

KEN FIREMAN: Hello, I'm Ken Fireman, the managing editor for *Sage Business Researcher*. And I'm speaking with Sara Toth Stubb, who wrote our report on the Palestinian economy for us, and is an Israeli-based journalist based in the region. Hello, Sara.

SARA TOTH Hi. Hi, Ken. How are you?

STUBB:

KEN FIREMAN: I'm good. I'm good, thank you. Let me begin-- let me begin by asking you this. In your reporting on the Palestinian economy, what did you find is the strongest economic asset that the Palestinians have going for them?

SARA TOTH I would probably say that it's they're a relatively young population. The median age of
STUBB: Palestinians is about 19 years old. I believe the world average is 28, so it's quite a young population, and quite an educated population, very high literacy rates. So I would say that that's one of the strongest assets.

KEN FIREMAN: And what would you say or what did you find was the biggest impediment to economic growth?

SARA TOTH Well, I think according to local Palestinians, as well as people that study the situation, such as
STUBB: the World Bank and the IMF, most people would say that the biggest impediment is the ongoing conflict with Israel, and different steps that Israel takes in the name of security, but also really add challenges to Palestinian life and Palestinian business. Limiting the movement of goods and people in and out of the West Bank and Gaza is probably the number one issue dragging on the Palestinian economy and really holding back growth, according to most local and international economists that I spoke with.

KEN FIREMAN: And that relates, of course, to the long search for some sort of comprehensive peace agreement, which seems is very stalled right now. Is it realistic to expect a thriving Palestinian economy without such a peace agreement?

SARA TOTH I think that most people I spoke with would say no, that there must be some sort of-- there
STUBB: must be some sort of peace agreement put into place, because without it, it's number one, impossible to do any sort of long term planning, is a big thing that people mentioned. And then also without a peace agreement, as I said before, the movement of goods and people is subject to the security situation and to Israeli policy. Which again, affects trade, and also affects long-term planning, which is essential for building up the economy and for building

businesses.

KEN FIREMAN: Right. Certainly. How much of the Palestinian economic problems are self-inflicted?

SARA TOTH STUBB: There is definitely an argument that there is a significant amount that is self-inflicted, with heavy bureaucracy and an outdated system of laws governing things like opening and registering businesses. However, I think the evidence points to and most people say that this is sort of a secondary weight on the economy after the situation with Israel. But then you will have those that argue that it's still a self-inflicted, because if the Palestinians would come back to the negotiating table and abandon the use of violence, then Israel would have less-- Israel would say it would have less reason to place restrictions on goods and movements.

KEN FIREMAN: Sure. What was the most surprising thing you learned in your reporting on this story?

SARA TOTH STUBB: I think one of the most surprising things that I learned about is the growth of the banking sector in the West Bank, and the growth of lending, consumer lending and lending in general. The development of the lending market actually caused the Palestinian economy to move up something like 26 spaces in the World Bank's index of places around the world that are-- in the World Bank's index of how easy it is to do business in countries around the world. It's become a lot easier to borrow money, because the framework for doing so has gotten updated and more user-friendly.

And a law passed several years ago, which is starting to really show the effect now, said that Palestinian banks must lend 40% of their money to the local market. Because previously, they were preferring to lend abroad. So that has really-- it's doubled the consumer debt market in recent years. Which has of course, led to other aspects of growth, home purchasing, buying goods, things like that.

KEN FIREMAN: Sure. One of the communities you wrote about was called Rawabi, which the Palestinian community that's hoping to-- hoping to become a high tech hub, and to attract investment from all over the world, including Israel. How difficult or how easy is it for Israelis who are potential investors in Rawabi to access the town?

SARA TOTH STUBB: Well, Israelis can drive there from Tel Aviv and access the town. However, the town is-- part of the town is located in what is called the Area A, which is part of the West Bank. These designations were developed back during the Oslo negotiations in the 90s.

And it being in Area A actually makes it illegal according to Israeli law for Israeli citizens to enter these places. So it is actually against Israeli law for Israelis from Tel Aviv and elsewhere to visit Rawabi, although people in Rawabi say that Israelis have visited. And there have been a number of official tours taking Israeli investors and foreign investors interested in Israel to these places.

An interesting thing that someone from Rawabi told me was that everyone is welcome in Rawabi, he said. It would be great if more people came from Tel Aviv. But he did say that settlers-- meaning Israelis who live in Israeli settlements in the West Bank-- he said that those people are not welcome in Rawabi, because the settlements are seen as taking away resources from what people hope will be a future Palestinian state.

KEN FIREMAN: So it's possible, but not completely free.

SARA TOTH Exactly, yeah.

STUBB:

KEN FIREMAN: Yeah. OK. Well, I've been speaking with Sara Toth Stubb, who is an Israeli-based journalist, and has done our report for *Sage Business Researcher* on the Palestinian economy. Thank you very much, Sara.

SARA TOTH Thank you, Ken.

STUBB: