, the Under-Secretary of the British Foreign Office, announced that the British government had granted the Zionist Organization permission to establish a committee to assess the conditions of Jewish settlements in Palestine. The committee's recommendations were highly regarded (Bseiso, 2016).

² Check appendix 2, it shows a map of Palestine under the British Mandate 1917.

On July 6, 1922, the British government submitted the mandate instrument to the League of Nations to grant it legal authority. The League of Nations approved the document that same month, making it legally binding for the mandate government to adhere to its provisions (Tarbein, 2016).

The British administration welcomed the Zionist mission, while the Arabs responded with protests and demonstrations. During the Jaffa Conference, a strategic plan for the temporary Palestinian administration was drafted. This plan declared Palestine as the national homeland of the Jews, affirmed their right to self-determination, designated the Zionist flag as the national symbol, proposed replacing the term 'Palestine' with 'Israel,' and outlined a strategy for gradually seizing control and authority (Alabdy, 2023).

The British Mandate actively promoted Jewish settlement in Palestinian territories by encouraging the purchase of land from Arabs or acquiring it through deceptive means. It also facilitated Zionist economic dominance by granting them monopolies over key projects in Palestine. Additionally, during the tenure of High Commissioner Herbert Samuel, nearly 150 laws were enacted to further these policies (Mekdadi, 2009).

1.3.2. Economic Displacement and Control Mechanisms

Until 1922, most industrial establishments remained under Arab ownership. However, during that period, some Zionist financiers began investing in large industrial projects to gain control over key sectors of the Palestinian economy. As a result, the British strategy sought to obstruct and dismantle the infrastructure and economic institutions of the Palestinian economy. This plan was implemented based on three key pillars: land occupation, labor control, and market domination (Jiryis, 1977).

Land Occupation: Since Palestine is primarily an agrarian society, agriculture plays a crucial role in national income, trade, employment, and livelihoods. Land is, therefore, considered the cornerstone of Palestinian daily life. As a result, it has been one of the primary targets of Zionist strategies aimed at undermining the Palestinian economy, particularly in the highly productive agricultural areas, mostly located in the coastal plains according to the statistics indicated in 1923, 52% of all Jewish settlements were located in the coastal plain. By 1936, this percentage had risen to nearly 80% of total settlements. In 1920, the amount of land owned by Jews in Palestine was

approximately 650,000 dunams. Subsequent land purchases increased this figure to 781,192 dunams by 1922 (Abed, 1988).

The majority of these lands were sold to Jews by local and absentee large landowners, whose prominence began to grow following the implementation of the Ottoman government's land tenure system. According to "Granot"³ 52.6% of the lands acquired by Jews were owned by large landowners (such as foreign corporations, churches, and the British government), while 9.4% of the land was owned by local farmers. These farmers struggled with debt at the time due to British policies that adversely affected them (Mahani, 2010).

Labor Control: Following their mass immigration to Palestinian territories, Jews implemented a labor policy that prohibited them from hiring Arab workers and required them to employ only Jewish workers. This policy had a significant impact in 1935, when the number of Jewish workers reached 74,000. In contrast, the number of unemployed Arab workers rose to 25,000 (Okasha, 1993).

The General Union of Jewish Workers, Histadrut, was also established and is considered a key instrument for controlling labor and oppressing Palestinian workers. Additionally, it founded a bank affiliated with it, serving as its financial arm (Alwahab, 2016).

Market Domination: During the Zionist settlement activities, Jews primarily aimed to buy Jewish goods while boycotting Arab products, even if they were more expensive. This strategy involved monopolizing the Arab manufacturing sector and excluding Arab products from the market. The results of this policy became evident over time, as immigration increased. Not only did they boycott Arab goods, but they also imposed punishments on those who violated these policies (Abed, 1988).

It also created funds, such as the Palestinian Foundation Fund, which later became the financial branch of the Jewish Agency, and the Jewish National Fund. The purpose of these funds was to oversee settlement operations directly, with the main objective being to replenish the capital for financing Zionist settlements (Mikdadi, 2009).

Britain's policy did not stop there; it also imposed measures on Palestinian farmers immediately after World War I. It halted the implementation of the loan system that

³ It is the name of a large Israeli agricultural cooperative that serves kibbutzim (collective communities) and other agricultural entities. Available at: <https://granot.co.il/en/> (Accessed: 15\ 05\ 2025).

had allowed farmers to care for their lands and demanded repayment of loans at a time when their financial situation was dire. Additionally, Britain exploited the tithe⁴ system that was common during the Ottoman Empire, offering farmers no services in return. As a result, the tax burden increased, with the percentage raised to one-fifth, which amounted to nearly a third of a farmer's agricultural season. The policies also impacted Palestinian industries by monopolizing production materials, granting Jews access to all resources and privileges in various projects and monopolies, while reducing capital investments in Arab industries (Palumbo, 1990).

1.3.3. Currency, Trade, and Infrastructure Policies

Multiple currencies have circulated in the Palestinian market since the arrival of the British, including the Ottoman gold pound, the Ottoman paper pound, and the British gold pound. However, in 1918, when Palestine was under British rule, the British issued a military edict that outlawed the use of Ottoman currency and replaced it with Egyptian money (Khalla, 1982).

In 1926, a law was passed to establish a Palestinian currency, followed by the Palestinian Metal Currency Law in 1927, which introduced paper money into the marketplace. Britain recognized this currency and pegged its value to the British pound. The situation remained unchanged in Palestine until 1948, when a law was enacted to cancel the Palestinian pound's value, replacing it with money labeled "Israel." At that time, many different kinds of banks existed, including Jewish, foreign, and Arab banks (Khalla, 1982).

The trade sector plays a crucial role in the economy of any country by compensating for shortages in other sectors. Historically, Palestine relied on its strategic geographic location as a hub for transit trade in both local and international markets. However, the trade sector of the Palestinian economy suffered negative impacts after World War I, and the situation worsened due to British policies that prioritized protecting Jewish production while neglecting Palestinian production. Moreover, British authorities increased customs duties on imports and enacted the Customs Duties Law, which

⁴ The tithe (u'shr) was a fixed rate tax on agricultural produce in the Ottoman Empire, generally set at one-tenth of the harvest. It was collected either in kind or in cash and formed a significant portion of rural taxation (Gerber, 1985).

provided discounts on goods used for building settlements and offered customs exemptions specifically for Jewish immigrants (Alwahab, 2016).

In addition to all that, a decree was issued requiring Palestinians to retroactively pay all taxes imposed during Ottoman rule, dating back to 1917. The Palestinian population reacted negatively and protested this decision. Even after the date was revised to 1918, the reaction remained the same, as the policy was designed to create a population of impoverished individuals, especially considering the dire conditions following World War I. Among the most significant of these taxes were property taxes, which were imposed on homes and other buildings (Hamada, 1939).

It was believed that the tax rate was 4% on state properties and 10% on private holdings during the Ottoman era. When the property tax was introduced in urban areas in 1928, it was set at 12% of the annual rental value. This tax was later modified, and in 1932, it was raised even higher to 15% (Amin al-Budayri, 2002).

Between 1939 and 1944, indirect taxes constituted the largest share of public revenues used to finance the general budget in Palestine. Property taxes accounted for approximately 12% of total public revenues, while overall tax revenues represented 14% of the national income during this period. As shown in the table below, tax instruments such as customs duties, excise taxes, income tax, property tax, and licenses played critical roles in shaping the structure of public finance in Mandate Palestine (Miyaleh, n.d).

Tax Type	Contribution (%)	Amount (USD millions)
Customs and Excise	37%	59.94
Property Tax	12%	19.44
Income Tax	8%	12.96
Licenses and Fees	13%	21.06
Grants and Other Rev.	30%	48.06
Total Revenue	100%	162.00
Tax Share of National Income	14%	—

Table 1: Contribution of Taxes to Palestine's General Budget (1939–1944)

Source: Himdah, A. (1938). *Economic organization of Palestine*. Beirut: American University of Beirut, p. 511.

These figures reflect how taxation under the British Mandate served not only as a fiscal tool but also as a structural component of economic policy. The dominance of indirect taxation over direct taxes demonstrates a regressive model of revenue generation that disproportionately affected the broader population (Himdah, 1938; Miyaleh, n.d.).

The British government also passed an immigration law in 1928 with the aim of reviving the Zionist economy by inviting liberal professionals and investors. This became evident between 1932 and 1935, when the capital consisted of 140,000 Zionist immigrants and 31 million Palestinian pounds. It led to a significant shift in the population structure, with Zionists making up about one-third of the population at that time. This also resulted in radical changes in land ownership. By 1936, there were 203 settlements, which exacerbated the agricultural crisis in Palestine and allowed the Zionists to take control of the industrial and commercial sectors, thanks to their substantial financial contributions (Bseiso, 2016).

The Zionist movement believed that the most crucial economic strategy for advancing its goals was Jewish immigration. During this period, they also reached an agreement with Germany, known as the Haavara Agreement, which facilitated the transfer of Jewish property from Germany to Palestine. This agreement was considered one of the most significant contributions to the economy of the Zionist movement. It

stipulated that those transferring their money under the terms of the agreement or its beneficiaries had to transfer at least one thousand pounds sterling. According to reports, 140 million dollars were transferred, though not in cash; instead, the funds were used to purchase industrial equipment acquired through the Jewish Agency (Abu El Naml, 1975).

The British Mandate actively supported the Zionist economy by endorsing its institutions, including the Arab Zionist Organization, the Jewish Agency ("The Beika"), the Jewish Colonization Organization ("The Jica"), and the Keren Hayesod (International Jewish Fund). These institutions played a crucial role in economically laying the groundwork for the establishment of the Jewish state. Their influence became significant when they adopted market economic standards, which resulted in lowering the wages of Jewish workers and increasing the reliance on Arab labor in settlements. Furthermore, they took control of the infrastructure, leveraging it to strengthen their economy by dominating the country's natural resources (Stein, 1998). Compared to the Zionist framework, the Palestinian system for economic support was weaker. However, certain institutions were developed over time. For instance, a tobacco production establishment was founded in 1924, but it was shut down in 1927. Another association was established in 1930, but it was unfortunately liquidated in 1931. In 1931 and 1932, two institutions for citrus growers were founded in Ramla and Jaffa. A transportation association was also created. By the beginning of 1933, eight associations had been established, all of which were eventually liquidated due to the escalation of political revolutions in 1947 (Amin al-Budayri, 2002).

1.3.4. Palestinian Institutional Responses and the Road to Revolt

The role of some Palestinian institutions emerged over time, such as the Arab banks, most notably the Ottoman Agricultural Bank. This bank was established in the late Ottoman era using funds from Arab farmers to ensure their resilience during economic challenges. However, in 1921, Herbert Samuel, the British High Commissioner in Palestine, decided to liquidate the bank following the British takeover. As a result, 44,000 pounds were looted by the British authorities, leaving only 20,000 pounds, which they claimed were deposited into the state treasury (Almousa & Aljaafari, 1995).

The period that followed, lasting until 1930, is regarded as one of the most challenging in Palestinian economic history. General Samuel specifically targeted Palestinian organizations and social structures that supported the steadfastness of the Arab population, particularly farmers. This was especially evident after the collapse of the Ottoman Agricultural Bank, which further deteriorated the conditions of Palestinian farmers and led to the establishment of the Arab Bank (Okasha, 1993).

Abdul Hamid Shoman, one of the sons of the Palestinian people, succeeded in establishing the Arab Bank in Palestine. With his success, he opened several branches, with its headquarters located in Jerusalem. This move had a positive impact in supporting and encouraging Palestinian farmers, as well as in establishing other new Palestinian banks (Mikdadi, 2009).

A fund called the Nation Fund was also established following the call of the Supreme Islamic Council and the Palestinian Arab Conference in 1935. It was created with the aim of saving lands offered for sale, utilizing them for the benefit of the Arabs, and encouraging Arab landowners. The fund managed to save about 1,000 dunams in the Gaza District and some areas in the village of Aqir in Jaffa. It also provided small loans to farmers. However, its work was suspended at the beginning of World War II due to the Zionist movement freezing its operations (Bseiso, 2016).

After that the Arab money house was built according to pioneering Palestinian ideas and employing Palestinian scientific and national capabilities. The headquarter was located in Jerusalem, and to coordinate the process of gathering contributions, 22 committees were established in the remaining governorates of the nation. A total of 220,000 Palestinian pounds were contributed. This sum is significant since it is the result of contributions made by Palestinians, who have demonstrated a remarkable response. Its role in the preservation of Arab Jerusalem and its revered Christian and Islamic temples came to light in 1948. It continued the work until the partition decision was made, so it used the remainder of the money to support Palestine in sake of jihad against the Zionist occupation (Bseiso, 2016).

All of these factors led to the Great Palestinian Revolution⁵, which was a clear expression of popular discontent with the British administration and its policies,

⁵ The Great Palestinian Revolt (1936-1939) was a nationalist uprising led by Palestinian Arabs against British colonial authority and the political economic consequences of increasing Jewish immigration and land acquisition in Palestine (Smith, 2016).

particularly after the sharp increase in Jewish immigration, taking advantage of the circumstances of World War II. The Zionists believed that during World War I, they had been able to easily secure the Balfour Declaration, and their hope during the Second World War was to facilitate the realization of their secret plans for mass immigration. After the Second World War, tensions escalated between Arabs and Jews due to the success of Zionist efforts to increase Jewish immigration covertly (Mikdadi, 2009).

This led the British government to request an extraordinary meeting of the United Nations in 1947 to address the Palestinian issue. As a result, an international committee, known as UNSCOP, was established to investigate the political, social, and demographic conditions in Palestine. The committee was granted full authority to observe and document the events unfolding in Palestine. Its report recommended the termination of the British Mandate and the establishment of two separate administrations, Palestinian and Zionist, under the supervision of the UN (Amin al-Budayri, 2002).

Additionally, the report proposed a political partition of Palestinian lands accompanied by an economic union. It emphasized the importance of respecting the sacred sites of the three major religions, ensuring freedom of religious practice, and employing political diplomacy in public affairs and finally, it proposed the partition of Palestine into two states, one Arab and the other Jewish (Amin al-Budayri, 2002). The United States played a significant role in influencing this decision. After the initial resolution was issued, the percentage of land allocated to Palestinians was nearly equal to that granted to the Jews. However, America demanded an amendment to the resolution and proposed to the General Assembly that the Jews be allocated more land. Knowing this proposal would likely face rejection, the U.S. postponed the session for several days to exert pressure on weaker nations, effectively buying their votes to favor the Zionist state. Some representatives reportedly voted for the resolution with tears in their eyes, as the decision conflicted with their ethical convictions. On November 29, 1947, Partition Resolution 181⁶ was adopted after what many considered a theatrical performance, with nations acting as puppets manipulated by colonial powers (Rogan, E. & Shalem, 2001).

⁶ Check Appendix 3, it shows the United Nation partition plan.

2. CHAPTER: THE PALESTINIAN ECONOMY UNDER OCCUPATION (POST – 1948 & POST- 1967)

This chapter briefly examines how Israeli occupation policies after 1948 and 1967 reshaped the Palestinian economy through land seizure, restricted resources, and economic dependency, undermining development and fiscal autonomy.

2.1. Post-1948 Fragmentation and Economic Displacement

2.1.1. Implementation Failure of the Partition Plan

The 1947 UN Partition Plan (Resolution 181) proposed the creation of separate Arab and Jewish states, alongside a shared economic union. This union would feature a customs system, a coordinated currency structure, and joint development in sectors like energy and transport. Each state would manage its own financial policies under a joint currency system, overseen by a Joint Economic Board including local and international members (Khalidi, 2006).

The JEB was intended to manage the collection of revenues from customs and various public services, with 5 to 10 percent of those revenues allocated to the city of Jerusalem. The remainder was to be distributed fairly between the proposed Arab and Jewish states, aiming to ensure adequate government and social services in each. However, the provisions of the Partition Plan were never implemented. Instead, the State of Israel was established on territory significantly larger than that outlined in the resolution. The West Bank was incorporated into the newly formed Kingdom of Jordan, while the Gaza Strip came under Egyptian administration (Khalidi, 2006).

2.1.2. Displacement, Refugees, and Fragmented Authority

By that time the occupation had taken control of the most strategically important areas in Palestine and the majority of Palestinians had been exiled to neighboring Arab countries. Others became refugees in the West Bank and the Gaza Strip, while a small number remained in the 1948 territories as a minority within the newly established Jewish state (Smith, 2016).

Israel was established as a new state and Arab Palestine was destroyed. Which led to a war between the Arab countries and Israel. It also resulted in the expulsion of 700000

Palestinian from their homeland and made some refugees in their own country or in other Arab nations. Which was known as The 1948 Nakba⁷. It resulted in the 1949 armistice between Israel and the neighboring Arab states, establishing the "Green Line" that became the Israeli border until 1967 (Smith, 2016; Rogan. E. L, Shalain. A, 2001).

After the conflict, Jordan seized control of the parts of Palestine that its army had held west of the Jordan River, while the Egyptian army continued to administer the Strip and maintain an armed Gaza. As for Palestinians, they discovered that they were living under several foreign administrations and that they were no longer in charge of the majority of their life (Smith, 2016; Rogan. E. L, Shalain. A, 2001).

2.1.3. Economic Isolation of the West Bank and Gaza

The fundamental economic relationships within the West Bank underwent a complete transformation following the establishment of Israel in 1948. Prior to the 1948-1949 conflict, the West Bank's economy was deeply integrated with the broader Palestinian economy. The conflict severed the region from its primary commercial and industrial centers, which were also its main markets for agricultural produce. Access to the Mediterranean ports was likewise lost. Additionally, the migration of refugees from the occupied regions of Palestine to the West Bank exacerbated existing unemployment issues, further straining the region's economic stability (Abed, 1988).

2.2. Israeli Occupation After 1967: Policies and Economic Integration

In June 1967, Israel launched a preemptive strike against Egypt, Syria, and Jordan, leading to the outbreak of the Six-Day War. During this war, Israel occupied the West Bank (including East Jerusalem) from Jordan, the Gaza Strip and the Sinai Peninsula from Egypt, and the Golan Heights from Syria. This occupation brought about a fundamental shift in the conflict, as Israel came to control the Palestinian territories, further complicating the Palestinian question these developments triggered

⁷ Check Appendix 4, it shows the palestinian map at 1948 (The Nakba)

international responses, such as United Nations Security Council Resolution 242⁸ (Smith, 2016).

2.2.1. Economic and Legal Policies of Occupation

After the occupation of the Palestinian territories in 1967⁹, Israeli authorities implemented a series of policies through the enactment of various legislation and military orders designed to serve their interests and integrate the Palestinian and Israeli economic systems. These policies significantly impacted numerous economic sectors, including infrastructure, healthcare, education, tourism, industry, and agriculture, which are pivotal to the state's economy (Abu Ghali, 2017).

For example, the Israeli authorities exploited military orders to take control of a large portion of the agricultural sector, including fields that had previously been registered as state lands under the Jordanian government. These lands totaled 700,000 dunams, all of which were seized by Israeli authorities. Beyond agriculture, all water-related regulations were also repealed. On July 6, 1967, a military order was issued declaring that "all water resources in the Palestinian territories that have been occupied are the property of the state of Israel." (Abu Ghali, 2017).

Settlers were permitted to dig wells as deep as 300 to 700 meters, while the occupation authorities restricted the depth of Palestinian wells to no more than 100 to 200 meters. This had a significant impact on the water table available for Palestinians and their crops, severely affecting their access to clean water for both personal and agricultural use. The issue extended further as Israeli authorities provided full support in various

⁸ United Nations Security Council Resolution 242, adopted on November 22, 1967, laid the groundwork for post-war diplomatic efforts in the Middle East following the Six-Day War. The resolution calls for the withdrawal of Israeli armed forces from territories occupied during the recent conflict a clause that has sparked legal controversy due to the absence of a definite article in the English version, leaving the extent of withdrawal open to interpretation. Additionally, the resolution emphasizes the termination of all states of war and the recognition of the sovereignty, territorial integrity, and political independence of every state in the region, affirming their right to live in peace within secure and recognized boundaries. It further stipulates guarantees for freedom of navigation through international waterways, calls for a just resolution to the Palestinian refugee issue, and underlines the need for respect for the territorial inviolability and political independence of all regional states. Resolution 242 has since served as a foundational reference for numerous peace initiatives and negotiations, including the Camp David Accords and the Oslo Process (United Nations Security Council, 1967).

⁹ Check Appendix 5, it shows the palestinian map after the 1967 war.

forms to Israeli farmers and their products. Meanwhile, Palestinians were not even allowed to establish an agricultural college during that period (Abed, 1988).

As a result of these policies, the farmed land area declined by 14.3%, decreasing from 2.168 million dunums in 1964 to 1.888 million dunams in 1968. This made it easier for the occupation to consolidate control over the West Bank and Gaza by isolating Palestinian towns and areas and establishing settlements. Additionally, efforts to stifle the growth of national industries had a detrimental impact on the industrial sector. Many Palestinian facilities were forced to close due to the occupation's refusal to issue licenses, imposition of excessive taxes, including value-added tax, and other restrictive measures. These actions increased the cost of industrial production and reduced its profitability. Meanwhile, Palestinian markets were flooded with Israeli goods to bolster the Israeli economy (Abu Ghali, 2017).

The occupation did not stop at seizing 68% of the West Bank and over 40% of the Gaza Strip. It also imposed numerous restrictions on the remaining lands, including obstructing building permits and construction under the pretext of security concerns. Between 1967 and 1988, 12,200 Palestinian homes were demolished. At the same time, Israel funded settlement projects with an annual budget of \$150 million (Abu Ghali, 2017).

2.2.2. Labor Integration and Economic Dependency

Labor force dynamics have significantly shaped the Palestinian economy's dependency. The shrinking amount of available land could not accommodate the natural growth in the labor force, leading to high levels of unemployment. As a result, many Palestinians were forced to seek work in neighboring countries. Israel capitalized on this situation by allowing Palestinians to work within its borders, which further entrenched the dependency of the Palestinian economy on the Israeli one. Consequently, a large segment of the Palestinian workforce had no option but to work in the occupied territories. Moreover, Israeli authorities viewed these job opportunities as a strategic tool to curb potential resistance by keeping unemployed youth occupied (Mikdadi, 2009).

Unfortunately, Israeli policies also had a significant impact on Palestinian financial resources. Customs duties on imports from the outside world, processed through Israel, were collected and held in Israeli accounts. Additionally, Palestinians working

in Israel were subject to income and social security taxes, yet they received no corresponding benefits in return. The health sector also suffered as the occupation authorities hindered the development of Palestinian hospitals and the broader healthcare system. As a result, many Palestinians were forced to seek medical treatment in Israeli hospitals, which further supported Zionist institutions both socially and financially (Abu Ghali, 2017).

Among the policies that directly impact the Palestinian economy and daily life are those related to electricity, transportation, and infrastructure. In terms of electricity, neither Gaza nor the West Bank had independent power generation stations, making Palestinians entirely dependent on the Israeli supply. Furthermore, Israel monopolized telecommunications services, keeping Palestinian networks integrated into the broader Israeli system. In stark contrast to the deteriorating Palestinian roads often described as long, complicated, and inefficient the occupation authorities built separate, well-maintained roads for settlers. These roads were strategically constructed around Palestinian towns to connect settlements to one another and facilitate settler mobility (Abed, 1988).

As for sea and air transport, these services were completely absent in the Palestinian territories. All of these policies serve the broader objectives of the Zionist occupation, which aims to restrict the social and economic options available to Palestinians. The occupier's strategy is based on controlling every aspect of life to ensure total dominance, particularly over economic affairs (Abu Ghali, 2017).

2.3. Occupation-Era Taxation and Trade Policies

2.3.1. Imposed Customs Union and Trade Barriers

The occupation's policies have consistently targeted Palestinian foreign trade with the aim of restructuring the Palestinian economy to serve and integrate with the Israeli economy. A unilateral and unequal customs union was imposed on the Palestinian territories, allowing unrestricted access for Israeli goods into Palestinian markets, while denying Palestinian goods the same freedom to enter Israeli markets (Abu Amer, 2021).

During the occupation, the taxation system lacked the core principles of tax policy such as fairness, certainty, and appropriateness. There was no clear standard of tax

fairness, especially given the widespread tax evasion that was, at the time, seen as a form of resistance against the occupier (Karsh, 2017).

The principle of certainty, which dictates that tax obligations and revenues should be clear and predictable in law and publicly known, was entirely absent. Instead, tax rates were obscure, unwritten in clear legislation, and based on military orders issued in Hebrew orders that were ambiguous, inaccessible to the public, and frequently changed (Abu Amer, 2021).

2.3.2. Socioeconomic Impact of Regressive Taxation

The rule of suitability concerned with considering the circumstances of taxpayers, including the tax base, collection methods, timing, and procedures was entirely disregarded under the occupation. The occupying authorities did not account for the taxpayer's living conditions or the broader economic situation. Instead, taxation was used as a tool to punish Palestinians. The impact of this unfair tax system permeated all aspects of Palestinian life both economic and social. It led to increased tensions between merchants and consumers, contributed to rising prices, reduced household incomes, and was one of the key factors fueling the political unrest during that period (Karsh, 2017).

3. CHAPTER: THE FIRST AND SECOND INTIFADAS: ECONOMIC IMPACT

This chapter explores how the First and Second Intifadas, driven by political frustration and occupation policies, severely disrupted the Palestinian economy causing declines in GDP, employment, trade, and fiscal stability while deepening dependency and weakening economic sovereignty.

3.1. The First Intifada: Roots, Developments, and Economic Impact (1987–1993)

3.1.1. Political Context and Causes

Following the June 1967 war, Israel occupied all Palestinian territories, including the West Bank and Gaza Strip. This occupation fundamentally reshaped the political, economic, and social realities of Palestinian life, subjecting the population to direct military rule. Over the next two decades, Palestinians endured systematic land confiscation, the expansion of Israeli settlements, and tight control over natural and economic resources (World Bank, 2003).

In the absence of any viable political solution, and amid the declining influence of the Palestine Liberation Organization (PLO) within the occupied territories, Palestinians faced rising levels of poverty and unemployment due to restrictive Israeli economic policies. By the mid-1980s, social and political tensions had reached a breaking point, culminating in the outbreak of the First Intifada in December 1987. This intifada emerged as a direct response to two decades of occupation, socio-economic marginalization, and political frustration, representing a grassroots demand for national liberation and self-determination (World Bank, 2003).

Starting with the Palestinian Intifada, which erupted in December 1987 in the Jabalia refugee camp in the Gaza Strip, quickly spread to cities, villages, and refugee camps throughout Gaza, the West Bank, and the territories occupied in 1948. This uprising became known as the “Intifada of Stones” due to the widespread use of stones by Palestinians as a symbol of resistance and as their primary weapon against the Israeli occupation. (Aljazeera, 2023).

The immediate cause of the Intifada was a tragic incident in which an Israeli soldier ran over a group of Palestinian workers from the Gaza Strip, sparking widespread outrage over the occupation's brutality and the unfulfilled promises of liberation and the return of refugees. As a bus carrying workers approached an Israeli military checkpoint, it was struck by a military truck driven by an Israeli soldier. The collision resulted in the deaths of four workers and injured seven others. Protests erupted in Gaza and quickly spread to the West Bank the following day, particularly during the funeral processions of the four martyrs (Alrjoub, 2022).

The 1987 Intifada also witnessed the rise of Islamic movements such as Hamas and Islamic Jihad, which added a new dimension to the Palestinian struggle and introduced a competitive dynamic among Palestinian political and resistance organizations. One of the key outcomes of the First Intifada was the revitalization of the Palestinian cause on the international stage. It helped restore the significance of the PLO in global forms and laid the groundwork for future efforts aimed at establishing an independent Palestinian state (Aljazeera, 2015).

3.1.2. Tax Measures During the Intifada (VAT, Intifada Tax)

It is well-known that the Palestinian political events have consistently had a direct impact on the Palestinian economy over the years. And the major developments that influence public sentiment and shape events on the ground often lead to significant shifts in the economic landscape. The following chapter will highlight key political events that brought about substantial changes in various aspects of Palestinian economic life, aiming to provide readers with a deeper understanding of the dynamics and fluctuations of the Palestinian economy.

In the economic range of this period, the occupation began imposing new taxes that had not existed before, such as the value-added tax (VAT), the "intifada tax" on vehicles and workers, and the travel tax. VAT was first introduced in 1976 under Executive Law No. 31 of 1976 concerning fees and excise duties. It was linked to Jordanian Law No. 16 of 1963 through amendments to the law on fees for local products. The tax was applied to the sale of goods excluding fruits, vegetables, the provision of services, and imported goods. The initial VAT rate was 8%, which increased to 12% in 1977, then to 15% in 1983, and finally reached 18% by 1991.

VAT was imposed on nearly all transactions, which significantly increased the overall tax burden and led to the closure of many businesses and economic establishments (Jaber, 2017).

The Intifada Tax was imposed on public vehicles as a punitive measure against Palestinians for their participation in it, as well as to compensate for the losses the occupation incurred. Although introduced in 1984 under the pretext of economic policy, the true intent was political. The tax was set to be collected over three years: 3% in the first year, 2% in the second, and 1% in the third. As for the excise tax it is a customs duty levied on locally produced goods or materials intended for consumption or for use in other industries. It is collected either as a small percentage of the wholesale price, a fixed lump sum, or a combination of both. The occupation authorities used this tax to limit the competitiveness of Palestinian goods in favor of Zionist products while simultaneously generating revenue. (Mseimi, 2006).

Additionally, the so-called the travel tax it was imposed as a means to restrict the movement of citizens in the West Bank and Gaza. The rate of this tax fluctuates depending on the season, with significant increases during peak tourist periods. The revenues collected from this tax go directly to the Israeli treasury (Mseimi, 2006).

Due to all of this and the continuous pressure, persecution, and the expansion of Israeli settlements on Palestinian land, Palestinian society under Israeli military rule reached a breaking point. For the first time since the occupation began in 1967, the First Intifada witnessed a unified and widespread mobilization of Palestinians against the occupation, rejecting attempts to impose a status quo. The Intifada marked the beginning of organized militant resistance. Although various factions of the PLO existed prior to the uprising, the Intifada provided a platform for transforming their slogans and political rhetoric into active and sustained resistance on the ground (Aljazeera, 2015).

3.1.3. Declaration of Independence and Political Shifts

On November 12, 1988, the Palestinian National Council held an emergency session during which it proclaimed the "Declaration of Independence" and adopted a political program. This declaration aimed to lay the foundation for a future Palestinian state to

exercise full sovereignty over its territory, in accordance with relevant UN resolutions (Mas, 2013).

Politically, Islamic movements particularly Hamas and Islamic Jihad emerged with agendas that diverged from that of the PLO, whose central faction was the Fatah movement. This divergence had significant implications on the ground. While Fatah and the PLO pursued a path of negotiation with Israel, which led to the Oslo Accords in 1993 and the establishment of the Palestinian Authority as a preliminary step toward statehood, Hamas and Islamic Jihad continued to prioritize armed resistance and the development of their military capabilities (Aljazeera, 2011).

Despite the considerable sacrifices made by the Palestinian people including widespread popular participation and growing international support and solidarity the outcomes of the First Intifada fell short of expectations. The uprising was ultimately dismantled through secret negotiations, leading to what many Palestinians regard as the "third catastrophe": The Oslo Accords. These agreements had far-reaching repercussions, most notably the establishment of the Palestinian Authority, which many critics argue came to function as a subcontractor for the Israeli occupation, managing local affairs without achieving true sovereignty (Aljazeera, 2015).

The Intifada had raised hopes for genuine Palestinian independence, but the outcomes turned out to be the opposite. In a significant political shift, key clauses in the Palestinian National Charter particularly those that called for "armed struggle"—were nullified during a meeting of the Palestinian National Council held in Gaza in 1998. This marked a turning point in the Palestinian national movement, reflecting a move away from resistance-based rhetoric under pressure from international agreements and negotiations (Aljazeera, 2011).

The Oslo Accords are widely seen as the reason the Palestinian Intifada came to an end, even though it was at its peak and represented a powerful opportunity for Palestinians to reclaim their rights from the occupier. Many Palestinians felt that their sacrifices had been rendered meaningless with the signing of Oslo and the subsequent peace process with the occupation. They believed that the accords effectively suppressed the uprising, extinguishing its momentum. Furthermore, the fact that the Oslo negotiations were conducted in complete secrecy reinforced the perception that the Palestinian people were excluded from the process. Had there been genuine

popular support for the agreement, it would not have been carried out behind closed doors (Irsheid, 2007). Due to its great significance, the Oslo accords era shall be discussed in the next chapter.

3.2. The Second Intifada: Escalation, Resistance, and Economic Collapse (2000–2005)

3.2.1. Political Triggers and Early Events

After that, the negotiations between the Palestinian Authority and Israeli governments failed to alleviate Palestinian anger towards the oppressive and settlement practices of the occupation, which persisted even after the Oslo Accords. On September 28, 2000, Israeli Prime Minister Ariel Sharon attempted to enter the Al-Aqsa Mosque accompanied by Israeli military forces, declaring that the Haram al-Sharif would remain an Israeli area. This provoked a Palestinian response, leading to the outbreak of the Second Intifada in Jerusalem, which quickly spread to cities in the West Bank and Gaza Strip. The uprising began with clashes between worshippers and soldiers, resulting in seven Palestinian deaths and 250 injuries, along with 13 injured Israeli soldiers (Alrjoub, 2022).

Palestinian outrage intensified across the nation after a video, filmed by a French television reporter on September 30, 2000, captured the harrowing scene of 11-year-old Muhammad al-Durrah being shot and killed. The boy was sheltering beside his father behind a concrete barrel on Salah al-Din Street in southern Gaza City when he was fatally hit by gunfire. The footage, broadcast globally, became a powerful symbol of the brutality of the occupation and further fueled the momentum of the Second Intifada (Aljazeera, 2015).

Compared to the First Intifada, the Second Intifada was marked by widespread armed confrontations between Palestinian resistance fighters and the Israeli military. During this period, Israeli Prime Minister Ariel Sharon led a campaign that targeted and assassinated several top leaders of the Palestinian resistance, including Hamas founder Sheikh Ahmed Yassin and his successor, Dr. Abdel Aziz al-Rantisi. Sharon also imposed a military siege on Palestinian President Yasser Arafat's headquarters in Ramallah in an effort to suppress the uprising. Despite these measures, the Palestinian

resistance adapted and expanded its tactics, demonstrating resilience and a refusal to surrender (Aljazeera, 2015).

3.2.2. Economic Collapse and Loss of Revenue

Between 2000 and 2002, the outbreak of the Second Intifada and the subsequent imposition of widespread closures by Israel had devastating effects on the Palestinian economy. The World Bank (2003) reported a dramatic economic contraction of approximately 25–30% in GDP over this period. One of the most severe impacts was on employment: nearly 115,000 Palestinian workers lost access to jobs in Israel, amounting to almost one-fourth of the Palestinian labor force. This loss contributed to unemployment rates soaring above 50% in certain areas and poverty affecting over 60% of the population by 2002 (World Bank, 2003).

Trade was heavily disrupted due to movement restrictions, contributing to a sharp decline in exports and the private sector's collapse. Fiscal accounts also deteriorated significantly, as Israel withheld clearance revenues, reducing the Palestinian Authority's tax income from \$300 million in 1999 to just \$8 million in 2001. Overall, the PA lost over \$1 billion in revenue during the first two years of the Intifada, leading to salary payment delays and a growing reliance on external donor support (World Bank, 2003).

Indicator	Value
GDP Contraction (2000–2002)	25–30%
Loss of Jobs in Israel	115,000 workers
Unemployment Rate (2002)	Over 50% in some areas
Poverty Rate (2002)	Over 60%
Tax Revenues (1999)	\$300 million
Tax Revenues (2001)	\$8 million
Lost Clearance Revenues (2000–2002)	Over \$1 billion

Table 2: Key Economic Indicators (2000–2002)

Source: Adapted from World Bank (2003). Intifada, closures and Palestinian economic crisis: An assessment.

3.3. Taxation Under Occupation: Structures, Trends, and Fiscal Control

3.3.1. Trends in Revenue Composition (1968–1992)

The table illustrates the structure of public revenue in the West Bank between 1968 and 1992, revealing a consistent dominance of indirect taxes over direct taxation. On average, indirect taxes accounted for 61% of total collected revenues, reflecting the reliance on consumption-based taxation imposed by the Israeli military authorities during the occupation.

Year	Direct Taxes	Indirect Taxes	Other Revenues	Value in Million USD
1968	12%	79%	9%	8
1972	8%	81%	11%	21
1975	34%	44%	22%	36
1980	38%	40%	22%	36
1986	28%	57%	15%	107
1988	26%	50%	24%	170
1989	28%	46%	31%	151
1991	22%	49%	39%	156
1992	-	-	-	195
Average	22%	61%	17%	

Table 3: Composition of Collected Taxes and Other Revenues in the West Bank (1968–1992)

Source: Alrjoub, A. (2022). 22 years since the Al-Aqsa Intifada

Direct taxes fluctuated considerably, peaking at 38% in 1980, likely due to administrative adjustments and shifts in income reporting and enforcement. Meanwhile, 'other revenues' such as fees, licenses, and non-tax income gradually increased, especially in the late 1980s and early 1990s, reaching 39% by 1991. This change may reflect an attempt to diversify income sources amid political instability and growing civil resistance.

3.3.2. Dominance of Indirect Taxes and Revenue Utilization

Overall, the structure reflects a taxation system designed more for control and revenue extraction than development, with limited reinvestment in Palestinian infrastructure or services. The sharp rise in total revenues by 1992 (USD 195 million) contrasts with the lack of transparency regarding the distribution and use of these funds under the Israeli administration.

The Al-Aqsa Intifada began to subside after February 8, 2005, following a truce agreement reached between the Israelis and Palestinians at the Sharm El Sheikh Summit. However, intermittent clashes between Palestinian resistance groups and Israeli occupation forces continued in both the West Bank and the Gaza Strip. During the Second Intifada, Israel effectively nullified the Oslo Accords by reoccupying territories that were under the control of the Palestinian Authority. Meanwhile, movements such as Hamas and Islamic Jihad continued to develop their military capabilities and expand their armed resistance (Alrjoub, 2022).

4. CHAPTER: THE OSLO ACCORDS AND THE PARIS PROTOCOL

In this section I explained the Oslo Accords and their social and economic impact. Starting with the political events that contributed to shaping these inventions and the reactions on the Palestinian streets, clarifying their common effects. Then, I introduced the agreements related to the Oslo Accords, the most important of which is the Paris Economic Agreement, which facilitates the economic relation between the Palestine and the occupation. I then present the most important issues addressed by the Paris Economic Agreement, such as trade, labor, financial policies, and the tax system.

4.1. Political Context of the Oslo Accords

4.1.1. Political and Economic Foundations

On September 13, 1993, the Declaration of Principles was signed between the PLO and Israel, which later became known as the Oslo Accords. This accord is regarded as a peace agreement between the two parties and marked the first formal and mutual recognition between them. The signing ceremony took place in Washington, D.C., and was witnessed by PA President Yasser Arafat, Israeli Prime Minister Yitzhak Rabin, and former U.S. President Bill Clinton (MAS, 2013).

The Oslo Accords consist of a series of three agreements signed between the Israelis and Palestinians. Following intensive and secret negotiations, the Gaza-Jericho Agreement later referred to as the Cairo Agreement was signed. This accord outlined the objectives for Palestinian self-rule by 1998 and led to the establishment of the Palestinian National Authority (PNA) in Jericho and parts of the Gaza Strip. The process culminated with the Taba Agreement, also known as Oslo II, signed in Washington in 1995. This agreement expanded the scope of the Palestinian Authority's jurisdiction, albeit still under the overarching framework of limited autonomy (Hilles, 2021).

The terms of the agreement laid the political and organizational foundation that would shape the structure, content, and implementation of future administrative and security arrangements at all levels, ultimately leading to the establishment of the Palestinian

Authority. As a result of the agreement, parts of the Gaza Strip and a portion of the city of Jericho were handed over to the Palestine Liberation Organization, allowing it to begin exercising its newly assigned authorities (Shahin, 2021).

The assigned Palestinian territories were divided into Areas A, B, and C¹⁰, each governed by different levels of Palestinian and Israeli control. This division created a fragmented system of governance, with distinct administrative and regulatory frameworks for each area. Area A comprises approximately 18% of the West Bank and falls under full Palestinian civil and security control. In principle, Israeli military forces are not permitted to operate within this zone. Area B, which represents about 22% of the territory, is governed through Palestinian civil administration in coordination with joint Israeli-Palestinian security arrangements. In contrast, Area C which accounts for roughly 60% of the West Bank is subject to full Israeli civil and security control, including land use, planning, and construction. This division has had lasting implications on Palestinian sovereignty, development, and territorial contiguity (Khalidi, 2006).

It also resulted in both parties agreeing on a transitional period during which a number of critical final-status issues would be negotiated, including borders, Jerusalem, refugees, settlements, and water. Additionally, the first Palestinian presidential and legislative elections were held following the agreement, leading to the formation of Yasser Arafat's government under the newly established PA (Irsheid, 2007).

But the most significant outcomes of the Oslo Accords were that they paved the way for future normalization of relations between the Israeli occupation and several Arab nations. These developments evolved into strong economic ties that ultimately benefited the occupation. In terms of regional responses, many Arab countries welcomed the agreement, believing it would contribute to peace and stability in the Middle East. However, some states most notably Syria and Iran rejected the accords and opposed those who supported them. As for the Palestinian people, their reaction was largely one of opposition, as they felt marginalized and excluded from the decision-making process (Shahin, 2021).

As for other Palestinian parties, Hamas's response, the movement was informed of the agreement and immediately rejected it, asserting that it violated Islamic sanctities

¹⁰ Check appendix 6, it shows the WestBank areas according to Oslo Accords.

particularly concerning Jerusalem and infringed upon the rights of the Palestinian people (Aljazeera, 2011).

And according to a podcast interview with Dr. Mustafa Al-Barghouthi, who was part of the early negotiation efforts, he stated that the majority of the agreement's terms contradicted the demands initially made by the Palestinian delegation, as they denied Palestinians any form of sovereignty. On the contrary, the provisions actively violated Palestinian rights. He explained that the original proposal was rejected by the competent delegation at the time (AJ+ Arabic, 2023).

However, a later Palestinian delegation lacking experience and adequate knowledge of economic and social regulations was subjected to covert negotiations. This had a profound impact on the nature of the agreement that was ultimately accepted. The negotiating team, especially on economic matters, was unprepared for the unfavorable outcomes they faced. The agreement was signed in secrecy, without the involvement of subject-matter experts, which allowed the Israeli side to exploit these weaknesses and shape a transitional agreement that served its interests almost entirely (AJ+ Arabic, 2023).

One of the most important annexes to the Oslo Accords was the Paris Economic Agreement. It was signed to regulate economic and trade relations between the two parties. Given the Palestinian economy's dependence on the Israeli economy, the agreement was officially presented as a step toward reducing this dependency (Hilles, 2021).

However, in reality, the agreement has had a negative impact on the Palestinian economy since it was signed. Rather than reducing economic dependence, it legalized and institutionalized it by establishing a customs union and placing control over borders, trade, and key financial mechanisms in Israeli hands (Alrjoub, 2022).

4.1.2. Political Developments and Economic Setbacks Post-Oslo

The first Palestinian Legislative Council was elected in 1996. It passed several economic laws aimed at encouraging investment and regulating economic affairs in Palestine. However, the Council's limited ability to oversee the executive authority weakened the effectiveness of government spending in addressing the challenges facing the Palestinian economy (Mas, 2013).

With the closures and strikes that occurred in 1997, most economic indicators declined, particularly due to the drop in the number of Palestinian workers during that period. The Second Intifada erupted after two years of relative political stability, and it had a significant impact on the Palestinian economy. The 2002 Israeli invasion caused extensive damage to infrastructure, public institutions, and various facilities. This period also witnessed a major expansion of Israeli settlements¹¹ and the construction of the apartheid wall, both of which had profound and lasting effects especially the wall, which played one of the most damaging roles in undermining economic stability and territorial continuity (Jabari, 2023).

In the two years following the Second Intifada, the Palestinian cause faced unprecedented internal divisions, leading to a political split among major Palestinian factions. In early 2006, legislative elections were held—the first in which Hamas participated. To the surprise of many, Hamas secured a majority of seats in the Palestinian Legislative Council. In response, Fatah leader Mohammed Dahlan declared that it was a disgrace for Fatah to participate in a government led by Hamas, while President Mahmoud Abbas called on the new government to abide by the agreements of the PLO and to continue on the path of peace (Aljazeera, 2011).

After other factions refused to join a Hamas-led government, Hamas proceeded to form its own cabinet, appointing Ismail Haniyeh as Prime Minister. On March 19, 2006, Haniyeh presented his list of ministers to President Mahmoud Abbas for approval. However, the newly formed government quickly faced a harsh Israeli blockade that severely hindered its ability to function. In addition, it was subjected to internal political pressure and efforts to undermine its authority, including the stripping of many of its powers. These challenges fueled internal conflicts throughout the year 2006 (Aljazeera, 2011).

After numerous clashes and the failure of several reconciliation efforts mediated by Arab countries such as Qatar and Saudi Arabia, Palestinian President Mahmoud Abbas dismissed Ismail Haniyeh's government and appointed Salam Fayyad to form a new government. This decision cemented the political division, resulting in the continued existence of two separate governments: one led by Fatah in the West Bank, and another led by Hamas in the Gaza Strip (Aljazeera, 2011).

¹¹ Check Appendix 7, it shows a map of the illegal Israeli Settlements in the West Bank and Jerusalem

Overall, internal conflict during this period was not limited to disagreements over political programs and power struggles. A major point of contention also emerged around the right to resist the occupation and how to respond to repeated Israeli aggressions (Aljazeera, 2023).

Government, development, and operational spending in Palestinian social life were severely affected by the commercial, financial, and international blockade imposed on Palestine during that period, particularly following the 2006 legislative elections. This was soon followed by the political division in 2007, which had major repercussions and caused a fundamental shift in the balance of power due to the separation of Gaza from the West Bank both in terms of governance and legal authority (Jabari, 2023).

It is essential to highlight the repeated Israeli aggressions on the Gaza Strip, beginning with the war in 2008 and continuing to the present day. Each round of aggression has resulted in massive destruction of infrastructure, as well as severe human, economic, and livelihood losses. In parallel, settler attacks and repeated incursions by Israeli soldiers into the West Bank have intensified most recently targeting the infrastructure of Palestinian camps and villages, as well as Palestinian banks. These actions reflect a deliberate policy aimed at weakening and dismantling the Palestinian economy (Alabady, 2023).

4.2. Structure and Scope of the Paris Protocol

The Paris Agreement of 1994 refers to the economic protocol annexed to the Gaza-Jericho Agreement, signed between Israel and representatives of the PLO. As the third annex to the Oslo Accords, it was originally intended to serve as a temporary framework for a transitional five-year period. However, nearly thirty years later, the economic relationship between the two parties continues to operate under the terms of this agreement. Unfortunately, the intended goals of the Paris Agreement were never achieved. Instead, its implementation resulted in the Palestinian Authority losing control over key elements such as border crossings, natural resources, and essential political and economic tools including financial, monetary, and trade policy instruments (MAS, 2024).

According to the first clause of the Protocol establishes that it is a contractual agreement intended to regulate commercial interactions between the two parties

namely, the Palestinian side (which includes the West Bank and Gaza Strip) and the Israeli side (Israel & PLO, 1994, Article 1).

So it is an economic cooperation agreement between Israel and the Palestinians, designed to promote shared benefits and mutual development through the involvement of experts in specific fields. It aims to establish a joint market for trade exchange by encouraging exports and imports between the two sides through coordinated economic efforts (Mahajne, 2021).

The Paris Protocol consists of a preamble and twelve articles with annexes covering various sectors, including banking, trade, taxation, employment, insurance, and tourism. It regulates some of the most critical aspects of the Palestinian economy, such as fiscal policy (revenues and public expenditures), taxation, labor, monetary authority, tourism, insurance, and agriculture (Al- Mousa, 1995).

It also outlines the protocol's framework, objectives, and future outlook, emphasizing that its implementation will align with the plans agreed upon for the transitional period. The clause also states that the agreement becomes effective immediately upon signing. Additionally, it clarifies that the term "territories" refers specifically to the areas under the jurisdiction of the Palestinian National Authority (Israel & PLO, 1994; Alshuaibi, 2013).

The second clause contained the details of the joint committee, which is a Palestinian-Israeli economic committee referred to as JCE, and the two parties must form it to follow up on the implementation of this protocol on the ground and address problems that may arise from time to time. Either party has the right to request a review of any issue related to the agreement through the Joint Economic Committee. The clause also specifies that the committee will consist of an equal number of members from both the Palestinian and Israeli sides, ensuring balanced representation (Israel & PLO, 1994; Mahajne, 2021)

But with the outbreak of the Al-Aqsa Intifada in 2000, the work of the Joint Economic Committee (JEC), along with its subcommittees and technical teams, came to a halt. From that time until September 2009, only one joint meeting was held, during which the Palestinian side presented its demands to the Israeli authorities. Although it was agreed to convene further sessions to address additional issues, no subsequent meetings took place. This committee holds a central position in the Paris Protocol due

to its intended role in overseeing and facilitating nearly all aspects of economic coordination (Al-Mousa, 1995).

4.3. Trade Policies and Border Control

4.3.1. Trade Arrangements and Border Crossings

The third clause of the agreement deals with the issue of import taxes and policies. Which indicates the existence of a customs union between the Palestinian and the occupations economies. And one of the most important matters stipulated is the freedom of movement of goods between and across regions (Israel & PLO, 1994, Article 3).

The freedom of movement and transit is always relevant to the crossing and exit points, which are regulated by Article Thirteen and Fourteen of the Convention. Therefore, the crossing and exit points will be addressed and clarified before the import policies (Israel & PLO, 1994, Article 13 and 14).

According to Article Thirteen, there shall be equal treatment for both parties and the Palestinians are allowed to use all Israeli crossing and exit points authorized for import and export (Israel & PLO, 1994, Article 13).

Article Fourteen outlines the procedures for border points at the Jordan River and the Gaza Strip for both freight and passenger movement. It stipulates that the Palestinian Authority shall have full authority and responsibility at the Palestinian customs points referred to as "the shipping area" for implementing import and customs policies, including inspection, tax collection, and related procedures. However, Israeli customs officials are granted the right to be present at these locations and must receive a copy of all documents related to each shipment from the Palestinian customs authorities (Israel & PLO, 1994, Article 14; Al- Mousa, 1995).

There are both commercial and passenger crossings in the West Bank and the Gaza Strip. In the West Bank, two main commercial crossings with Jordan were originally designated: The King Hussein Bridge for Palestinian imports and the Prince Mohammed Bridge for exports. However, in 2000, the Israeli occupation authorities closed the Prince Mohammed Bridge under the pretext of maintenance, and it has remained closed ever since. Additionally, there has been no presence of Palestinian

customs officials at the border crossings, despite what was stipulated in the agreement (Orzeil, 2017).

As for the Gaza Strip, there are six main crossings: The Karni commercial crossing, the Beit Hanoun (Erez) crossing, the Sufa commercial crossing, the Shujaiya (Nahal Oz) crossing designated for fuel and its derivatives, the Kerem Shalom crossing for tourists and limited goods, and the Rafah crossing on the Egyptian border. Among these, the Karni crossing served as the primary commercial gateway between the Gaza Strip and the outside world, including Israel and the West Bank. It played a central role in facilitating the import and export of goods before its eventual closure (Dwekat, 2021).

The Rafah crossing was managed by the Israeli Airports Authority until 2005, when the Palestinian resistance succeeded in expelling the occupation forces from the Gaza Strip. Following this development, a Crossings Agreement was signed between the Palestinian Authority and the Israeli occupation authorities. It was agreed that the Rafah crossing would be opened for Palestinian ID holders, under the condition that international standards were applied and a third-party presence (such as the EU) was maintained at the site. Rafah was used for exports to Egypt, while imports came through the Kerem Shalom (Karam Abu Salem) crossing, and the Karni crossing was designated for agricultural goods. However, in 2007, Israel banned the transport of goods through Karni, and subsequently closed the Sufa crossing in 2009, Nahal Oz (Shujaiya) in 2010, and finally destroyed the Karni crossing completely in 2011 (Dwekat, 2021).

In 2007, the Kerem Abu Salem crossing became the only commercial crossing operating in the Gaza Strip. Meanwhile, the Rafah crossing was opened for passenger travel in 2005 with the presence of European observers under the European Union Border Assistance Mission (EUBAM), which served as a third party to help build confidence between the Israeli occupation authorities and the Palestinian Authority. However, the Rafah crossing was permanently closed in June 2007. Under international and Egyptian pressure, it was later reopened for travelers in June 2010. Most recently, the Rafah crossing was targeted by Israeli occupation forces during the events of the “Al-Aqsa Flood (Alshuaibi, 2013).

4.3.2. Import Policies and Violations of the Paris Protocol

According to the provisions of the agreement related to import policies, the Paris Protocol outlines a division of powers between the two parties. It grants the Palestinian Authority full freedom to manage import procedures for goods originating from Jordan, Egypt, and other Arab and Islamic countries, in accordance with the attached lists B, A1, and A2. Regarding bilateral trade between the two sides, the protocol stipulates that goods shall be exchanged without the imposition of customs duties or tariffs, promoting duty-free trade in specific categories (Israel & PLO, 1994; MAS, 2024).

This process is to be conducted through a specialized subcommittee within the JEC, with periodic reviews and reporting every six months. However, in practice, this procedure was only implemented once in 1998. Despite the agreement's terms, the occupation authorities allowed Palestinian imports only in line with Israel's diplomatic relations, thereby violating the protocol's provisions for example, by restricting imports from countries like Kuwait, which do not have formal ties with Israel (Israel & PLO, 1994; Aweida, 2003).

Paragraphs Five and Ten of the Paris Protocol clarify that all imports are subject to the same import system, which is based on international law, with the exception of goods listed in Lists A1 and A2, which fall under the Palestinian Authority's discretion for determining import procedures (Israel & PLO, 1994, Article 5 and 10).

However, in practice, Palestinian goods remain subject to the Israeli import system. As a result, even though the PA is theoretically allowed to negotiate and sign trade agreements with other countries, as long as the occupation's trade system is in place, Israel continues to obstruct such agreements. A clear example of this was when Israel blocked the implementation of an agreement between the Palestinian Ministry of Economy and the EU¹², while continuing to enforce agreements made solely by the Israeli occupation authorities (Orzeil, 2017).

¹² The agreement hindered by the Israeli occupation between the European Union and the Palestinian Ministry of Economy pertains to the EU-Palestinian Association Agreement, which aims to enhance economic and trade cooperation between the two parties. This agreement, known as the "EU-Palestinian Association Agreement," was signed in 1997 and came into effect in 1997, encompassing various areas such as trade, investment, and economic collaboration (European Commission, n.d).

In other words, the West Bank and Gaza Strip remain subject to whatever the Israeli occupation authorities permit, despite this clearly violating international laws and the terms of signed agreements.

