

# In the Shadows of the Israel-Gaza War, the West Bank is Facing an Unprecedented Economic Crisis.

With work permits suspended, checkpoints tightened, tourists gone, and taxes unpaid, the West Bank is suffering an economic crisis of unprecedented proportions as Israel and Gaza prepare to enter their fifth month at war.

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## **STORIES FROM THE FIELD** – COMMENTARY

*By Wilson Fache – BIC Middle East Analyst*

The Palestinian economy faced a severe downturn in 2023, significantly impacted by the devastating events of October 7th and its ruinous aftermath. The gross domestic product (GDP) of the Palestinian territories experienced a 33% decline in the fourth quarter of 2023, leading to an estimated overall GDP decline of 6% for the year, valued at around 1.4 billion euros.

While the economic decline has been felt most dramatically in the Gaza Strip, the West Bank has also experienced a stark decline in employment rate and business trade. The Brussels International Center travelled to Jenin, Bethlehem, Jerusalem, and Ramallah to document the causes and effects of this unprecedented crisis.

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"See all these jackets? I bought them for 100 shekels each (around 25 euros) and I'm forced to resell them for just 50 shekels to make a bit of cash! In the middle of an economic crisis, people are saving what little money they have to buy bread rather than jackets," 33-year-old Alaa Zakarnen told the BIC from his menswear boutique in the centre of Jenin, a town in the north of the occupied West Bank.

Since October, his shelves have remained laden with the counterfeit clothes he brought in from China in preparation for the winter season. However, customers are so few and so poor that he resolved to sell on credit. "He still owes me 300 shekels for his purchases," said Alaa, half-exasperated, half-amused, pointing to his nephew with a wave of his hand. "Yes, it's true," conceded Ibrahim, 25. "But what do you want me to say, I'm unemployed!"

The young man said he tried to get by, hopping from one job to another, until the war decided otherwise. "I used to sell fruit and vegetables on the street, then a bulldozer crushed my stall during an Israeli army raid," he explained, taking out his phone to show images of his oranges and carrots scattered on the ground.

Strangled by checkpoints, settler attacks, and regularly battered by Israeli military operations, Jenin has been facing a desperate shortage of customers – particularly Palestinians who are citizens of Israel, accustomed to coming here to do their shopping on the cheap.

"65% of Jenin's economy depends on these outside visitors, who now have no access to us because of the closure of the 'border'. This represents a huge loss of income. And because of the violence, even the locals don't dare to come anymore because they're afraid. All in all, sales volumes have dropped by 80%," Mohammed Kamil, General Manager of the Jenin Chamber of Commerce and Industry, told the BIC.

He added: "The situation was already very complicated before, but since October 7th, we've been going through the worst economic crisis in Jenin's history."

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## COLLECTIVE PUNISHMENT

In the smoky atmosphere of the "cinema" café, several groups of young men play cards while drinking tea, all the while keeping a distracted eye on the screen of their cell phones in case they receive an alert informing them of a new army raid.

"Me, him and him, we're all out of work", said Mujahed Jehada, 28, who, like 30,000 other local workers, is afflicted by the suspension of the permit that allowed him to offer his services in Israel and the settlements, which was immediately withdrawn following the Hamas massacres.

For Mujahed Jehada, these restrictions couldn't have come at a worse time. When the war started, he was in the middle of his honeymoon, busy carrying out major work on his parents' house to add a floor that would accommodate his wife and himself, according to common practice. To finance the renovation, he borrowed tens of thousands of euros from friends and relatives, confident that he would be able to pay them back quickly thanks to his generous salary as a waiter in a café on the coast.

"I'm no longer allowed to work in Israel, and it's impossible to find work here," said the accounting graduate from Jenin's Arab American University. "I've been unemployed since the start of the war, and people who gave me loans are starting to call me to get their money back."

His friend Hamza, 31, said he lives on the funds he had set aside in anticipation of his plan to emigrate to Belgium. "With the savings I have left, I can get by for another month or two. After that, I don't know what I'll do," he told the BIC.

