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The Economic Impacts of Israeli Industrial Zones in the West Bank Palestinian Employment, Environmental Pollution, and Constraints on Palestinian Logistics

The Palestine Economic Policy Research Institute (MAS) regularly publishes applied and scientific studies, in addition to brief research papers, as part of an annual series of roundtable sessions on important economic topics of interest to the public and decision-makers. The policy briefs outline the key recommendations of selected scholastic activities, in order to disseminate this information and maximize the benefits derived from this series of sessions.

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

Tel No. +970 (2) 2987053/4

Fax No. +970 (2) 298055

info@mas.ps

ww.mas.ps

**The Economic Impacts of Israeli Industrial Zones in the West Bank
Palestinian Employment, Environmental Pollution, and Constraints on Palestinian Logistics**

Commentators:

Dr. Maher Hashish, Advisor to the Minister of Industry

Dr. Suha Awadallah, Secretary-General of the General Union of Palestinian Industries

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1. Background

On 20 May 2026, the Palestine Economic Policy Research Institute (MAS) convened its second roundtable session of the year to examine the economic implications of Israeli industrial zones in the West Bank. The session brought together a diverse group of researchers, experts, and representatives from Palestinian economic and industrial sectors, who participated both in person at the Institute's premises and virtually via Zoom. The discussion took place against the backdrop of the rapid expansion of settlement industrial zones and their growing influence on the structure of the Palestinian economy. These developments manifest through the attraction of Palestinian labor and investments, as well as their broader effects on the environment, local development trajectories, and commercial activity.

The session aimed to foster an in-depth discussion on the economic and political dimensions of these zones, assess their implications for Palestinian development prospects, and examine the required policies and alternatives to strengthen the Palestinian national economy and reduce economic and structural dependency on the Israeli economy.

Official Israeli data indicate the existence of approximately 35 Israeli industrial zones in the West Bank, comprising heavy, medium, technological, and commercial industries. These areas include metals, chemicals, plastics, and cement factories, in addition to technology parks and commercial service complexes linked to bypass road networks and main routes connecting settlements to Israel.

These areas operate under an official Israeli policy that grants them extensive privileges, including tax exemptions, concessional loans, direct government support, and streamlined regulatory processes. The Israeli government also designates most of these zones as "national priority areas," which provides companies based there significant economic advantages compared to those operating inside Israel itself.

The paper shows that these areas are not merely economic spaces, but they function as instruments for reshaping the Palestinian geographic and economic landscape by integrating settlements into the Israeli economic structure, and redirecting Palestinian trade and labor flows toward the Israeli economy.

1. Israeli industrial zones in the West Bank deepen Palestinian labor dependency on the Israeli economy. Prior to the war on Gaza, Israel issued approximately 40,000 work permits for Palestinians inside settlements, including around 17,000 workers in settlement industrial zones, primarily concentrated in the settlements of Mishor Adumim, Barkan, and Ariel. These zones rely heavily on low-cost Palestinian labor amid the weakness of the Palestinian economy and high unemployment rates, making access to the Israeli labor market a key condition for the participation of large segments of the Palestinian workforce in the production cycle. Workers also face significant legal and regulatory vulnerability, including the absence of formal contracts and weak social protection, alongside the widespread role of intermediaries and brokers who deduct between 25% and 33% of monthly wages.

2. Settlement industrial zones attract segments of Palestinian investors who find in them a more stable and profitable environment compared to the constrained Palestinian economy. Palestinian companies operating there benefit from advanced infrastructure, customs facilitation, and easier access to Israeli and international markets, while investors within the Palestinian Authority areas face complex administrative and logistical restrictions. Estimates indicate that Palestinian investments in the Israeli economy and settlements range between USD 2.23 and 3.78 billion, reflecting an economic interdependence that contributes to the integration of a portion of Palestinian capital into the settlement economic structure.
3. Industrial zones and their associated bypass road networks contribute to the reconfiguration of the Palestinian economic geography and the disruption of commercial logistics. The fragmentation of the Palestinian territory, together with checkpoints and crossings, has increased transportation and trade costs by an estimated 30% to 40%, while areas such as the Mishor Adumim settlement have effectively become instruments for controlling commercial movement between the northern, central, and southern West Bank.
4. These zones generate high levels of environmental pollution as a result of heavy, chemical, and petrochemical industries that benefit from weak environmental regulation in the West Bank. Reports indicate that approximately 70% of cancer cases in Salfit Governorate are concentrated near the Barkan industrial zone, in addition to the use of around 98 sites for the disposal of industrial and hazardous waste within the West Bank.
5. Settlement industrial zones are founded on confiscated Palestinian agricultural land converted into industrial and settlement spaces. Industrial waste and wastewater also contribute to the contamination of soil and groundwater, weakening agricultural production and threatening food security, particularly in the Jordan Valley, which also faces tight Israeli control over water resources and grazing areas.

2. The Main Challenge

These findings and facts reveal that Israeli industrial zones in the West Bank are part of a broader project that seeks to restructure the Palestinian economy and integrate it into the Israeli settlement system, extending beyond the use of Palestinian labor or attraction of investment to the reconfiguration of Palestinian economic geography in ways that support the settlement project and its integration into the Israeli economy. Israel uses these zones as a tool to promote settlements through economic incentives and facilitation measures within a wider settlement project aimed at consolidating control over land and resources. Additionally, the participation of some Palestinian investors and workers reflects structural imbalances in the Palestinian economic environment driven by restrictions on investment, infrastructure, and trade movement, which emphasizes the need to develop a Palestinian economic alternative through stronger industrial zones, improved infrastructure, and enhanced integration with Arab and regional markets to support development and economic sovereignty.

2.1 Required Policies and Interventions

Addressing this challenge requires the adoption of a comprehensive Palestinian approach that combines economic, legal, and development-oriented policies. The main required interventions can be summarized as follows:

- Develop a clear official Palestinian strategy toward Israeli industrial zones, treating them as part of the settlement infrastructure rather than merely economic spaces.
- Develop Palestinian industrial zones and improve their infrastructure, linking them to energy, transport, and regional market networks, in order to build a viable economic alternative.
- Provide investment incentives for Palestinian investors within the Palestinian economy, in order to reduce the outflow of capital toward Israeli settlements.
- Develop policies to protect Palestinian workers and reduce structural dependence on the Israeli labor market.
- Strengthen legal and human rights documentation and monitoring of environmental violations associated with settlement industrial zones to pursue international legal accountability in this regard.
- Develop Palestinian logistical networks that reduce dependence on infrastructure controlled by Israel.
- Support Palestinian agricultural and productive sectors in areas threatened by land confiscation and environmental pollution

3. Conclusion

Israeli industrial zones in the West Bank reflect a qualitative shift in the structure of Israeli settlement activity, whereby settlements are no longer limited to military or residential expansion, but are increasingly becoming economic, industrial, and logistical instruments that reshape the Palestinian space itself. These settlements function as an integrated colonial structure that links territorial control with labour management, the redirection of trade flows, and the control of natural resources. In the absence of a comprehensive Palestinian strategy to address this phenomenon, Israeli industrial zones continue to deepen economic dependency and undermine prospects for independent Palestinian development. Accordingly, the development of Palestinian economic alternatives, the strengthening of local productive capacity, and the formulation of a long-term sovereign economic approach constitute essential conditions for confronting this advanced form of economic colonialism.