As for Article Six of the Paris Protocol, it stipulates that if there are any changes to import policies, both parties must inform each other, and a formal notification procedure must be followed before any policy is approved (Israel & PLO, 1994, Article 6).

However, according to the Palestinian Ministry of Economy, the Customs Unit, and the Ministry of Finance, the Israeli side routinely fails to notify them of any amendments made to its import policies, in clear violation of the agreement. And at times, instructions and policy changes are issued only in Hebrew, and it can take months before an official English version is provided to the Palestinian side. As a result, Palestinian importers and retailers often suffer financial losses due to sudden changes in import and customs regulations. These changes are implemented without prior notice, leaving businesses unaware and unprepared (Alshuaibi, 2013).

Regarding import licenses, each party is responsible for enforcing its own applicable laws and regulations. According to Article Nine of the Paris Protocol, each side is permitted to grant import licenses to its respective suppliers. As a result, Palestinian importers of goods included in the designated lists (A1, A2, B) are entitled to receive licenses from the PA. However, for commodities not included in these lists, Israeli trade policy applies, and importers are required to obtain licenses from the Israeli authorities (Israel & PLO, 1994, Article 9; Aweida, 2003).

And regarding the import of vehicles, the PA is authorized to determine customs and purchase tax rates, as stipulated in Articles Ten and Eleven of the Paris Protocol. However, vehicle standards and specifications applied to imported cars are those used by Israel for its own imports (Israel & PLO, 1994, Article 10 and 11).

Article Twelve addresses the import of petroleum products, affirming the PA's right to import them into Palestinian territories according to Jordanian standards, provided they also meet the requirements of the US and the EU. This article also outlines various provisions aimed at preventing smuggling (Israel & PLO, 1994, Article 12).

As a result, the agreement grants the PA the authority to determine the source of petroleum products and regulate their pricing. In practice, the Palestinian General

Petroleum Authority was established in 1994 by a decision of the Council of Ministers to oversee and regulate the petroleum sector. However, despite this formal authority, the PA imports petroleum exclusively from the Israeli occupation, limiting its ability to diversify sources or exercise full control over the sector (Israel & PLO, 1994; MAS, 2024).

Article 17 of the Paris Protocol stipulates that Palestinian returnees who are granted permanent residency in the Palestinian territories shall be exempt from customs duties on their personal luggage and property, provided that the items are intended for personal use only. The implementation of this article is the responsibility of the Palestinian General Authority for Civil Affairs (Israel & PLO, 1994, Article 17).

The protocol also addressed the temporary admission of machinery and vehicles into areas under the jurisdiction of the PNA. Article Eighteen stipulates that the Authority has the right to establish its own system for the temporary admission of machinery and vehicles included in Lists B, A2, and A1. However, for machinery and equipment not listed, Israeli licensing and import policies would apply until a new system is agreed upon by a joint subcommittee. In practice, no such system was ever established, as the committee never convened to make the necessary decisions (Israel & PLO, 1994, Article 18; Al Mousa, 1995).

4.3.3. Economic Impact of Trade Dependency

According to Alshuaibi, between 1995 and 1999, the share of Palestinian trade with Israel was taken for approximately (80.9%) of all Palestinian trade. However, between 2002 and 2014, when there was an economic blockade and the second Palestinian Intifada, trade between the two countries accounted for (74.7%) of all Palestinian trade. Which deprived the Palestinian economy of the most competitive sources of imports and export markets and remained dependent on Israeli economic and security policies, and caused an increase in the Palestinian trade deficit by about (70%) of the gross domestic product (Alshuaibi, 2013).

In addition to limiting Palestinian economic growth and widening the trade deficit with the Israeli occupation, the provisions of the Paris Protocol combined with Israeli-imposed restrictions have further deepened Palestinian dependence on the Israeli market. The Palestinian economy's limited access to international markets has

also undermined the competitiveness of Palestinian businesses and contributed to the rising cost of living for Palestinian citizens. These factors have collectively weakened the economy's ability to develop independently or achieve sustainable growth (MAS, 2024).

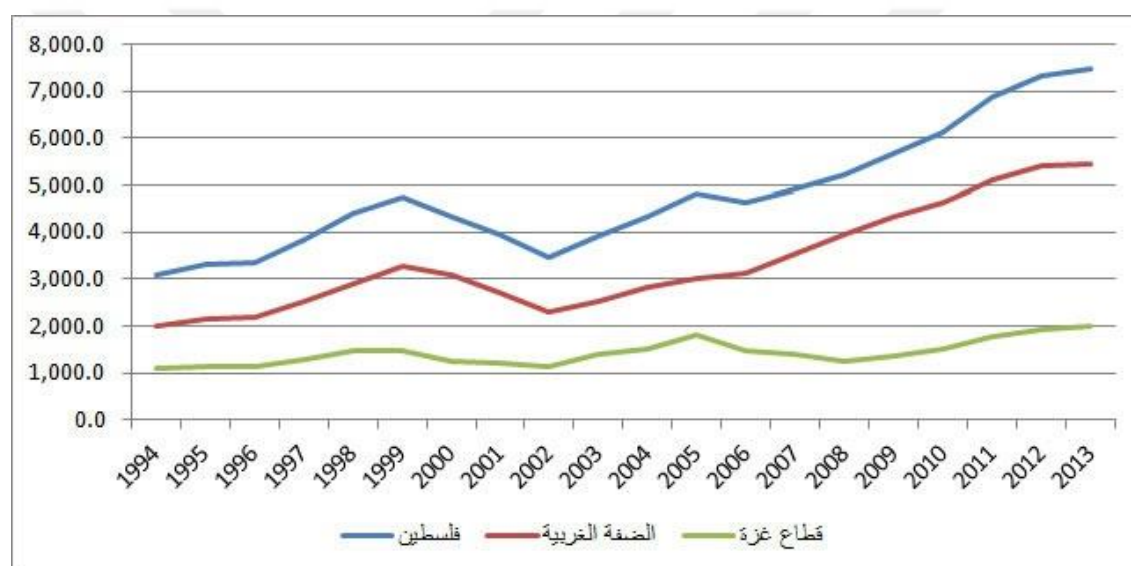
Hussein added in his paper, that the years between 1999 and 2002, the Palestinian economy witnessed a significant downturn in key indicators. Public debt rose alongside increased consumer spending, while foreign trade contracted due to a decline in both exports and imports. This downturn was reflected in a drop in GDP from USD 4.741 billion in 1999 to USD 3.441 billion in 2002. Similarly, Gross National Income (GNI) fell from USD 5.516 billion to USD 1.7 billion during the same period. Productive sectors were severely affected by the impact of the Intifada, with agriculture's contribution to GDP falling from 12% in 1999 to 7.5% by 2004, amid a financial blockade imposed on the PA (Hussein, 2023).

During this period, international aid became increasingly conditional on "security enforcement," leading to a decline in foreign assistance to approximately USD 684 million. In contrast, Arab financial support rose to over USD 1 billion, representing about 63.5% of total aid received by the Palestinian Authority during the Intifada. Notably, half of this Arab aid was delivered following the launch of the Arab Peace Initiative in 2002. In response to growing international pressure, the 2003 Roadmap for Peace demanded economic reforms from the PA, primarily focused on combating corruption, improving ministerial performance, and addressing issues of favoritism and financial mismanagement, as reported by Palestinian oversight bodies. As a result, donor agencies increased their scrutiny of financial flows, with auditing processes increasingly conducted directly under their supervision (Hussein, 2023).

The London Conference, convened on March 1, 2005, with the participation of 23 countries, marked a pivotal moment in the trajectory of the Palestinian economy. Collectively, these countries pledged over \$1.2 billion in financial assistance to support the Palestinian Authority's budget. This substantial commitment was largely driven by the severe economic repercussions of the Second Intifada, which had incurred an estimated cost of \$15 billion by the end of 2005. In response to the fiscal challenges, the international community emphasized the need for institutional reform, enhanced financial transparency, and the development of effective governance and

security frameworks. As a result, international donor agencies intensified their oversight of Palestinian public finances, often conditioning aid on mechanisms of financial supervision and accountability. This shift reflected a growing trend toward external financial oversight, aimed at ensuring the efficient use of donor funds and reinforcing fiscal discipline within the Palestinian Authority's institutions (Hussein, 2023; Alshuaibi, 2013).

The following chart illustrates real GDP (at 2004 constant prices) for the period 1994–2013 for Palestine, the West Bank, and the Gaza Strip. As shown in the graphic, the Palestinian economy has experienced a noticeable slowdown in growth in recent years.



Graphic 1: Real GDP (at 2004 Prices) by Region, 1994- 2013 (In Millions of US\$)¹³

Source: Palestinian Central Bureau of Statistics. (2014). *Economic forecasts for 2015 and economic performance of Palestine in 2014*. Ramallah–Palestine.

The Palestinian Central Bureau of Statistics, issued a report summarizing the performance of the Palestinian economy during 2014 estimates. According to the report, the Palestinian economy experienced another year of recession in 2014, with real Gross Domestic Product (GDP) contracting by 2.5% compared to 2013. The unemployment rate also increased by three percentage points, reaching 27% of the labor force. Due to natural population growth, the decline in real GDP per capita was

¹³ The blue line for Palestine, The red line for West Bank and the Green line for Gaza Strip.

even greater than the overall GDP contraction, with a drop estimated to exceed 5% relative to 2013. All economic activities were expected to decline further, particularly in the construction and agriculture sectors (Palestinian Central Bureau of Statistics, 2014).

The Palestinian economy has witnessed a steep contraction in both exports and imports. In Gaza, GDP declined by 81% in the last quarter of 2023 alone, contributing to an annual economic contraction of 22% (UNCTAD, 2024). Overall, Palestinian exports and imports fell by 33% in Q4 2023, with import levels three times lower than exports due to escalating restrictions and destruction of productive capacity (UNCTAD, 2024).

As of Q1 2024, the trade deficit reached USD 1.11 billion, with exports valued at just USD 374 million against imports worth USD 1.48 billion (Al-Iqtisadi, 2024). This trend continues to highlight the chronic imbalance and dependency within the Palestinian trade structure, which remains heavily reliant on Israeli-controlled crossings and policies.

Indicator	Value
GDP Decline in Gaza (Q4 2023)	81%
Export/Import Drop (Q4 2023)	33%
Trade Deficit (Q1 2024)	USD 1.11 billion
Exports (Q1 2024)	USD 374 million
Imports (Q1 2024)	USD 1.48 billion

Table 4: Key Palestinian Trade Indicator (2023-2024)

Source: (UNCTAD, 2024; Al-Iqtisadi, 2024)

Trade logistics have been severely disrupted by Israeli border control policies. The number of checkpoints in the West Bank increased from 567 in October 2023 to over 700 by February 2024, hindering the flow of goods and people (UNCTAD, 2024). In Gaza, trade is further limited by the destruction of basic infrastructure and restrictions at major crossings, especially Kerem Abu Salem and Rafah (OCHA, 2024).

The current trade regime continues to reflect the asymmetrical and restrictive environment imposed under the Paris Protocol. The loss of productive capacity,

widening trade deficit, and logistical constraints significantly hinder the development of a sovereign and sustainable Palestinian economy.

4.4. Labor Mobility and Employment

4.4.1. Conditions of Palestinian Labor in Israel

Palestinian labor in Israeli markets has long been one of the most significant economic phenomena, originating in 1967 following the Israeli occupation. Due to the severe weakness of the Palestinian economy, this reliance on Israeli employment continued and even grew over time, resulting in a steady increase in the number of Palestinian workers in Israeli labor markets. One of the stated objectives of the Paris Protocol was to regulate the movement of labor between the two parties, aiming to formalize and manage this economic dependency (Dwekat, 2021).

According to the Paris Protocol, both parties are required to maintain the regular flow of labor while retaining the right to set the terms and conditions for worker movement within their respective jurisdictions. Each side is also obligated to notify the other in advance if it intends to temporarily suspend the movement of workers (Israel & PLO, 1994).

However, the provisions related to labor suffer from notable flaws both in wording and implementation. For example, the use of vague language such as the word “attempt” weakens the enforceability of the obligation, making it more aspirational than binding. In addition, the procedural mechanisms outlined in the agreement are difficult to implement in practice, especially given the ineffectiveness of the Joint Economic Committee (JEC). The absence of clearly defined time frames further complicates enforcement and opens the door to recurring problems and delays (Israel & PLO, 1994; MAS, 2024).

The agreement also includes a provision stating that the employment of workers should be coordinated through a centralized system operated by one side, typically using an approved mechanism or platform. However, this provision is not implemented in practice. The protocol further stipulates that the Israeli employer must approach the Palestinian Ministry of Labor’s employment office to facilitate the hiring process and allow the Ministry to play its role in mediating between the two parties. Unfortunately, this procedure is routinely bypassed, as Israeli employers often hire

Palestinian workers directly, without coordinating with the Ministry or adhering to the agreed-upon employment framework (Israel & PLO, 1994; Abu Ghali, 2017).

The agreement also includes provisions related to the social insurance system for workers, including retirement deductions and the resolution of labor disputes. According to the protocol, Israel is obligated to transfer monthly retirement insurance deductions collected from Palestinian workers to the PA. However, this obligation has not been fulfilled. Israel justifies its failure to transfer these funds by claiming the absence of a functioning Palestinian retirement institution or social insurance fund, despite the clear stipulations in the agreement (Israel & PLO, 1994; Alshuibi, 2013).

4.4.2. A Testimony of a Palestinian Worker

According to the testimony of Palestinian contractor H.A., in an interview I conducted regarding the working conditions of Palestinian laborers inside the occupied territories (personal communication, December 20, 2024), he outlined several key points. He explained that Israeli employers insure workers possess an Israeli work permit, commonly referred to as a "taloosh". The taloosh includes health insurance, various fees, and retirement contributions, in addition to deductions for social welfare and travel allowances.

H.A also added that after the end of the employment period, the worker claims his wages and entitlements through the Labor Office of the Palestinian National Authority. According to the current arrangement, the worker is entitled to 75% of his rights through the Israeli Labor Office and 25% from the Israeli employer directly. In cases of labor disputes, resolution must be sought through the Israeli judicial system, as stipulated by the existing legal framework governing Palestinian workers in Israel. H.A also noted that some Israeli employers exploit this situation by coercing workers into signing documents stating that they have received all their wages and entitlements for the final month of employment. This often occurs upon the expiration of the worker's permit, with the implicit threat that the permit will not be renewed unless the worker complies. And due to the difficulty of obtaining Israeli work permits, especially amid frequent political instability and regional tensions, many workers feel compelled to sign. In other cases, employers negotiate a partial payment offering only

half the owed amount to avoid judicial proceedings, which are often lengthy and costly.

4.4.3. The Palestinian Labor in Numbers

The economic situation and job opportunities in the West Bank and Gaza Strip continue to deteriorate over time due to the ongoing economic crisis. As a result, many Palestinian workers seek permits to work in Israel. Over the years, the number of Palestinian workers in Israel has steadily increased. They are employed in various sectors, including construction, industry, and agriculture, with the construction sector offering the most employment opportunities. Despite the harsh and challenging conditions these workers face on a daily basis, the number of Palestinians working in Israel continues to grow year after year (Abu Ghali, 2017).

Following the events of October 2023, Israel revoked work permits for approximately 100,000 Palestinian laborers. This has resulted in a massive economic loss, estimated at over USD 5.5 billion in lost wages annually. Unemployment in Gaza has surged to 85%, while it reached 25% in the West Bank.

Region	Workers Affected	Unemployment Rate (%)	Income Loss (USD billion)
West Bank	60,000	25%	2.2
Gaza Strip	40,000	85%	3.3

Table 5: Labor Market Indicators (2023–2024)

Sources: (OCHA, 2024; Palestinian Ministry of Labor, 2024)

4.5. Currency, Banking, and Monetary Authority

4.5.1. Role of the Palestinian Monetary Authority

According to the protocol, the Palestine Monetary Authority (PMA) is required to establish and license a Banking Supervision Department tasked with ensuring the proper functioning, stability, liquidity, and debt-repayment capacity of the banking sector. The responsibility for monitoring banks has been formally assigned to the Department of Supervision and Inspection, which was established in alignment with the organizational structure of the PMA (Israel & PLO, 1994; Aweida, 2003).

Decree No. (184) of 1994, which established the Palestine Monetary Authority (PMA), was issued by the President of the Palestinian National Authority. This was followed by the approval of Law No. (2) of 1997, which set forth the legal framework governing the operations of the PMA. The law defines the PMA's mandate and responsibilities, including the regulation of banking activities, the management of the PA's reserves of gold and foreign currencies, and the provision of liquidity to banks within legally defined limits, among other tasks. All responsibilities are to be carried out in a manner that does not conflict with the provisions of the Paris Protocol (Presidential Decree No. 184, 1994; Law No. 2, 1997; Orzeil, 2017).

In the Gaza Strip, the applicable legal framework governing property taxation is based on the Property Tax Law in Cities No. 42 of 1940 and the Property Tax Law in Villages No. 5 of 1942, along with their respective amendments. To administer and collect public revenues, the Palestinian Ministry of Finance established several specialized departments, including: The General Administration of Customs, Excise, and Tobacco, the General Administration of Value Added Tax, the General Administration of Income Tax, the General Administration of Property Tax, the General Administration of Grants, Profits, and Other Revenues, and the General Administration of Petroleum (British Mandate Government, 1940, 1942; Orzeil, 2017).

4.5.2. Lack of National Currency

With regard to currency, the protocol denied the Palestinian Authority the right to issue its own currency. As a result, the Israeli shekel became the de facto legal tender. This left the PA without monetary tools such as interest rate manipulation or currency valuation, making it dependent on Israeli monetary decisions (Arnon, 2007).

It also stipulates that the Israeli shekel shall continue to be accepted as a legal means of payment in the Palestinian territories and shall remain one of the official currencies in circulation. However, despite this provision, the Israeli government has made no formal commitment to ensure the supply of shekels to banks operating in the Gaza Strip. Furthermore, Israeli banks severed ties with Palestinian banks in Gaza in 2007, and have since imposed numerous restrictions on money transfers in the West Bank, significantly complicating financial operations (Israel & PLO, 1994; Arnon, 2007).

The agreement obligates the Israeli occupation authorities to convert surplus Israeli shekels held by the Palestinian side into U.S. dollars. However, Israel has not complied with this provision on a regular basis, leading to accumulated liquidity issues within the Palestinian financial system. Regarding the issuance of a Palestinian national currency, the agreement states that such a step may be undertaken by the Joint Economic Committee (JEC), contingent upon a mutually agreed-upon amount. Nevertheless, as previously mentioned, the JEC has convened without any genuine intention of addressing Palestinian economic concerns, rendering this provision effectively inactive (Israel & PLO, 1994; MAS, 2024).

4.6. Taxation Under the Paris Protocol

4.6.1. Tax Structure and Revenue Allocation

The agreement stipulates that each party has the right to determine and regulate its own tax policy, including policies related to direct taxes, import taxes, and indirect taxes. In accordance with this provision, the Palestinian Authority enacted a series of laws and regulations (Israel & PLO, 1994; Dwekat, 2021).

The tax revenues collected by Israel on behalf of the Palestinian Authority are referred to as clearing revenues. These revenues consist of three forms of direct taxes, in addition to indirect taxes imposed on imports from Israel and abroad. The direct taxes include income tax on the wages of Palestinian workers employed in the occupied territories and Israeli settlements. According to the agreement, a tax department affiliated with the Israeli Liaison Office is to be established to collect income taxes from Palestinian workers and contractors working inside Israel. It is stipulated that 75% of the income taxes collected from Palestinian workers in Israel, as well as 100% of the income taxes from Palestinian contractors, shall be transferred to the Palestinian Authority (Israel & PLO, 1994; Alshuaibi, 2013).

Israel collects taxes and transfers them monthly to the PA after deducting a 3% administrative fee. These revenues account for more than 60% of the PA's domestic income (World Bank, 2003).

Tax Type	Collected By	Notes
VAT on local sales	Palestinian side	Full PA control
VAT on imports	Israeli side	Transferred via clearance system
Income tax on PA employees	Palestinian side	Full PA control
Income tax on workers in ISR	Israeli side	Partial transfer to PA
Customs duties	Israeli side	Full Israeli control

Table 6: Tax Revenue Sources Under the Paris Protocol

Source: Adapted from (World Bank, 2003; Israel & PLO, 1994; Alshuaibi, 2013)

4.6.2. Administrative Deductions and Delays

Israel's control over all border crossings has enabled it to exercise full authority over tax revenues (clearance) on goods transiting through Israeli-controlled entry points. As a result, Israel has repeatedly engaged in delays, refusals, and various forms of administrative intransigence in transferring the Palestinian Authority's rightful revenues, which are essential for financing its general budget. The Paris Protocol also stipulates the formation of a specialized subcommittee tasked with developing procedures to address the issue of double taxation. However, no sessions were ever convened, and consequently, no practical steps were taken to prevent or resolve double taxation (Israel & PLO, 1994; Abu Ghali, 2017).

The protocol also addresses the issue of social security contributions paid by Palestinian workers. It outlines two categories of financial transfers that the Israeli authorities are obligated to make to the Palestinian Authority. The first category includes income tax deductions from Palestinian workers employed in Israel, along with VAT and purchase tax collected on Palestinian imports (Israel & PLO, 1994).

As I mentioned before, the Palestinian Ministry of Finance has established several specialized departments responsible for revenue collection, including the General Administration of Customs, Excise, and Tobacco, the General Administration of Value Added Tax, the General Administration of Income and Property Tax, the General Administration of Grants, Profits, and Other Revenues, and the General

Administration of Petroleum. These departments are tasked with collecting annual taxes from taxpayers, after which the collected revenues are deposited into the state treasury to support public expenditures and the national budget (Hilles, 2021).

The agreement also affirms the right of the tax authorities on each side to collect direct taxes imposed within their respective areas of jurisdiction. Accordingly, Israeli taxpayers residing in Area C are subject to taxes whose collection is supposed to be transferred to the PA. However, in 2000, the liaison offices responsible for facilitating this process were shut down, and most of the relevant tax files were transferred to a tax office in Jerusalem, effectively undermining the implementation of this provision and limiting the PA's ability to exercise its fiscal rights in Area C (Israel & PLO, 1994; Niksic, O. Eddin, N. N. & Cali, M, 2014).

4.7. Access to Natural Resources and Infrastructure

The agreement addresses agricultural relations between the Palestinian side and the Israeli occupation authorities, stipulating the unrestricted movement of agricultural products without the imposition of customs duties or taxes. It further emphasizes that cooperation between veterinary and plant protection services should be governed by the principle of reciprocity. However, in practice, the Israeli authorities routinely impede the transport of Palestinian agricultural goods, often invoking security or technical justifications, which undermines the intended provisions of the agreement (Israel & PLO, 1994; ALshuaibi, 2013).

The agreement stipulates that the prices of petroleum derivatives in the Palestinian territories shall not deviate by more than 15% from the corresponding retail prices in Israel. Regarding revenues derived from foreign economic relations, the agreement authorizes Israel to collect these funds on behalf of the Palestinian Authority, with a binding obligation to transfer them in a timely manner (Alshuib, 2013).

The Paris Protocol largely ignored the issue of natural resources, including water, electricity, and telecommunications. These remained under Israeli control, limiting Palestinian access and development in vital sectors (Ahmad, 2023). The lack of sovereignty over resources and infrastructure continues to hinder economic growth and contributes to long-term structural dependency.

5. CHAPTER: THE PALESTINIAN FISCAL SYSTEM: TAXATION AND CLEARANCE REVENUES

There is a long and deeply rooted history of tension between the Palestinian population and the various tax regimes imposed upon them under successive foreign administrations. As a result, the reintroduction of new tax laws with the establishment of the PNA in the mid-1990s was met with considerable skepticism and resistance. Nevertheless, the PNA moved forward in enacting a number of tax laws aimed at regulating and modernizing the fiscal framework within the Palestinian territories (Jaber, 2017).

This chapter will examine the primary laws and legal decisions that shape the tax system in both the West Bank and the Gaza Strip, while also identifying the key authorities responsible for their implementation. It will then turn to analyze the major problems and challenges facing the effective enforcement and administration of the tax system, taking into account both internal institutional limitations and external political constraints.

5.1. Historical and Legal Foundations of Taxation in Palestine

The history of taxation in Palestine began during the Ottoman era, which introduced taxes such as the land tax, tithe ('ushr) tax, and livestock tax. Under the British Mandate, income tax was introduced in 1941. Following the 1948 Zionist occupation, and the subsequent geopolitical division the West Bank becoming part of Jordan and the Gaza Strip falling under Egyptian administration—the Jordanian government unified the tax system of the East and West Banks in 1951. Meanwhile, the Egyptian government in Gaza chose to retain the pre-existing tax laws (Mseimi, 2006).

Following its occupation of the West Bank and Gaza Strip in 1967, Israel issued a military order to maintain the existing legal frameworks in both territories, including tax laws. However, beginning in 1975, the Israeli occupation authorities introduced several new tax regulations, most notably the Value-Added Tax (VAT), which was imposed on goods and services within the occupied territories. It was not until 1993, with the signing of the Paris Economic Protocol, that tax administration was officially transferred to the Palestinian side for the first time, marking a significant shift in the management of the taxation system in the West Bank and Gaza (Al-Mousa, 1995).

The Palestinian tax laws consist of a combination of modern legislation enacted following the establishment of the Palestinian National Authority, alongside older laws inherited from previous administrations, including Jordanian and Egyptian legislation, as well as Israeli military orders (Shalash, 2019).

5.2. The Laws and Decisions Governing the Tax Framework in The West Bank and Gaza Strip

5.2.1. The Palestinian Income Tax Law No. (8) of 2011

It serves as the primary legal framework governing income taxation in the West Bank. It was enacted by the Palestinian National Authority with the objective of unifying and regulating the taxation of individuals and legal entities in a manner consistent with the evolving national economy. The law outlines the calculation of income tax for both individuals and companies, adopting a progressive tax rate structure that reflects different income brackets, thereby promoting the principle of tax equity. It also grants the Ministry of Finance and the Tax Authority the authority to enforce and monitor compliance with its provisions (Palestinian Authority, 2011).

The law has undergone several amendments to adjust tax rates and collection mechanisms in response to economic and social developments in Palestine, notably in 2015 and 2021. It remains a cornerstone of Palestinian fiscal policy, contributing significantly to public revenue, despite persistent challenges related to tax evasion and low public confidence in the financial system (Palestinian Authority, 2015; Palestinian Authority, 2016).

5.2.2. The Egyptian Income Tax Law No. 14 of 1947

The law's effect remains in the Gaza Strip to this day. It is one of the key pieces of tax legislation inherited from the Egyptian administration that governed the region prior to the Israeli occupation in 1967. Despite the signing of the Oslo Accords and the establishment of the Palestinian National Authority (PNA) in 1994, this law has not been fully replaced by an unified Palestinian tax legislation in Gaza. Instead, local amendments have been introduced by the governing authorities in the Strip to adapt the law to new political and economic realities, while maintaining its original structure (Arab Republic of Egypt, 1947).

The continued enforcement of this law is largely attributed to the political division between the West Bank and Gaza since 2007, which has resulted in the existence of two separate legislative and fiscal systems. While the West Bank adopted the Palestinian Income Tax Law No. 8 of 2011, Gaza retained the older (Jaber, 2017).

5.2.3. The Palestinian Investment Promotion Law No. (1) of 1998

It was enacted by the Palestinian Legislative Council to attract both local and foreign investment to the Palestinian territories and to stimulate economic activity in a politically and economically constrained environment. The law seeks to establish a favorable legal environment for investors by offering tax incentives and exemptions, simplifying project registration procedures, and ensuring the free transfer of profits and capital (Palestinian Authority, 1998).

It outlines various categories of incentives based on the nature and location of investment projects, covering sectors such as industry, agriculture, tourism, and information technology. The law was later amended by Decree Law No. (2) of 2011, expanding the range of incentives and aligning them with emerging economic priorities and development needs (Palestinian Authority, 2011).

The law is administered by the Palestinian Investment Promotion Agency (PIPA), a governmental body responsible for facilitating procedures, supporting investors, and promoting investment opportunities across Palestine (Palestinian Authority, 2020).

5.2.4. The Paris Economic Protocol of 1994

It is considered the economic annex to the Oslo Accords. It was signed in Paris between the Palestine Liberation Organization and the occupying state to regulate economic relations between the Palestinian and Israeli sides. It aimed to establish economic cooperation in areas such as trade, customs, taxation, currency, agriculture, industry, and tourism by integrating the Palestinian economy into the Israeli market under a unified customs union (Shalash, 2019).

5.2.5. Jordanian tax laws enacted during the mid-20th century

Its effect remains in the Palestinian territories particularly in the West Bank. These laws have been subject to amendments by Jordanian authorities up to 1976 and further

modifications through Israeli military orders post-1967 (Jabber, 2017) . The key laws include:

- Building and Land Tax within Municipal Areas Law No. 11 of 1954. This law imposes an annual tax on buildings and lands located within municipal boundaries, calculated based on the estimated rental value of the property. It underwent several amendments by Jordanian legislation until 1976. Post-1967, Israeli military orders further modified its provisions, particularly concerning tax assessment and collection in areas under Israeli administrative control (Jordanian Government, 1954).
- Land Tax Law No. 30 of 1955. Complementary to the previous law, this legislation governs the taxation of undeveloped lands, aiming to encourage land utilization and development. It has been amended by Israeli military orders to redefine certain categories and expand collection authorities, especially in Area C of the West Bank (Jordanian Government, 1955).
- Customs and Excise Law No. 1 of 1962. Serving as the foundational legal framework for customs operations in the West Bank prior to 1967, this law covers all aspects related to customs tariffs, duties, import and export procedures, and penalties. Despite the 1994 Paris Economic Protocol establishing a de facto customs union with Israel, certain provisions of this law continue to be applied by the Palestinian Authority, particularly concerning administrative and supervisory procedures within its controlled areas (Jordanian Government, 1962).
- The Intra-Urban Property Tax Ordinance No. 42 of 1940, enacted during the British Mandate in Palestine, remains in force in parts of the Gaza Strip today. This law regulates the taxation of real estate land and buildings located within urban areas, and assesses the tax based on the estimated annual rental value of the property. Despite the establishment of the Palestinian National Authority in 1994, this ordinance continues to be enforced due to the absence of a unified, modern property tax law that would replace inherited British and Egyptian legislation in the Gaza Strip. As a result, local taxation authorities under either the Ministry of Finance or the Ministry of Local Government continue to rely on this ordinance in the absence of legislative harmonization (British Mandate Government, 1940).

5.3. Types of Taxes in the Palestinian Territories

The types of taxes that are imposed on Palestinians:

5.3.1. Direct Taxes

a. Incom Tax:

Income tax is levied on, and collected from, various taxpayers operating within the territory under occupation. It applies to profits, wages, and other forms of income earned by individuals and legal entities. Income tax is categorized into two primary forms (Jaber, 2017):

- **Individual Income Tax:** This tax is imposed on Palestinian citizens and natural persons residing in the West Bank and Gaza Strip excluding Jerusalem for a continuous period of no less than 120 days. It targets income derived from employment, professional services, and personal business activity.
- **Corporate Income Tax:** This applies to both private and public joint-stock companies operating in the Palestinian territories. However, companies and investment projects that have obtained an Investment Exemption Certificate are exempt from income tax in accordance with the provisions of the Palestinian Investment Promotion Law No. 1 of 1998 and its subsequent amendments.

a. Property Tax:

Property tax is levied on Palestinian real estate holdings, including land and built structures. It is collected at a rate of 17% of the net rental value of the property or land, following a standard deduction of 20% to account for depreciation. This tax constitutes a significant source of local revenue and is applied in accordance with applicable property tax laws and administrative regulations.

5.3.2. Indirect Taxes

These taxes are imposed on various economic activities, including consumption, production, and importation, as well as on real estate assets, reflecting the state's fiscal approach to regulating wealth and expenditure (Jaber, 2017):

- a. Local value added tax:** This is the tax that calculates all goods and services consumed by citizens. The Paris Economic Agreement stipulates that the rate of this tax in the areas of the Authority should not be more or less than that in effect in Israel by 2%.

b. Purchase tax: This tax is imposed on specific goods such as alcohol, cigarettes, chemicals, and cars.

c. Clearance tax: It is a value-added tax collected by the tax authorities from the Palestinian private sector as a result of its purchase from Israel or import from abroad through its border crossings. It is paid to the Israeli occupation authorities, which in turn transfer it to the Ministry of Finance at the end of each month through the agreed-upon clearing mechanism.

d. Fuel tax: This is the tax levied on various fuels used in the Palestinian territories. There is no specific law on which this tax is based, and it is considered a purchase tax, similar to a specific law in Palestine on which it is based, such as the fees imposed on cigarettes and tobacco. The legal basis for these taxes is the Jordanian Customs and Excise Law No. 1 of 1962.

e. Customs duties and excises: The Jordanian Customs and Excise Law No. 1 of 1962 and subsequent Israeli military orders apply to them. It is a tax imposed on goods, services and merchandise imported from countries around the world for the benefit of the private sector, which is collected from the Israeli occupation customs for the benefit of the Palestinian treasury, according to what was stated in the Paris Economic Agreement.

f. Production tax: The Jordanian Local Products Fees Law No. 16 of 1963 applies to it, with the exception of agricultural products.

5.4. Institutional Framework and Tax Administration

The implementation of the tax system in Palestine is overseen by a set of official bodies operating primarily under the Ministry of Finance. These structures vary between the West Bank and the Gaza Strip due to the ongoing political and institutional division since 2007.

5.4.1. Tax Collection Bodies in the West Bank

In the West Bank, the Palestinian Ministry of Finance serves as the central authority responsible for executing tax policy through its specialized departments, including the General Directorate of Income Tax, the VAT Directorate, the Directorate of Customs and Excise, and the Property Tax Directorate. These institutions are supported by the

State Audit and Administrative Control Bureau (SAACB), which monitors the integrity of financial and tax procedures, as well as the Public Prosecution's Economic Crimes Unit, which investigates tax evasion and fraud cases (Kabaja, 2011).

5.4.2. Tax Administration in the Gaza Strip

In contrast, the Ministry of Finance in the Gaza Strip operates independently under the de facto government, applying locally modified laws, such as the Egyptian Income Tax Law No. 14 of 1947. The absence of coordination and legal unification between the West Bank and Gaza constitutes one of the major challenges facing the Palestinian tax system, weakening its overall effectiveness and hindering efforts to promote fiscal equity and tax compliance (Ahmad, 2023).

5.5. The Clearance Revenue System

The clearance revenue system represents one of the most critical fiscal mechanisms affecting the Palestinian economy. This chapter will discuss the clearance revenue system legal framework, importance in public revenues and a statistical trends and recent crises.

5.5.1. Legal Framework and Importance in Public Revenues

Instituted under the 1994 Paris Economic Protocol, this system grants Israel the authority to collect customs duties, value-added tax (VAT), and excise taxes on goods entering the Palestinian territories through Israeli-controlled ports, as well as income taxes from Palestinians working in Israel and Israeli settlements. These revenues are then transferred to the Palestinian Authority (PA), following a 3% deduction as administrative fees (Israel & PLO, 1994; MAS, 2024). The protocol further obliges the PA to conform to Israeli customs policy and VAT structures, permitting no more than a two-percentage-point deviation (Sayre, 2021).

Palestinian public revenues are composed of local revenues both tax and non-tax as well as foreign aid. Tax revenues include income taxes, profits taxes, customs duties, and VAT. Consumption-based taxes such as VAT, customs, and purchase taxes account for approximately 79.5% of total public revenues, while income taxes contribute just 3.8%. Non-tax revenues comprise about 12%. Clearance revenues

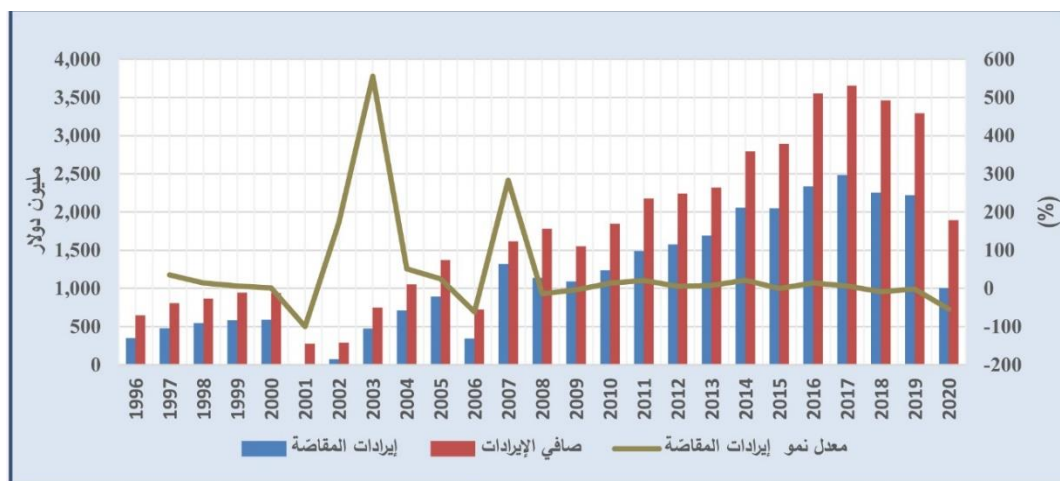
transferred by Israel make up the dominant share of domestic income, estimated between 60% and 70% since the Oslo Accords (Hilles, 2021; MAS, 2024).

