

What Kind of Palestinian State in 2011?

Neoliberalism and World Bank Diktats

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In December 2007, the Palestinian National Authority (PA), in close consultation with donor states and institutions like the International Monetary Fund (IMF) and World Bank, proposed the Palestinian Reform and Development Plan (PRDP), a program based on “rebuilding the Palestinian national institutions” and “developing the Palestinian public and private sectors.”[1] To augment this plan, the PA further presented in August of 2009 a program titled Palestine: Ending the Occupation, Establishing the State, this latter program was much more explicit about a time frame for the declaration of a Palestinian state.[2] Salam Fayyad, current unelected PA Prime Minister and former World Bank employee, put forward this document (henceforth the Fayyad Plan) insisting that, despite the occupation, Palestinians need to be building the “infrastructure for a future state.” The report calls upon “our people, including all political parties and civil society, to realize this fundamental objective and unite behind the state-building agenda over the next two years.” Fayyad’s intention is to unilaterally declare a Palestinian state in 2011 based on the June 4, 1967 borders.

The importance of the PRDP is signaled by the fact that international aid to the PA is contingent on implementation. A specific bank account under the control of the World Bank was set up for this purpose. In the Canadian context, the Canadian International Development Aid (CIDA) website explains that “programming for the West Bank and Gaza is aligned with the requirements identified in the Palestinian Reform and Development Plan for 2008-2011.”[3]

Essentially, Fayyad’s PA must follow the dictates of the World Bank and Western powers to assure access to funds and, so far, they seem extremely willing to do so. The boycott of Hamas by Western powers (the Canadian state being the first to cut aid) and the siege on Gaza serve as an example to the West Bank PA leadership of what would await them if they stray from this model of state-building.

In an interview with Ma’an news in July 2009, Fayyad explained:

“The basic and fundamental objective is that two years from now, anyone, looking at us from any corner of the world ... it will be very difficult for him or her not to conclude that Palestinians are indeed ready for statehood, and if the occupation is still around then, that will be the only thing that is abnormal and that needs to end.”

Understanding the logic of the Fayyad Plan is critical to assessing the current state of the Palestinian struggle. Often the analytical emphasis is placed on Israeli action, while internal Palestinian politics are ignored. However, the shifts taking place within the Palestinian

Occupied Territories such as the increased power of a Palestinian elite class, and the hand-picking of Fayyad to implement neoliberal reforms, are vital to understand because they pose significant obstacles to Palestinian prospects for self-determination.

‘Economic Development First’, Statehood Later

Palestine: Ending the Occupation, Establishing the State is a 54 page report explaining Fayyad’s vision, peppered with every World Bank catch-phrase imaginable from “institution-building” to “efficiency” leading all the way to “human development.” Once the various layers of rhetoric are cleared, the basic idea is to have a fully functioning, neoliberal state apparatus in place before a Palestinian state is declared. Fayyad’s program completely adheres to the World Bank paradigm of fiscal austerity, open markets for foreign investment and an emphasis on export-led development.

The neoliberal vision espoused by Fayyad works in tandem with the Israeli government’s plans for Palestinians and integrates the Occupation in the planning for a future Palestinian state. It was Netanyahu who announced in 2008 his intention to “weave an economic peace alongside the political process which will give a stake in peace for the moderate elements in the Palestinian society.”[4] This “economic peace” is one that guarantees security and access to Palestinian markets to Israel – without the need to take any responsibility for the population.

It is important to note Salam Fayyad is not an elected Prime Minister, but was appointed by PA President Mahmoud Abbas (whose own term in office has been extended without elections). Fayyad’s first appointment, on 15 June 2007, was justified on the basis of “national emergency” after Hamas took over the Gaza strip. He has not been confirmed by the Palestinian Legislative Council, the Palestinian Authority’s Parliament. The neoliberal logic of the World Bank is not foreign to Fayyad. He was a World Bank employee from 1987–1995. He later was the IMF representative to the Palestinian National Authority until 2001. A good gauge of Fayyad’s popularity among Palestinians is the 2006 Palestinian Legislative elections where he ran for a new Party that he helped found called The Third Way. At the time he received less than 3% of the vote. Although many have challenged the legality of his position, he is the individual that Western powers have chosen to implement their plan for Palestinian ‘statehood.’ He has been showered with praise from various leaders, including Israeli President Shimon Peres who called him a “Palestinian Ben Gurion.”

The Fayyad Plan has gained tremendous support from the Western powers. Shortly after the plan’s publication the Obama Administration announced a \$20-million grant to back the effort. Congress approved a \$200-million deposit into the PA treasury. Since the treasury falls under Fayyad’s direct control he now has effective control over the West Bank economy and the political process. It is increasingly evident he is being groomed to take over from PA President Mahmoud Abbas.

Fayyad is certainly a creative thinker. He has come up with a one-of-a-kind model for achieving statehood: instead of resisting the occupation, the focus is placed on building state institutions and a functional neoliberal economy. This will somehow make the occupying power grant Palestinians independence because they will realize that the colonized are civilized enough to have ‘good fiscal policy’ and an ‘efficient public sector.’

This of course begs the simple question: a state over what territories? With the continued building of settlements, with the apartheid wall and its network of Israeli-only roads – all that

is left are Palestinian Bantustans. Fayyad's plan does envision development in areas of the West Bank that Israel fully controls: how this will be achieved without Israeli approval is not explained. But, for the sake of argument, let us suspend the reality on the ground, pretend that there isn't an occupation, and analyze the logic of this Fayyad PA vision.

Less Public Welfare, More 'Security'

The Palestinian economy has been devastated by the continued Israeli occupation. Israeli control over borders and restriction on movement means that a viable Palestinian economy cannot grow. Israel has also worked diligently to replace Palestinian labour in its own markets with migrant labour so it could sever any reliance on Palestinian workers (as strikes were an effective form of resistance in the first Intifada). The PA, as it emerged after the Oslo Accords in 1994, was not designed to achieve economic independence from Israel by any means; rather, the agreements cemented Israeli control over the West Bank. In the 1994 Paris Protocol, for example, an economic agreement signed between the Palestinian Authority and the Israeli government, the PA agreed to cede ultimate control over imports and exports to Israel. After the election of Hamas and the cutting of aid from donor countries – it became glaringly apparent that as an entity the PA is fully reliant on outside funding for its survival.

Any talk of economic development for the West Bank that enables Palestinians to survive the reality of Israeli closures and to become self-reliant in order to sustain the resistance and remain on the land, would be more than welcome. However, the Fayyad Plan has nothing to do with developing a sustainable Palestinian economy. The economic development model put forward in his program is a normalization model reliant upon persuading Israel and the international community that Palestinians could be both good trade partners and cheap labour.

More specifically, the Fayyad's Plan is designed to cut-back public-sector spending on welfare and social needs, while simultaneously strengthening the security apparatus of the PA. One need only look at the economic reforms Fayyad's PA has implemented thus far.

To illustrate, the World Bank presented in 2009 a progress report on the implementation of the PRDP titled, "A Palestinian State in Two Years: Intuitions for Economic Revival." The report explains that one of the most important reforms the PA has implemented is to "control the public sector wage bill." This component is essentially a wage freeze and slashing of the public sector, designed to "maintain the 2009 public sector wage bill in line with the 2009 annual budget and reduce the wage bill to less than 22 percent of GDP." [5]

Another 'reform' is to "institute measures to increase collection of electricity bills from users and to continue to distribute at least 20,000 pre-paid electricity meters and reduce net lending to 6 percent of GDP." This shift is designed to force a population – already impoverished due to the occupation – to live without electricity if they do not pay their bills. It is worth noting that the West Bank depends on the Israeli Electric Company (IEC) to supply the majority of its power through three substations located in the Ariel settlement, the Atarot industrial settlement and the area C region near Hebron. [6] Essentially, the PA is collecting the bills for the Israeli company. The fact that the power stations are also located inside illegal settlements, means that the program is de facto accepting that settlements will exist in the future Palestinian state.

