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**PALESTINE ECONOMIC POLICY
RESEARCH INSTITUTE (MAS)**

**The Structure of the Internal Trade and Services Sector
in the Occupied Palestinian Territories since 1967:
What Has Changed Over the Last Two Decades?**

2024

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- Promoting knowledge-based policy formulation by conducting economic and social policy research in accordance with the expressed priorities and needs of decision makers.
- Evaluating economic and social policies and their impact at different levels for correction and review of existing policies.
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- Disseminating up-to-date socio-economic information and research results.
- Providing technical support and expert advice to PNA bodies, the private sector, and NGOs to enhance their engagement and participation in policy formulation.
- Strengthening economic and social policy research capabilities and resources in Palestine.

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The Structure of the Internal Trade and Services Sector in the Occupied Palestinian Territories since 1967: What Has Changed Over the Last Two Decades?

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Foreword

This study provides a historical overview of the growth of the internal trade and services sector in the occupied Palestinian territory, oPt, since 1967, with special emphasis on changes that occurred during the last two decades. This especially applies to the growth and expansion of this sector, given the decline and erosion of the productive sectors in the West Bank and Gaza Strip, especially agricultural and industrial production. The study outlines the general features of the internal trade and services sector, focusing on various aspects of internal trade and informal services, and their implications for macroeconomic performance. The study addresses structural distortions in economic conditions in the West Bank and Gaza Strip resulting from more than half a century of Israeli occupation, and its policies of dispossession and impoverishment. The study also reviews the effects of spatial distortions that greatly affect the performance of this sector. The occupation imposed a tight siege on the Gaza Strip while separating East Jerusalem from its vital economic sphere and further dividing the West Bank into more than 200 enclaves surrounded by barriers and restricted areas, classified as Area C, under comprehensive Israeli control. These distortions greatly impact economic performance in this sector. Moreover, the study examines economic relations across the Green Line between Palestinians in Israel and in the West Bank, and their contribution to internal trade and services.

The time framework of drafting this study ended by mid-November 2023, that is, a few weeks after the start of the Gaza War, in which Israel also imposed a comprehensive closure on

the West Bank. The final section of this study examines the broad and profound impact that these developments have on overall economic performance and the internal trade and services sector in particular.

Raja Khalidi
Director General

Executive Summary

This study provides a historical overview of the growth of the internal trade and services sector in the occupied Palestinian territory, oPt, since 1967, with special emphasis on changes that occurred during the last two decades. This especially applies to the growth and expansion of this sector, given the decline and erosion of the productive sectors in the West Bank and Gaza Strip, especially agricultural and industrial production. The study outlines the general features of the internal trade and services sector, focusing on various aspects of internal trade and informal services, and their implications for macroeconomic performance. The study addresses structural distortions in economic conditions in the West Bank and Gaza Strip resulting from more than half a century of Israeli occupation, and its policies of dispossession and impoverishment. The study also reviews the effects of spatial distortions that greatly affect the performance of this sector. The occupation imposed a tight siege on the Gaza Strip while separating East Jerusalem from its vital economic sphere and further dividing the West Bank into more than 200 enclaves surrounded by barriers and restricted areas, classified as Area C, under comprehensive Israeli control. These distortions greatly impact economic performance in this sector. Moreover, the study examines economic relations across the Green Line between Palestinians in Israel and in the West Bank, and their contribution to internal trade and services.

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