This heavy dependence has resulted in a structural fiscal vulnerability, frequently exploited by Israel for political leverage. On several occasions, the Israeli government has frozen or delayed clearance transfers in response to internal Palestinian decisions or diplomatic initiatives. Notable cases include the post-election freeze in 2006, the 2019 deductions related to payments to prisoners, and the 2020 standoff during which the PA rejected clearance funds for six months. These episodes triggered severe financial crises and compelled the PA to operate on emergency budgets, paying only partial public sector wages (World Bank, 2003; UNCTAD, 2020; Sayre, 2021).

The system also suffers from persistent transparency and accountability challenges. Israel does not consistently provide comprehensive information regarding the identity of importers, which obstructs invoice verification and complicates accurate tax assessments. Income tax deductions from Palestinian workers are also poorly documented, with up to 25% withheld without clear justification, creating avenues for tax leakage and weakening the PA's fiscal autonomy (Mseimi, 2006).

Consequently, numerous scholars argue that the clearance system has evolved from a cooperative framework into a tool that institutionalizes fiscal asymmetry and restricts Palestinian financial sovereignty. Some advocate for renegotiating the Paris Protocol, while others propose establishing an independent fiscal regime. Yet such alternatives face major barriers given Israel's control over borders and external trade. In the absence of a political resolution, the PA remains embedded in a technically cooperative but substantively coercive arrangement (Khalidi, 2006; MAS, 2004; Orzeil, 2017).

5.5.2. Statistical Trends and Recent Crises (1996–2023)



Graphic 2: Development of Clearing Revenues During the Period 1996-2020¹⁴

Source: Hilles, R. (2021, January 7). *The clearance revenues crisis of the Palestinian Authority: Roots and repercussions* [In Arabic]. Al-Zaytouna Centre for Studies and Consultations.

The value of clearance revenues significantly declined during the early years (1996–2006), reaching its lowest point in 2001 when clearance revenues dropped to zero, reflecting a -100% growth rate. This occurred because the Palestinian Authority did not receive any clearance funds that year. The collapse was a direct result of the deteriorating economic performance caused by the Second Palestinian Intifada and the accompanying Israeli military actions, which included the imposition of a comprehensive blockade, the isolation of Palestinian territories from the outside world, the closure of border crossings, and the fragmentation of the West Bank into 115 disconnected areas. Movement between Palestinian cities was further restricted by military checkpoints and the excavation of main roads to obstruct transportation (Hilles, 2021).

In contrast, clearance revenues increased notably in the more recent period (2007–2020), peaking in 2017 at approximately USD 2,483 million, reflecting a 6.5% growth rate. This rise was driven by a 3.1% growth in the Palestinian economy compared to 2016, along with the widening trade deficit, as imports grew at a faster rate than exports, reaching USD 5.4 billion in 2017. The annual average value of clearance revenues between 1996 and 2006 was approximately USD 457.6 million, with a

¹⁴ The blue line for Clearing Revenues, the red line for Net Revenues and the green line for Revenue Growth Rate.

monthly average of USD 38.1 million. Clearance revenues constituted an average of 51.6% of total domestic revenues and approximately 31.9% of total public expenditures during the same period (Hilles, 2021).

Since the signing of the Oslo Accords in 1993, there have been 12 clearance revenue crises, all of which were marked by Palestinian efforts to transfer the responsibility of tax collection away from the Israeli Ministry of Finance to Palestinian control. The most recent of these crises occurred in November 2023, when the Palestinian side refused to receive clearance funds following Israel's decision to deduct sums that had been allocated to the Gaza Strip. These deductions amounted to an average of 275 million shekels (approximately USD 75 million) per month. The amount deducted by Israel includes salaries paid to Palestinian Authority employees in Gaza who were appointed before the political split in 2006, as well as funds used to purchase fuel for Gaza's power plant (Anadolu Agency, 2023).

Israel's decision was made in response to the "Al-Aqsa Flood" operation on October 7, 2023, and the ongoing Israeli military assault on Gaza since that date. Currently, the Palestinian government receives only about 60% of the total clearance revenues. Even before the Gaza-related deductions, funds are withheld for other reasons such as payments for prisoners, fines imposed by Israel on Palestinians, and debts owed to Israeli electricity, water companies, and hospitals totaling over 200 million shekels per month on average. Altogether, these deductions now average around 474 million shekels monthly (approximately USD 130 million), from a total pre-deduction revenue of about 1 billion shekels (USD 275 million) (Anadolu Agency, 2023).

6. CHAPTER: COMPARATIVE ECONOMIC PERFORMANCE UNDER OCCUPATION, AGREEMENT, AND UPRISING

To consolidate the findings of this research and to highlight the structural, legal, and fiscal disparities between the West Bank and Gaza Strip, the following section presents a series of comparative tables. While certain legal and institutional aspects were previously introduced in earlier chapters, these tables serve a distinct analytical function: they synthesize scattered information into thematic comparisons and provide a visual foundation for evaluating the broader implications on fiscal sovereignty, tax enforcement, and economic policy formation. Each table is accompanied by an interpretive paragraph that moves beyond descriptive repetition and instead supports the research's final conclusions.

The signing of the Paris Economic Protocol in 1994 marked a critical turning point in the relationship between the Palestinian Authority and the Israeli occupation regarding economic governance. While the agreement aimed to institutionalize fiscal coordination and trade mechanisms between the two sides, it entrenched significant structural dependencies particularly through the clearance revenue system and restricted trade autonomy (UNCTAD, 2020; World Bank, 2003).

6.1. Macroeconomic Comparison: Pre-Oslo, Post-Oslo, and Second Intifada

To fully understand the implications of such arrangements, it is essential to examine the broader trajectory of Palestinian economic performance over time. This chapter provides a comparative analysis of key macroeconomic indicators across three pivotal phases in Palestinian history: the period before the Oslo Accords (1987–1993), the post-Oslo years (1994–1999), and the years of the Second Intifada (2000–2002). These periods encapsulate shifting political and institutional realities from full occupation without Palestinian administrative control, to limited self-rule under constrained sovereignty, and finally to a phase of acute instability and financial collapse (Khalidi, 2006; MAS, 2004).

Indicator	Pre-Oslo (1987–1993)	Post-Oslo (1994–1999)	Second Intifada (2000–2002)
GDP Growth Rate	-1% to 1%	5–8%	-25 to -30%
Unemployment Rate	25–30%	18–22%	50–55%
Poverty Rate	30–35%	23–28%	Over 60%
Tax Revenue (USD millions)	200–250	350–400	50–100
Clearance Revenues (USD millions)	N/A	200–300	8
External Aid Dependency	High	High	Very High
Public Wage Bill as % of GDP	N/A	11–13%	15–20%

Table 8: Comparative Economic Indicators Table

Source: Compiled by the author based on data from World Bank (2003) and other institutional reports.

By analyzing GDP trends, employment levels, poverty rates, tax revenue performance, and fiscal reliance on external aid, this chapter seeks to highlight the interplay between taxation, economic resilience, and political context. The findings underscore how both negotiated frameworks and conflict-induced disruptions have shaped and continue to shape the fiscal capacity of the Palestinian Authority and the economic well-being of the population (World Bank, 2003; UNCTAD, 2020).

During the pre-Oslo period (1987–1993), the Palestinian economy experienced minimal or even negative GDP growth, ranging between -1% to 1%. This stagnation was largely attributed to the political instability and economic disruption caused by the First Intifada. In contrast, the post-Oslo years (1994–1999) saw a notable recovery in GDP, with growth rates between 5–8% driven by foreign investment, the establishment of the Palestinian Authority (PA), and international donor support. However, the onset of the Second Intifada (2000–2002) reversed this progress dramatically. The GDP contracted sharply by 25–30% due to closures, movement

restrictions, and the withholding of clearance revenues by Israel (World Bank, 2003; UNCTAD, 2020).

Unemployment followed a similar trend. In the pre-Oslo era, rates hovered around 25–30%, reflecting labor market volatility and limited access to employment in Israel. Post-Oslo, moderate improvements were observed with unemployment falling to approximately 18–22% due to job creation programs and the reopening of labor channels. However, the Second Intifada led to a collapse in employment, with more than 115,000 Palestinian workers losing their jobs in Israel. As a result, unemployment surged to over 50% in some areas (World Bank, 2003).

Fiscal indicators reflect the growing fragility of the Palestinian tax system across the three periods. Before Oslo, tax revenues were limited (\$200–250 million annually) due to Israeli administrative control. Following Oslo, revenues increased significantly (\$350–400 million), bolstered by the clearance revenue mechanism and expanded tax base under PA authority. Nonetheless, during the Second Intifada, fiscal performance deteriorated rapidly: tax revenues dropped to \$50–100 million, and clearance revenues nearly ceased (\$8 million), causing severe fiscal deficits and delayed public sector salaries (World Bank, 2003; MAS, 2004).

Poverty rates and dependency on foreign aid also evolved across these phases. Poverty affected around 30–35% of the population during the First Intifada, then slightly improved to 23–28% post-Oslo. However, by 2002, more than 60% of Palestinians were living below the poverty line, reflecting the socio-economic collapse caused by the Second Intifada. Throughout all periods, external aid remained a critical pillar, but reliance became extreme after 2000 due to the fiscal crisis and collapse of domestic revenue sources (Khalidi, 2006; World Bank, 2003).

In light of these findings, several policy recommendations emerge. First, the Palestinian economy requires greater financial independence through the development of an autonomous tax system less dependent on Israeli-controlled clearance revenues. Second, enhancing economic productivity and promoting private sector investment is vital to reduction of unemployment and poverty. Finally, improving the efficiency and transparency of tax collection, along with diversifying income sources, will strengthen fiscal resilience and reduce external aid dependency (UNCTAD, 2020; MAS, 2004).

6.2. Income Tax Systems in the West Bank and Gaza Strip

The following table outlines the legal and administrative differences between the income tax systems in the West Bank and Gaza Strip. It highlights the divergence in legislation, enforcement structures, and fiscal challenges faced under two distinct legal frameworks.

Aspect	West Bank	Gaza Strip
Applicable Law	Palestinian Income Tax Law No. 8 of 2011, amended in 2014, 2015, and 2016.	Egyptian Income Tax Law No. 14 of 1947, with limited local amendments
Supervising Authority	Ministry of Finance – General Directorate of Income Tax	Ministry of Finance in Gaza – Local tax office
Tax Bracket System	Progressive, from 5% to 15%	Outdated brackets, partially exempt
Exemptions	For low-income households and certain sectors	Limited and outdated
Legal Biases	Modern Palestinian legislation	Egyptian colonial-era legislation
Main Challenges	Tax evasion, enforcement issues	Legal duality, outdated enforcement

Table 9: Comparison of Income Tax System in the West Bank and Gaza Strip

Source: Compiled from Palestinian Income Tax Law No. 8 of 2011; Egyptian Law No. 14 of 1947; Hilles (2021); Sayre, (2021).

The comparative analysis of the income tax systems in the West Bank and Gaza Strip reveals critical legal and administrative fragmentation within the Palestinian fiscal structure. As the table illustrates, each territory operates under a distinct legal regime: The West Bank under a modern and regularly amended Palestinian law (No. 8 of 2011), and Gaza under an outdated Egyptian colonial-era law (No. 14 of 1947). This legal divergence is not merely technical it profoundly impacts the uniformity of tax policy implementation and the state's ability to manage its fiscal affairs coherently. The West Bank's system is relatively modern, progressive in structure, and aligned with basic principles of income redistribution. It provides clear exemptions for low-

income groups and specific sectors, reflecting a policy intent to promote social equity and economic in centivization. In contrast, the Gazan framework lacks effective adaptation to contemporary fiscal realities. Its outdated tax brackets and limited exemption policies hinder effective revenue collection and result in regressive outcomes.

This legal duality reinforces uneven enforcement capacities across the Palestinian territories. The West Bank, despite its legal clarity, struggles with widespread tax evasion and limited enforcement resources. Gaza, on the other hand, operates under a legally obsolete framework that undermines trust in the system and leads to institutional fatigue. Moreover, the absence of a unified national tax strategy further weakens the Palestinian Authority’s ability to negotiate international aid terms or apply fiscal reforms across territories.

Ultimately, the divergence illustrated in the table is symptomatic of broader political fragmentation and a lack of legal harmonization, which negatively affects revenue stability, transparency, and equity in fiscal governance. Addressing this disparity requires not only legal reform but also a concerted effort to unify institutional frameworks and restore public confidence in taxation as a pillar of national development.

6.3. VAT and Indirect Taxation Differences

The following table highlights the key differences between the West Bank and Gaza Strip regarding the legal basis, tax rates, and enforcement mechanisms of VAT and indirect taxes. These differences illustrate the institutional and economic fragmentation in Palestinian fiscal policy.

Aspect	West Bank	Gaza Strip
Legal Framework	Paris Protocol + Ministry of Finance regulations	Local adaptations, not aligned with central regulations
Applied Rate	15–16%, linked to Israeli rate (max 2% difference)	Roughly same, flexible due to local economic conditions
Fuel Tax	Set by Israel, transferred via clearance revenues	Locally imposed, may differ from WB
Tobacco/Telecom Taxes	Collected and transferred through Israel	Locally imposed and regulated
Challenges	Dependency on Israel, informal sector	Lack of transparency, weak enforcement

Table 10: VAT and Indirect Tax Comparison – West Bank vs. Gaza Strip

Source: Compiled by the author based on data from World Bank (2003); UNCTAD (2020); and other institutional reports.

The comparison of VAT and other indirect taxation systems between the West Bank and Gaza Strip underscores significant legal and operational disparities. In the West Bank, VAT is governed by the Paris Protocol and implemented under the supervision of the Ministry of Finance. The applied rate closely mirrors the Israeli VAT rate, with a permissible margin of deviation of no more than 2 percentage points. Conversely, the Gaza Strip applies VAT with greater flexibility, adapting it to local economic conditions due to its administrative separation from the centralized regulatory framework.

Fuel taxation in the West Bank is determined by Israeli authorities and collected through the clearance mechanism, making the PA fiscally dependent on Israeli rates and transfer policies. In Gaza, however, fuel taxes are imposed and collected locally, which may result in discrepancies in pricing and tax policy. Similarly, taxes on products like tobacco and telecommunications are collected through Israeli mechanisms in the West Bank, while in Gaza they are imposed directly by the local authorities.

The West Bank's key challenge lies in its dependence on Israel for both the rate-setting and the transfer of collected revenues, which restricts its fiscal autonomy. On the other

hand, Gaza’s tax system suffers from weak regulatory oversight, lack of transparency, and limited enforcement capacity, particularly due to institutional fragmentation and a struggling economy. These differences reflect broader political and economic fragmentation and hinder the formulation of a unified Palestinian tax policy.

6.4. Customs Management and Clearance Revenue Structures

The following table presents a comparative overview of the customs management and clearance revenue systems between the West Bank and the Gaza Strip. It highlights the legal basis, responsible authorities, and implementation challenges in each region.

Aspect	West Bank	Gaza Strip
Legal Reference	Paris Protocol – customs union with Israel	No effective implementation since 2007
Responsible Authority	Palestinian MoF in coordination with Israel	Gaza Ministry of Finance
Clearance System	Israel collects and transfers taxes monthly (~60–70% of PA revenue)	No clearance revenue; reliant on internal sources
Border Control	Israeli controlled borders (some PA role in Allenby Bridge)	Gaza borders managed independently (e.g., Rafah)
Customs Management	Unified with Israeli tariffs	Locally imposed, not harmonized
Challenges	Israeli deductions, revenue volatility	Lack of unified system, inconsistent rates

Table 11: Customs and Clearance Revenue Comparison – West Bank vs. Gaza

Source: Paris Economic Protocol (1994); Palestinian Ministry of Finance Reports

The comparison between customs and clearance systems in the West Bank and Gaza Strip reveals a deep institutional and fiscal fragmentation. In the West Bank, customs and clearance revenues are governed by the Paris Protocol, which established a de facto customs union with Israel. The Palestinian Ministry of Finance coordinates with Israeli authorities, with taxes on imports and labor collected and transferred monthly,

accounting for approximately 60–70% of PA revenue. This system, while structured, leaves the PA financially dependent on Israel's cooperation and discretion.

In contrast, Gaza has not implemented the Paris Protocol since 2007, and operates under a locally managed customs system without integration into the national framework. Revenue is derived internally, and border control particularly at the Rafah crossing is largely managed independently. This fragmentation results in differing customs rates and uncoordinated fiscal practices, impeding the development of a unified Palestinian tax and trade policy.

The West Bank faces challenges related to Israeli deductions and the volatility of monthly clearance transfers, whereas Gaza's main issues are the lack of harmonization, limited transparency, and enforcement inconsistencies. These disparities reflect the broader political and economic disunity within Palestinian governance structures.

6.5. Protocol vs. Practice: Evaluation of the Paris Agreement Implementation

The Paris Economic Protocol, signed in 1994 as part of the Oslo Accords framework, aimed to regulate the economic relationship between Israel and the Palestinian Authority. However, over the last three decades, significant discrepancies have emerged between the protocol's theoretical provisions and its real-world application. This comparison highlights these gaps, focusing on key economic domains such as taxation, trade, labor, and fiscal autonomy.

Protocol Clause	What the Protocol States	Actual Implementation	Observations & Analysis
Indirect Taxes	Establishes a unified customs envelope and shared VAT system.	Israel unilaterally sets VAT rates and controls clearance revenues.	Limited fiscal sovereignty and inconsistent revenue transfer.
Foreign Trade	Allows PA to sign trade agreements with third countries.	Israel obstructs implementation via control over borders and ports.	Trade freedom is de facto restricted; dependency persists.
Palestinian Labor	Labor flows to Israel are to be regulated and taxed in coordination.	Israel withholds 25% and uses access as political leverage.	Unreliable income source; tool for political pressure.
Direct Importation	Permits direct imports of basic goods by the PA.	Importation is still routed through Israeli-controlled crossings.	High logistical dependence undermines PA's trade capacity.