The PA has also introduced pension reform, where they will adopt “an action plan to reduce PA short term pension liabilities and begin to implement the plan by including measures in the 2010 budget that will reduce PA pension liabilities and put the PA pension schemes gradually back on a path to ensure their financial sustainability.” This measure is designed to reduce the pensions they are paying out to people who used to work for the Palestinian Liberation Organization and the Palestinian Authority. Not only does this have a financial impact, but an accompanying political aim. The Fayyad government is forcing many members of the different factions (mainly Fatah with the largest share of PA jobs) to take their pensions in lump sums and leave their current posts. This is a political cleansing of the old guard of Fatah from the public sector, to be replaced by a younger generation of technocrats more in tune with World Bank standards.

The neoliberal program that the PA is pursuing thus promises severe cut backs to the social provisions of the authority. But, as with similar neoliberal programs around the world, this should not be interpreted as a cutback to the state itself. Concurrent with the slashing of social spending, the budget for the repressive arm of the state is skyrocketing. As the donors poured money into Fayyad’s plan, \$109-million was committed in 2009 to finance an expanded training program for the PA security forces. These security forces have been under Fayyad’s control since 2005, supervised by U.S. Lt.-Gen. Keith Dayton. To make the point that what’s being created is by no means an independent security force for a future sovereign state, all the new personnel are vetted by the Israeli secret security apparatus, the Shin Bet, before being able to join the force.

According to the World Bank report, of the 2,790 increase in employment in the Palestinian Authority in 2009, there was a 1,325 increase in members of the security forces. In other words, nearly half of the number of jobs created in the Palestinian Authority were in the security sector. Over the same period of time, the Ministry of Health lost 94 workers.

The same report stressed:

“Undoubtedly, one most important recent developments in the West Bank has been the continued improvement in the security situation. There have been few acts of large-scale violence in the past year and the PA is pushing forward with its efforts to professionalize its security forces and expand their operations throughout the West Bank. With the help of the office of the U.S. Security Coordinator under the leadership of Lt. Gen. Keith Dayton, the PA has trained and equipped three new battalions of security forces and is currently training a fourth. These new forces have been deployed in cities like Jenin, Nablus, Bethlehem, Ramallah, and parts of Hebron.”[7]

In a speech to the Washington Institute of Near East Policy, Dayton explained:

“What we have created are new men ... [men who] believe that their mission is to build a Palestinian state ... Upon the return of these new men of Palestine, they have shown motivation, discipline and professionalism, and they have made such a difference – and I am not making this up – that senior IDF commanders ask me frequently: ‘how many more of these new Palestinians can you generate, and how quickly, because they are our way to leave the West Bank’.”[8]

In short, the Dayton-led security plan is designed to assist the Israeli military in controlling

the population without a direct physical presence in Palestinian towns and villages. The training for this force includes a four-month program at the Jordanian International Police Training Center, staffed by U.S. and Jordanian personnel (interestingly Jordan has become a base for training different security forces across the region, the main one being the Iraqi security forces). Dayton explained that “the U.S.-developed curriculum focuses on human rights, proper use of force, riot control, civil disturbances, unit cohesion, and leadership.”

There have been numerous reports of full security cooperation between the Israeli military and Fayyad’s Dayton-trained forces. Recently, when there were calls for demonstrations in the West Bank against settlement activities in Jerusalem, the PA police warned that no demonstrations would be allowed without permits. The idea of a population under occupation seeking permits from its own (non-elected) authorities to demonstrate against the occupiers speaks volumes to the nature and function of the PA.

The main security challenge Dayton boasts about in his speech though is Operation Cast Lead, Israel’s brutal war against the population in Gaza. Hamas had called for ‘days of rage’ across the West Bank during the war, but “the professionalism and competence of the new security forces guaranteed a measured and disciplined approach. They allowed demonstrations but prevented them from becoming violent, keeping the protesters away from Israelis.” Dayton continues that “the IDF even felt comfortable enough to deploy major units away from the West Bank in order to help in Gaza.” Dayton, was frank when speaking to the Washington Institute for Near East Policy, that it is an international team leading the effort to build these security forces. He explained that “its ongoing work in the Israeli-Palestinian arena has been shaped by significant contributions from Canada, the United Kingdom, and Turkey.” The Canadian role, in particular, is disturbing, aside from recently shifting aid from the United Nations Relief and Works Agency (UNRWA) to the Palestinian Authority for the purpose of strengthening the PA position, according to Dayton “the Canadian contingent – which includes highly proficient Arabic linguists – travels about the West Bank freely” and their work is invaluable to the mission.