In all, nearly 200,000 West Bank workers had their permits withdrawn after October 7th. A security measure, according to Israel. A "collective punishment", according to Raja Khalidi, director of the Palestine Economic Policy Research Institute (MAS).

"The suspension of permits, Palestinian consumers from Israel and Jerusalem who no longer come, army incursions into Jenin, Tulkarem and Nablus which are like 'mini-Gaza', the strengthening of checkpoints, a business climate full of uncertainty: all these waves, month after month, have created a disastrous situation," the renowned economist told the BIC. "To this we must also add the income from taxes confiscated by Israel," he said.

Under the Oslo Accords, Israel collects various taxes and customs on behalf of the Palestinian Authority (PA), which exercises limited self-rule in the West Bank, and makes transfers back to it every month. However, since the start of the war, Israel has been withholding a significant portion of these revenues: around 150 million euros per month out of the 190 million that the PA should have been receiving.

The PA was expelled from the Strip in 2007, but still pays the salaries and pensions of many of its civil servants. Israel justifies freezing the funds intended for Gaza by cautioning that they might fall into the hands of Hamas.

"It's hard to understand what the Israelis are playing at. The collapse of the Palestinian economy would inevitably lead to a security collapse, which is not in their interest," one European diplomat based in Jerusalem told the BIC.

Norway announced on February 18th that it had negotiated a temporary agreement to release these customs clearance revenues, which account for 65% of the PA's income. Under this agreement, Israel will transfer all the funds to the Scandinavian country, which will, in turn, transfer funds for the West Bank to the PA, while holding those destined for Gaza.

## A TSUNAMI

The Church of the Nativity, located on the supposed birthplace of Jesus Christ, is so empty that every murmur, every step echoes like a bang. "I think I'm the only tourist in Bethlehem," marvelled a Japanese visitor as he entered the place of worship.

Out of the 50-something hotels scattered across the city, none of them appear to be open. "We had just undergone a major renovation during the summer. We were very optimistic; we'd expected to make good money during the winter season to enable us to pay off our debts," four-star Grand Hotel manager Fares Fouad Bandak told the BIC.

The 50-year-old recounted how, on the night of October 6-7th, his 104 rooms were all filled with German, Greek and Polish tourists, who vanished in less than 48 hours. "Since then, the hotel has been completely empty, with the exception of Christmas Eve when journalists came for just one night," he lamented.

"During the Covid-19 pandemic, we were underwater and just starting to breathe again. Then a tsunami hit," he added. "The tourism sector is the worst: customers are the first to leave and the last to return."

According to the Bethlehem Municipality, 5,000 local workers depend on the now moribund tourism industry. To this, 17,000 workers must be added, who found themselves unemployed following the suspension of their work permits, and 14,000 to 15,000 civil servants and pensioners who, until now, are only receiving part of their salaries due to Israel withholding funds intended for the PA.

"Today, the Palestinian Ministry of Finance owes around 20 million shekels (5 million euros) to the municipality of Bethlehem. On top of that, we also have 27 million shekels in taxes that residents owe to the municipality, but as everyone is going

through a difficult situation, they can't afford to make these payments at the moment," Mayor Anton Salman told the BIC.

The official emphasised that when the day comes that tax revenues are released, Palestinian workers can return to Israel, and tourists line up again in front of the Church of the Nativity, there will still be an "economy under occupation" struggling to meet the needs of the population.

## About the BIC

The BIC is an independent, non-profit, think-and-do tank based in the capital of Europe that is committed to developing solutions to address the cyclical drivers of insecurity, economic fragility, and conflict the Middle East and North Africa. Our goal is to bring added value to the highest levels of political discourse by bringing systemic issues to the forefront of the conversation.

## Behind the Frontlines: Stories from the Field

Our analysts embark on journeys to conflict zones and distant areas, engaging with a diverse array of individuals ranging from high-ranking officials and journalists to civil society advocates and frontline leaders. "Behind the Frontlines: Stories from the Field" presents firsthand stories, offering a glimpse into the vital work we do behind the scenes. This collection of personal tales highlights the importance of local approaches to resolving conflicts and economic crises, providing readers with gripping narratives that underscore our commitment to grassroots solutions.



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