Table 12: Comparison between Protocol Provisions and Actual Implementation

Source: Hilles, R. (2021, January 7). The Palestinian Authority's Clearance Revenues Crisis: Causes, Effects, and Solutions. Al-Zaytouna Centre for Studies and Consultations.

This comparison underscores the institutional and political asymmetries embedded within the economic framework established by the Paris Protocol. Although it was originally envisioned as a foundation for economic cooperation, the protocol has in practice entrenched a structure of economic dependency. Israel's continued control over key fiscal levers such as VAT, labor taxes, trade access, and customs limits the Palestinian Authority's ability to exercise genuine economic autonomy. The overreliance on clearance revenues, which are subject to unilateral deductions and political conditions, exacerbates fiscal vulnerability. These structural flaws have led many economists and policy analysts to call for a renegotiation of the Paris framework or the gradual pursuit of fiscal independence by the PA.

CONCLUSION

This research has demonstrated that the Palestinian tax and economic system, as it stands today, is fragmented, outdated, and heavily constrained by both internal structural weaknesses and externally imposed limitations. Each chapter of the study has contributed to unveiling the multi-layered challenges that hinder fiscal sovereignty and economic development in Palestine.

Historically, the research traced how successive foreign administrations including the Ottoman, British, Jordanian, Egyptian, and Israeli left behind a patchwork of legal and tax frameworks that continue to shape the Palestinian fiscal system today. These inherited structures are largely incompatible with the socio-economic realities of contemporary Palestinian society and obstruct efforts toward building a unified and just taxation system. The chapters exploring the impact of the Nakba, the 1967 occupation, and the First and Second Intifadas illustrated how economic fragmentation, displacement, and institutional instability have systematically weakened national economic capacity. Especially during periods of uprising, the imposition of punitive taxes and the collapse of key sectors revealed the fragile nature of the Palestinian economy under occupation.

One of the most critical findings of the research lies in the analysis of the 1994 Paris Economic Protocol. While initially framed as a temporary agreement aimed at fostering economic cooperation, the Protocol has become a tool for prolonged fiscal dependency. The unilateral implementation of its provisions due to the suspension of the Joint Economic Committee and the absence of enforcement mechanisms has enabled Israel to impose deductions, restrict trade, and control clearance revenues and borders. This has deeply compromised the financial autonomy of the Palestinian Authority.

The national taxation policy, reviewed in light of existing legal sources and institutional structures, was found to be inefficient and regressive. Tax revenues are often misaligned with development priorities, social justice principles, or productive sector support. Widespread tax evasion and administrative fragmentation especially due to the political divide between the West Bank and Gaza further exacerbate these issues.

Most importantly, the comparative chapter added original value to this research by evaluating economic performance across three key phases: direct occupation, the implementation of the Paris Protocol, and periods of political uprising. This analysis revealed that the Protocol period, despite promising institutional reform and fiscal

cooperation, resulted in the least fiscal autonomy and greatest vulnerability to external control. In contrast, although periods of occupation and uprising were marked by instability, they allowed for more grassroots economic activity and internal resilience, albeit under pressure.

Policy Recommendations

In light of these findings, the study proposes the following recommendations:

- Comprehensive reform of tax legislation to eliminate outdated structures and align laws with modern Palestinian socio-economic realities.
- Reorienting tax policy from passive revenue collection toward an active tool for investment stimulation, production growth, and equitable development.
- Adopting digital and institutional mechanisms for monitoring trade, imports, and domestic tax compliance to reduce evasion and increase efficiency.
- Renegotiating or replacing the Paris Protocol with a binding and equitable economic framework based on mutual accountability and fiscal independence.
- Securing full Palestinian control over borders and clearance systems, essential for achieving true economic sovereignty and minimizing political interference.

Original Contribution

What sets this study apart is its integrated and comparative approach. By combining legal, economic, and historical analysis with updated fiscal data and critical evaluation of international agreements, it offers a grounded and timely reassessment of the Palestinian economic landscape. The findings make clear that fiscal dependency is not a technical flaw but a political outcome of occupation and asymmetric agreements. The study contributes both diagnostic insight and forward-looking strategies to inform future negotiations and policy reforms rooted in national rights and development priorities.

REFERENCES

- Abed, G. T. (Ed.). (1988). *The Palestinian economy: Studies in development under prolonged occupation*. Routledge.
- Abu Amer, K. (2021, April 19). *The evolution of the Palestinian Authority's public debt in its political and economic context* [In Arabic]. Al-Zaytouna Centre for Studies and Consultations. <https://www.alzaytouna.net/2021/04/19/ورقة-علمية-تطور-الدّين-العام-للسلطة-ا/>
- Abu El Naml, H. (1975). *Studies in the Israeli economy* (Palestine Essays No. 46). Palestine Liberation Organization Research Center.
- Abu Ghali, R. J. (2017). *The impact of Israeli practices on the economic conditions in the Palestinian territories*. Scientific Journal of Commercial and Environmental Studies, 8(3, Suppl.), 210–246. <https://search.emarefa.net/detail/BIM-1081862>
- Ahmad, A. (2023, February 15). *The PA's revenue structure and Israel's containment strategy*. Al-Shabaka: The Palestinian Policy Network. <https://al-shabaka.org/commentaries/the-pas-revenue-structure-and-israels-containment-strategy/>
- AJ+ Arabic. (2023, May 15). *The Palestinian Nakba as told by Historians*[Podcast episode]. YouTube. https://www.youtube.com/watch?v=F6_cheSL29I
- Al Jazeera. (2011, March 17). *The Palestinian division: A chronological sequence*. Al Jazeera. <https://www.aljazeera.net/news/2011/3/17/%D8%A7%D9%84%D8%A7%D9%86%D9%82%D8%B3%D8%A7%D9%85-%D8%A7%D9%84%D9%81%D9%84%D8%B3%D8%B7%D9%8A%D9%86%D9%8A-%D8%AA%D8%B3%D9%84%D8%B3%D9%84-%D8%B2%D9%85%D9%86%D9%8A>
- Al Jazeera. (2015, October 6). *Palestinian uprisings*. Al Jazeera Encyclopedia. <https://www.aljazeera.net/amp/encyclopedia/2015/10/6/%D8%A7%D9%86%D8%AA%D9%81%D8%A7%D8%B6%D8%A7%D8%AA-%D8%A7%D9%84%D9%81%D9%84%D8%B3%D8%B7%D9%8A%D9%86%D9%8A%D9%8A%D9%86>
- Al Jazeera. (2023, December 12). *The First Intifada (1987): A comprehensive uprising launched by the Palestinians*. Al Jazeera Encyclopedia. <https://www.aljazeera.net/encyclopedia/2023/12/12/انتفاضة-الحجارة-1987-ثورة-شاملة-أطلقتها>
- Al Jazeera. (2023, November 27). *Palestine and Israel: A brief history in maps and charts*. <https://www.aljazeera.com/news/2023/11/27/palestine-and-israel-brief-history-maps-and-charts>

- Al-Iqtisadi. (2024). Palestinian Trade Deficit Statistics. Retrieved from <https://www.aliqtisadi.ps/ar/Article/100194>
- Allabdy, T. (2023, December 26). *The Palestinian Economy is in Control of Colonialism and Conflict*, Institute for Palestine Studies. <https://www.palestine-studies.org/ar/node/1654911>.
- Alrjoub, A. (2022). 22 years since the Al-Aqsa Intifada. <https://www.aljazeera.net/amp/politics/2022/9/28/%D8%A7%D9%86%D8%AA%D9%81%D8%A7%D8%B6%D8%A9-%D8%A7%D9%84%D8%A3%D9%82%D8%B5%D9%89-%D8%A3%D8%AD%D8%AF%D8%A7%D8%AB-%D9%88%D8%B4%D8%AE%D8%B5%D9%8A%D8%A7%D8%AA>
- Alrjoub, A. (2022, December 5). 35 years since the Intifada of the Stones: 1,555 Palestinians were martyred and the policy of breaking bones was witnessed [In Arabic]. Al Jazeera. <https://www.aljazeera.net/amp/politics/2022/12/5/%D8%A7%D8%B3%D8%AA%D8%B4%D9%87%D8%AF-%D9%81%D9%8A%D9%87%D8%A7-1555-%D9%81%D9%84%D8%B3%D8%B7%D9%8A%D9%86%D9%8A%D8%A7-%D9%88%D8%B4%D9%87%D8%AF%D8%AA-%D8%B3%D9%8A%D8%A7%D8%B3%D8%A9>
- Alshuaibi, H. (2013). *Evaluation of the implementation of the Paris Economic Protocol* [in Arabic]. Palestine Economic Policy Research Institute (MAS). <https://library.palestineconomy.ps/public/files/server/20151205151601-2.pdf>
- Amin al-Budayri, H. (2002). *Aradi Filastin bayna al-Maza'em al-Sihyouniyyah wa Haqa'iq al-Tarikh* [Lands of Palestine between Zionist claims and historical facts]. Al-Amanah al-'Ammah. <https://ebook.univeyes.com/157905>
- Anadolu Agency. (2023, November 26). *Clearance: Mustafa faces a test that 18 Palestinian governments have failed*. <https://www.aa.com.tr/ar/التقارير/المقاصة-3175907/مصطفى-أمام-اختبار-أخفقت-فيه-18-حكومة-فلسطينية-إطار>
- Arab Republic of Egypt. (1947). *Income Tax Law No. 14 of 1947*. Ministry of Finance. Retrieved from <https://www.qanon.ps/news.php?action=view&id=12869>
- Arnon, A. (2007). *Israeli Policy towards the Occupied Palestinian Territories: The Economic Dimension, 1967–2007*. Middle East Journal.
- Aweida, H. (2003). *Privatization in the Palestinian Economy* [Unpublished Master's Thesis]. An-Najah National University. <chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://repository.najah.edu/server/api/core/bitstreams/41636d7e-c03e-46a4-9a20-2217d31839cd/content>
- Barghouti, S. O., & Totah, K. (2015). *History of Palestine*. Religious Culture Library. <https://www.noor-book.com/%D9%83%D8%AA%D8%A7%D8%A8->

%D8%AA%D8%A7%D8%B1%D9%8A%D8%AE-
%D9%81%D9%84%D8%B3%D8%B7%D9%8A%D9%86-pdf-1614139031

- Barin, B. (2014). The Ottoman Policy Towards Jewish Immigration and Settlement in Palestine: 1882-1920 [Unpublished Master's Thesis]. Middle East Technical University.
- British Mandate Government. (1940). *Urban Property Tax Ordinance No. 42 of 1940*. Qanon.ps. Retrieved from <https://www.qanon.ps/news.php?action=view&id=16711>
- Bseiso, F. H. (2016) *The Arab Economy in Palestine in the Era of the British Mandate 1920 - 1948 AD*. Palestinian Encyclopedia. noor-book.com/2qjzca
- Dwekat, A. (2021). Factors affecting the decision of income tax assessors in Palestine [Unpublished Master's Thesis]. An-Najah National University.
- European Commission. (n.d.). *Palestine*. EU Trade Policy. Retrieved May 18, 2025, from https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/palestine_en
- Gerber, H. (1985). *Ottoman Rule in Jerusalem, 1890–1914*. Klaus Schwarz Verlag.
- Granot Group. (n.d.). *Home*. Retrieved May 18, 2025, from <https://granot.co.il/en/>
- Hamada, S. (1939). *The economic system in Palestine*. AUB Press. noor-book.com/tcdb4f
- Hilles, R. (2021, January 7). *The clearance revenues crisis of the Palestinian Authority: Roots and repercussions* [In Arabic]. Al-Zaytouna Centre for Studies and Consultations. <https://www.alzaytouna.net/2021/01/07/ورقة-علمية-أزمة-إيرادات-المقاومة-للسل>
- Himdah, A. (1938). *Economic Organization of Palestine*. Beirut: American University of Beirut, p. 511.
- Institute for Palestine Studies (2003), *Palestine, Its History and Its Cause*. <https://www.scribd.com/document/692152118/%D9%83%D8%AA%D8%A7%D8%A8-%D9%81%D9%84%D8%B3%D8%B7%D9%8A%D9%86-%D8%AA%D8%A7%D8%B1%D9%8A%D8%AE%D9%87%D8%A7-%D9%88%D9%82%D8%B6%D9%8A%D8%AA%D9%87%D8%A7-%D9%83%D8%A7%D9%85%D9%84>
- Irsheid, S. (2007). The Impact Of the Oslo Accords and The Secound Intifada on Fattah Movment and the Palestinian Authorities. (Unpublished Master Theisies) Birzeit University
- Israel & Palestine Liberation Organization (PLO). (1994). *The Protocol on Economic Relations (Paris Protocol)*. Signed in Paris on April 29, 1994. Retrieved from <https://www.nad.ps/en/publication-resources/agreements/paris-protocol-economic-relations-1994>

- Jabari, K. M. A. (2023). *The positives and negatives on the Palestinian economy: The impact of the Paris Agreement on the Palestinian reality* (Master's thesis, Hebron University). Hebron University Institutional Repository. <https://dspace.hebron.edu/jspui/handle/123456789/1276>
- Jaber, F. (2017). *Freedom from occupation dependency and the pursuit of tax justice*, Socio-Economic Policy Observatory.
- Jiryis, S. (1977). *History of Zionism - Part 1 - 1862 1917*. Palestine Liberation Organization Research Center. noor-book.com/ufciv3
- Jordanian Government. (1954). *Buildings and Land Tax Law within Municipal Areas No. 11 of 1954*. Official Gazette of the Palestinian Authority. Retrieved from <https://mjr.ogb.gov.ps/MergedLegislations/ViewText/102>
- Jordanian Government. (1955). *Land Tax Law No. 30 of 1955*. Retrieved from [https://khaderaudit.com/.../14-01+1955+السنة+\(30\)+رقم+الاراضي+ضريبة+قانون.pdf](https://khaderaudit.com/.../14-01+1955+السنة+(30)+رقم+الاراضي+ضريبة+قانون.pdf)
- Jordanian Government. (1962). *Customs and Excise Law No. 1 of 1962*. Maqam Legal Database, An-Najah National University. Retrieved from <https://maqam.najah.edu/legislation/148/>
- Karsh, M. (2017, May 23). *The Palestinian Economy Victimized by the Paris Economic Agreement*, General Union of Palestinian Economists. <https://www.gupe.plo.ps/article/25/>.
- Khalidi, R. (2006). *The Iron Cage: The Story of the Palestinian Struggle for Statehood*. Beacon Press.
- Khalla, K. M. (1982). *Palestine And The British Mandate 1922 1939 AD*. General Establishment for Publishing, Distribution and Advertising. noor-book.com/en/bsy1aq
- Mahajne, H. (2021). *Ways to Confront the Paris Agreement and the Piracy of Clearing Funds* [Unpublished Master's Thesis]. An-Najah National University.
- Mahani, A. (2010). *The British and Zionest Relations in Palestine 1918-1936* (unpublished Master Theisis). The Islamic University.
- MAS (2004). *Palestinian Economic Performance Under Occupation*. Ramallah: MAS Institute.
- MAS (2013). *The Palestinian Economy 20 Years After the Oslo Accords*. https://mas.ps/cached_uploads/download/migrated_files/20141111133725-1640016980.pdf.
- MAS (2024, March 4). *A Glimpse Into the Misfortunes of the Palestinian Economy - MAS Issues the Quarterly Economic Monitor Issue 75*. <https://mas.ps/news/9672.html>.

- Mekdadi, I. J. Y. (2009). *British-Zionist relations in Palestine 1936-1948 AD*, Unpublished Master's Thesis, Islamic University Department of History and Archeology, College of Arts, Gaza
- Mousa, S. S., & Jaafari, M. (1995). *The Authority and Trade: The Israeli–Palestinian Economic Protocol*. Institute for Palestine Studies, 6(21), 1-28
<https://www.palestine-studies.org/ar/node/34573>
- Mseimi, D. (2006). Tax policy and its role in developing the Palestinian economy, (Unpublished Master Theses) Alnajah University.
- OCHA. (2024). *Humanitarian Update on Gaza Crossings*. Retrieved from <https://www.ochaopt.org/data/crossings>
- Okasha, A. K. (1993). *Readings in the economic history of Palestine 1920 - 1948 AD*. Dar Al Kateb for Printing and Publishing. [file:///C:/Users/PC/Downloads/32668146%20\(1\).pdf](file:///C:/Users/PC/Downloads/32668146%20(1).pdf)
- Ozdemir, H. (2013). *Palestine in the Ottoman era and the screams of Sultan Abdul Hamid II*. (W.A. Al-Qat, translate.). İstanbul, İsik yayinlari (original publication date 2013).
- Ozreil, B. (2017). The impact of the Paris Economic Protocol on tax revenues in Palestine [Unpublished Master's Thesis]. Al-Quds University
- Palestinian Authority. (1994). *Presidential Decree No. 184 of 1994 on the establishment of the Palestinian Monetary Authority*.
- Palestinian Authority. (1998). *Investment Promotion Law No. 1 of 1998*. Maqam Legal Database, An-Najah National University. Retrieved from <https://maqam.najah.edu/legislation/251/>
- Palestinian Authority. (2011). *Decree Law No. 2 of 2011 amending the Investment Promotion Law No. 1 of 1998*. Maqam Legal Database, An-Najah National University. Retrieved from <https://maqam.najah.edu/legislation/984/>
- Palestinian Authority. (2011). *Income Tax Law No. 8 of 2011*. Muqtafi Legal Database, Birzeit University. Retrieved from <https://muqtafi.birzeit.edu/pg/getleg.asp?id=16266>
- Palestinian Authority. (2015). *Decree Law No. 5 of 2015 amending the Income Tax Law No. 8 of 2011*. Muqtafi Legal Database, Birzeit University. Retrieved from <https://muqtafi.birzeit.edu/pg/getleg.asp?id=16702>
- Palestinian Authority. (2016). *Decree Law No. 14 of 2016 amending the Income Tax Law No. 8 of 2011 and its amendments*. Muqtafi Legal Database, Birzeit University. Retrieved from <https://muqtafi.birzeit.edu/pg/getleg.asp?id=16814>