Trade Cooperation and Border Management

Explicit in Fayyad’s economic development program is an emphasis on setting up the West Bank infrastructure for trade with Israel. The World Bank report on the Fayyad Plan is very clear about this point, noting that “for the recent upturn in the West Bank economy to translate into a sustained economic recovery, the relaxation of movement and access restrictions within the West Bank must be supplemented by further opening that allows a vigorous revival of Palestinian trade with Israel and the rest of the world.”[9]

From its side, Israel has completed construction of six commercial crossings between Israel and the West Bank. Almost all Palestinian commercial goods are required to be shipped through these crossings using a ‘back-to-back system.’ The World Bank goes on to say that “cooperation between the Government of Israel and the PA is critical in order for the PA to establish a presence at the borders of the West Bank and Gaza to ensure that it captures a high proportion of what is owed in value added tax and import duties.”[10] Part of increasing ‘fiscal sustainability,’ according to the report, is the PA’s ability to collect domestic tax revenues for the future Palestinian state.

The absurdity of the situation becomes even clearer. The World Bank continues on to say that the “PA is currently moving to establish a competent border management system that can be put in place at the commercial crossings and the borders of the future state.” The PA

has even formed a border management authority. As a dependent economy, the Palestinian Authority will be reliant on imports from Israel in order to sustain itself. The role of the PA will not be to control its borders, but to 'manage' them. At the same time – because once a state is declared and 'peace' is achieved, normal trade relations would commence between Israel, the PA and the rest of the Arab World – the PA-controlled West Bank state becomes an entry point for Israeli goods into the rest of the Arab world.

In this way, the Fayyad Plan is nothing but a normalization mechanism, that evades the political and social conditions of the Occupation. It is a preparatory stage for establishing proper trade routes between Israel and the rest of the Arab world.

What Kind of State?

There is a growing consensus among the major powers around establishing a Palestinian state. In his speech in Cairo in June 2009, Obama was clear about his objectives:

“the only resolution is for the aspirations of both sides to be met through two states, where Israelis and Palestinians each live in peace and security. That is in Israel’s interest, Palestine’s interest, America’s interest, and the world’s interest...now is the time for Palestinians to focus on what they can build. The Palestinian Authority must develop its capacity to govern, with institutions that serve the needs of its people.”[\[11\]](#)

Money has been dedicated to this project and 'moderate' Palestinians have been chosen in order to achieve this goal. While Israel has spoken out against unilateral declaration of a state, they, too, are happy to see an 'economic peace' with Palestinians that guarantees them the territories and their resources without having to govern the people.

The real issue is what kind of state is being put forward? Looking at any other Arab dictatorship gives a strong indication of what awaits Palestinians if such a state is declared: failed economies, mired in debt to western powers and the World Bank, with enormous security apparatuses to keep the 'peace.'

The Fayyad Plan, instead of challenging the occupation, seeks to integrate its policies and infrastructure into a future state. Fayyad's effort to create normal economic life in the West Bank compliments the vision of the Israeli state. It is aimed at silencing Palestinians with employment in a setting of economic desperation (within joint Israel/PA industrial zones) and no real national self-determination.

The Palestinian struggle for liberation, however, has never been an issue of simply statehood. The Palestinian struggle is an anti-colonial, anti-racist one seeking justice for an indigenous population that was ethnically cleansed from their land in 1948. In all these discussions about a state, the right of return of Palestinian refugees is sidelined. In PA documents, there is now only a referral to a 'just solution,' and not a 'right of return.' Any proposed state or entity for Palestinians that actually ignores the majority of the Palestinian population, namely the refugees, cannot be a basis for a just peace. This proposed state also does not address the discrimination that is faced by Palestinian citizens of Israel. Some will claim that demanding the right of return or equality for Palestinian citizens of Israel is utopian, and that Palestinians should accept whatever they are being offered because of the so-called 'consensus of the international community.' What fuels anti-colonial movements though is not an acceptance of what colonizers have to offer – rather a defiance to demand

the seemingly impossible and to fight for it.