- Palestinian Authority. (2020). *Decree Law No. 33 of 2020 amending the Investment Promotion Law No. 1 of 1998*. Maqam Legal Database, An-Najah National University. Retrieved from <https://maqam.najah.edu/legislation/553/>
- Palestinian Central Bureau of Statistics. (2014). *Economic forecasts for 2015 and economic performance of Palestine in 2014*. Ramallah, Palestine. <https://www.pcbs.gov.ps>
- Palestinian Legislative Council. (1997). *Law No. 2 of 1997 on the Palestinian Monetary Authority*. Maqam Legal Database, An-Najah National University. Retrieved from <https://maqam.najah.edu>
- Palestinian Ministry of Finance. (2024). *Monthly financial reports*. Ramallah: MOF. Retrieved from <https://www.mof.pna.ps/>
- Palestinian Ministry of Labor. (2024). *Quarterly labor bulletin* [in Arabic]. Ramallah: Ministry of Labor. <https://mol.pna.ps/>
- Palumbo, M. (1990). *How were the Palestinians expelled from their homes in 1948?*. Al-Hamra. https://ebook.univeyes.com/69356#google_vignette
- Rogan, E., & Shalem, I. (2001). *The Palestine War: Rewriting the History of 1948*, (N. Afifi, translate).
- Sayre, E. A. (2021). *Public debt development of the Palestinian Authority in its political and economic context*. Research Gate. https://www.researchgate.net/publication/356252186_Public_Debt_Development_of_the_Palestinian_Authority_in_its_Political_and_Economic_Context
- Scholch, A. (1993). *Radical transformations in Palestine 1856-1882: studies on economic, social, and political development*. (K. J. Al-Asali, translate.). Almana, franz steiner verlag (original publication date 1988).
- Shahin, F. (2021). *The Oslo Accords and its Impact on the Arab World 1993* (Publication No.10.21608) [Doctoral dissertation, Tanta University]. Scientific Journal of the College of Arts.
- Shalash, F. (2019, April 29). *On its anniversary: What did the Paris Agreement do to the Palestinian economy?* [In Arabic]. Arabi21. <https://arabi21.com/story/1178033/بذكرة-ها-ماذا-فعلت-اتفاقية-باريس-بالاقتصاد-الفلسطيني>
- Smith, C. D. (2016). *Palestine and the Arab-Israeli conflict: A history with documents* (8th ed.). Bedford/St. Martin's. [chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.rahs-open-lid.com/wp-content/uploads/2024/01/Smith-Charles-D.-Palestine-and-the-Arab-Israeli-Conflict-Bedford_St.-Martin_s-2016.pdf](https://www.rahs-open-lid.com/wp-content/uploads/2024/01/Smith-Charles-D.-Palestine-and-the-Arab-Israeli-Conflict-Bedford_St.-Martin_s-2016.pdf)
- Stein, K. W. (1984). *The Land Question in Palestine, 1917-1939*. University of North Carolina Press. <https://books.google.com.tr/books?hl=en&lr=&id=qYxGDgAAQBAJ&oi=fnd&>

pg=PT8&dq=1920+lands+law+palest%C4%B1ne+&ots=9mPD34k4_j&sig=nBjdiBCE5xiTMhQBarYbVh8kFrS&redir_esc=y#v=onepage&q=1920%20lands%20law%20palest%C4%B1ne&f=false\

Tarbein, A. (2016). *Palestine during the British Mandate*. Noor Library. <https://www.noor-book.com/كتاب-فلسطين-في-عهد-الانتداب-البريطاني-د-احمد-طربين-pdf>

UNCTAD (2020). Report on UNCTAD assistance to the Palestinian people: Developments in the economy of the Occupied Palestinian Territory. United Nations.

UNCTAD. (2024). *Economic Crisis in the Occupied Palestinian Territory Amid the Gaza Conflict*. Retrieved from <https://unctad.org/news/economic-crisis-worsens-occupied-palestinian-territory-amid-ongoing-gaza-conflict>

UNCTAD. (2024). *Report on UNCTAD Assistance to the Palestinian People*. Retrieved from <https://unctad.org/publication/report-unctad-assistance-palestinian-people-0>

United Nations Security Council. (1967, November 22). *Resolution 242 (S/RES/242)*. United Nations. [https://undocs.org/S/RES/242\(1967\)](https://undocs.org/S/RES/242(1967))

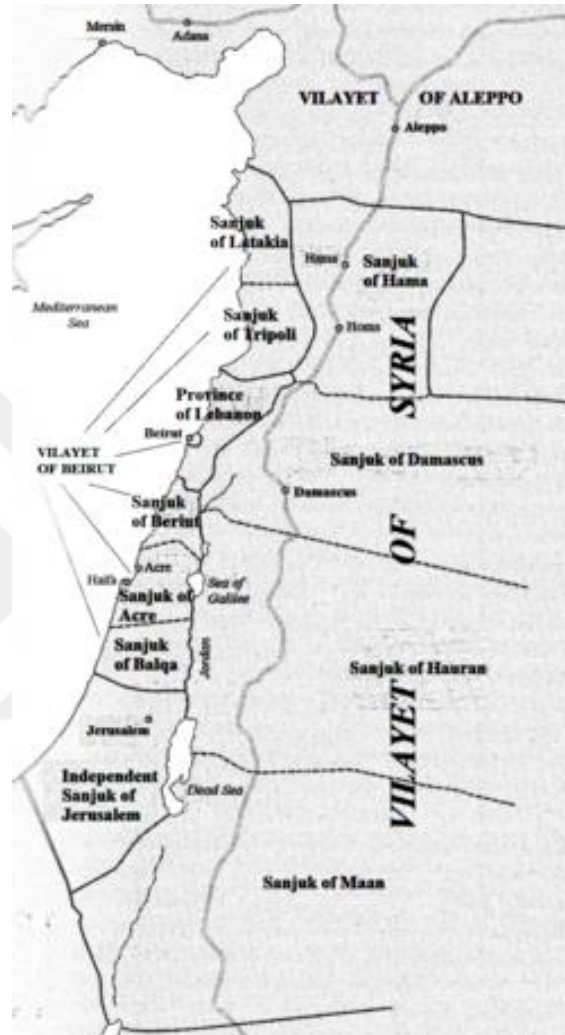
Wikipedia contributors. (n.d.). *Beirut Vilayet*. Wikipedia. Retrieved May 18, 2025, from https://en.wikipedia.org/wiki/Beirut_vilayet

World Bank. (2003). *Intifada, closures and Palestinian economic crisis: An assessment*. Washington, DC: The World Bank. Retrieved from <https://documents.worldbank.org/curated/en/616581468765333893/pdf/263141270months0Intifada10Closures.pdf>

World Bank. (2024). *Fiscal outlook for the Palestinian territories*. World Bank Group. <https://www.worldbank.org/en/country/westbankandgaza>

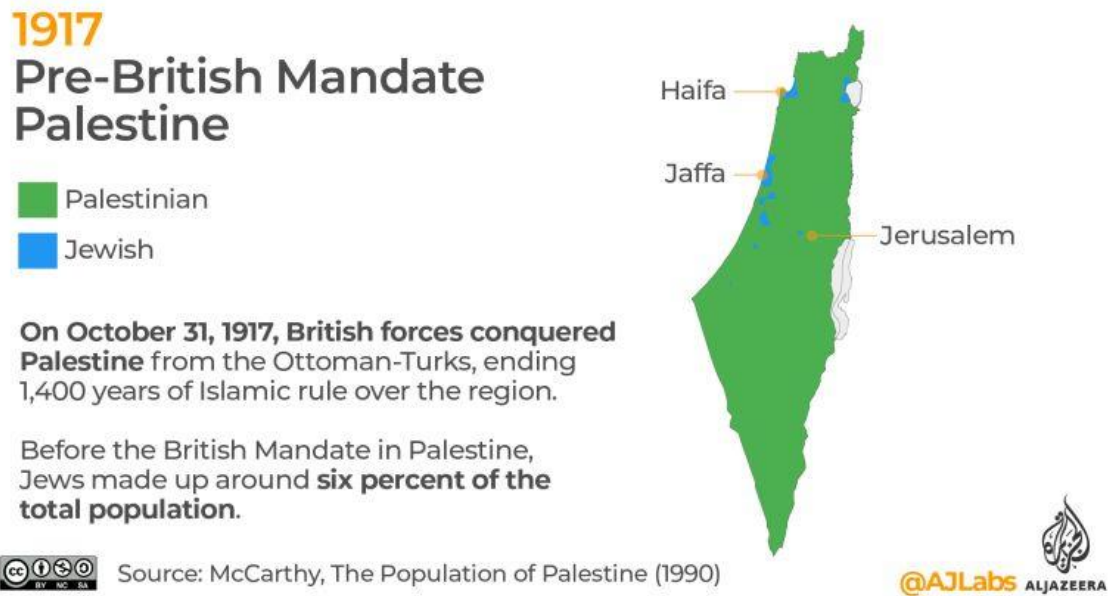
APPENDIX

Appendix 1: Map of the Ottoman Levant (Showing the Beirut Vilayet and its Sanjaks).



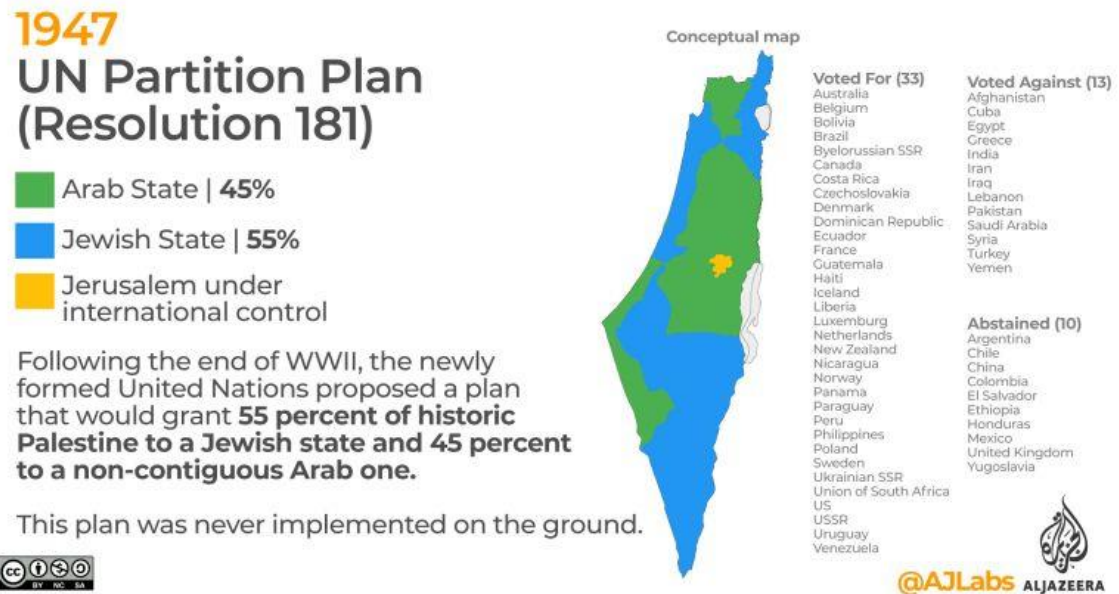
Source: Wikipedia contributors. (n.d). *Beirut Vilayet*. Wikipedia. Retrieved May 18, 2025, from https://en.wikipedia.org/wiki/Beirut_vilayet (Accessed: 30\ 05\ 2025).

Appendix 2: Map of Mandate Palestine



Source: Al Jazeera. (2023, November 27). *Palestine and Israel: A brief history in maps and charts*. <https://www.aljazeera.com/news/2023/11/27/palestine-and-israel-brief-history-maps-and-charts> (Accessed: 30\ 05\ 2025).

Appendix 3: The United Nations Partition Plan



Source: Al Jazeera. (2023, November 27). *Palestine and Israel: A brief history in maps and charts.*
<https://www.aljazeera.com/news/2023/11/27/palestine-and-israel-brief-history-maps-and-charts>
(Accessed: 30\ 05\ 2025).

Appendix 4: Map of Palestine in 1948



Source: Al Jazeera. (2023, November 27). *Palestine and Israel: A brief history in maps and charts*.
<https://www.aljazeera.com/news/2023/11/27/palestine-and-israel-brief-history-maps-and-charts>
(Accessed: 30\ 05\ 2025).

Appendix 5: Map of Palestine in 1967



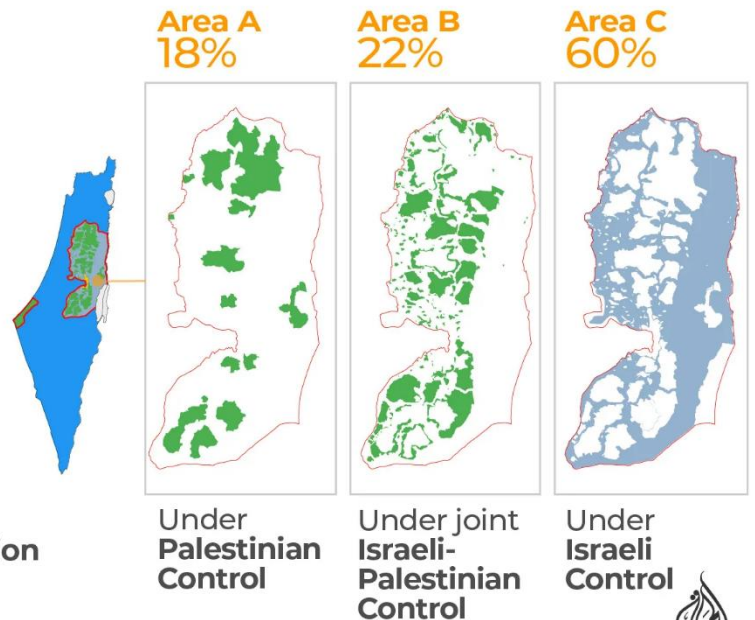
Source: Al Jazeera. (2023, November 27). *Palestine and Israel: A brief history in maps and charts*.
<https://www.aljazeera.com/news/2023/11/27/palestine-and-israel-brief-history-maps-and-charts>
(Accessed: 30\ 05\ 2025).

Appendix 6: Map of Palestine After Under the Oslo Accords (1993 & 1995).

1993 & 1995 Oslo accords

-  Palestinian (under Israeli occupation)
-  Israeli
-  Area C - (Palestinian under Israeli control)

The occupied West Bank was **divided into three areas** - A, B and C - as part of the Oslo Accords, signed by the **Palestine Liberation Organization (PLO)** and Israel.



Source: Al Jazeera. (2023, November 27). *Palestine and Israel: A brief history in maps and charts*.

<https://www.aljazeera.com/news/2023/11/27/palestine-and-israel-brief-history-maps-and-charts>

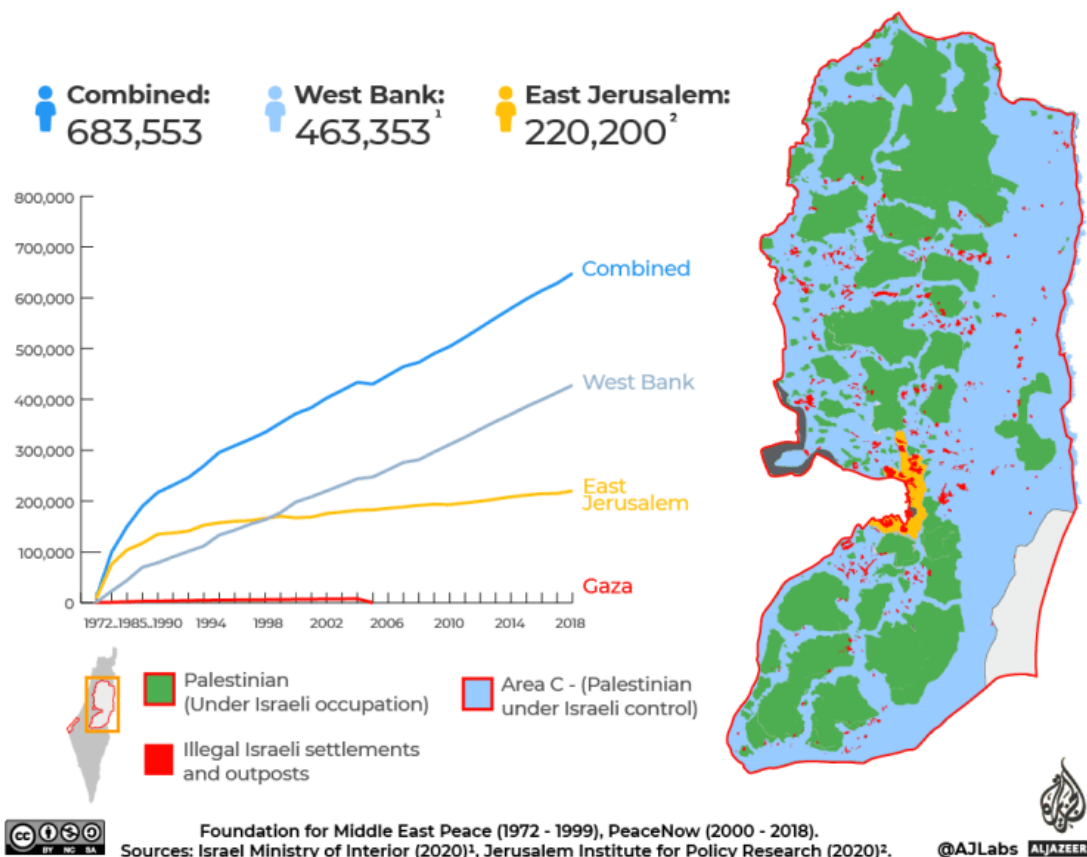
(Accessed: 30\ 05\ 2025).

Appendix 7: Map Of The Illegal Israeli Settlements (in the West Bank and Jerusalem)

OCCUPIED WEST BANK

Illegal Israeli settlements

Settlements are Jewish compounds built on Palestinian land. Between 600,000 and 750,000 Israeli settlers live in at least 290 settlements and outposts in the occupied West Bank and East Jerusalem. **Israeli settlements are illegal under international law.**



Source: Al Jazeera. (2023, November 27). *Palestine and Israel: A brief history in maps and charts*.
<https://www.aljazeera.com/news/2023/11/27/palestine-and-israel-brief-history-maps-and-charts>
(Accessed: 30\ 05\ 2025).

CURRICULUM VITAE

Full Name: Alaa ISIFAN	
Education Information (Undergraduate)	
University	Birzeit University
Faculty	Law and Political Science
Department	Law
Articles and Papers	
1. Isifan, A. (2023). İsrail'in Hapishanedeki Filistinli Esirlerin Durumları ve Uluslararası Hukuktaki Yeri. International Scientific Research Congress (UBAK), 18, 240- 248. https://www.ubak-symposium.org/kitaplar/ubak_18_sosyal_tammetin_kitap_.pdf	