While there is an attempt to narrow the Palestinian struggle to an issue of building state-institutions in the West Bank (while Gaza remains under a brutal siege), the Palestinian-led [Boycott Divestment and Sanctions](#) (BDS) movement speaks to the unity of the Palestinian nation. The BDS campaign demands rights for Palestinian refugees, those living under occupation in the WB and Gaza, and Palestinian citizens of Israel. We are witnessing the emergence of a Palestinian alternative to the failed paradigm of normalization and neoliberal development that has come to animate the PA. It will take some time for this new vision to crystallize, especially when the traditional Palestinian left is at its weakest point historically and seemingly more invested in being the go-between for Hamas and Fatah than in being an alternative voice in the Palestinian political arena. However, slowly but surely, new political formations are emerging calling for a return to the basic tenets of the Palestinian struggle for self-determination.

The normalization process embedded in the Fayyad Plan stand in stark contrast to the growing BDS movement. On the one hand, Palestinian grassroots movements are asking the world to boycott Israel until it complies with international law. On the other, Fayyad promotes the normalization of relations with Israel. It is important to stress here that the BDS campaign did not come out of thin air – there is a strong history of anti-normalization activity within Palestinian society. The BDS campaign is not ‘leaderless’ – it has a basis and structures within the Occupied Territories in the Boycott National Committee (BNC). It is certainly a young movement attempting to build some coherence within Palestinian ranks after the utter confusion of the so-called Oslo peace process. It must be supported, not simply from a solidarity framework, but as part of the global struggle against neoliberal hegemony.

The Fayyad Plan for ‘economic development’ currently faces the same problem Israel has faced for years: the Palestinian people. No matter how hard the Palestinian Authority has tried, it is difficult to sell Palestinians this idea of a truncated state. It is easy for Palestinians living in the West Bank to understand, just from looking out their windows, that Israel is creating facts on the ground that make a Palestinian state in the 1967 borders impossible.

Of course, there are those benefiting from neoliberal changes to the economy who will say that under Fayyad there is ‘order’ and he is building ‘infrastructure for a future state.’ They will boast about the drivers on the streets of Ramallah now wearing seat belts. Yes, our Bantustan warden comes in World Bank garb and insists on ‘order’ within the confines of our ever-shrinking ghetto. But he remains an appointed prison warden, there to manage the implementation of Apartheid. And if Palestinian history tells us anything – it is that those who give up on basic Palestinian rights have a tendency to be ousted by the people. •

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Notes

1. For the full report see: www.mop-gov.ps/issues_details.php?pid=17
2. Wafa Palestinian News Agency published full report at: english.wafa.ps/?action=detail&id=12943
3. CIDA, West Bank
Page: www.acdi-cida.gc.ca/acdi-cida/acdi-cida.nsf/eng/JUD-124144933-R9J
4. In the article "[Netanyahu: Economics, not politics, is the key to peace](#)" Raphael Ahren. Haaretz Nov 21, 2008.
5. World Bank Report: [A Palestinian State in Two Years](#): Institutions for Economic Revival Economic Monitoring Report to the Ad Hoc Liaison Committee. September 22, 2009. p.15.
6. For a good overview on this and other joint PA/Israel initiatives see Stop the Wall, "Development or normalization? A critique of West Bank development approaches and projects" at www.stopthewall.org.
7. World Bank Report: A Palestinian State in Two Years. p. 21
8. Lieutenant General Keith Dayton, Michael Stein Address on U.S. Middle East Policy, Program of the SOREF Symposium, Washington Institute for Near East Policy, 7 May 2009.
9. World Bank Report: A Palestinian State in Two Years. p. 25
10. World Bank Report: A Palestinian State in Two Years. p. 25
11. Full speech at www.whitehouse.gov/the_press_office/Remarks-by-the-President-at-Cairo-University-6-04-09

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