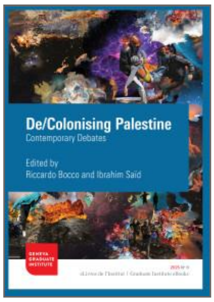

Under the direction of Riccardo Bocco and Ibrahim Saïd

De/Colonising Palestine
Contemporary Debates

Chapter One

Profit over Palestine: Cronyism, Monopolies, and Patronage

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Chapter One

Profit over Palestine: Cronyism, Monopolies, and Patronage

Tariq Dana and Rami Salameh

The chapter examines the political economy of cronyism and patronage that define the Palestinian Authority's relation with a handful of private businesses in the Occupied Palestinian Territories. A closer investigation into this relationship suggests that the political-economic network that was forged and nurtured by the Oslo process, and by the manipulative practices of Israel and international donors, finds in the status quo a lucrative industry that should be preserved. Based on fieldwork and interviews, the chapter provides multiple examples of this lucrative relation such as economic monopoly practices, the influence of Palestinian capitalists on the PA decision-making, and the indirect involvement of the political elite and their relatives in private ventures. The chapter concludes that the network of cronyism and patronage is a key explanatory factor that explains the persistent obedience of the PA political and economic elite to the Oslo status quo at the expense of rebuilding the Palestinian national movement along new lines and principles.

This chapter is part of a research project carried out between 2015 and 2020 in the West Bank. An earlier research paper was published in *Third World Quarterly* (2019).

Elsewhere

2020 | 50 x 50 cm, part of a constellation of 20 artworks, mounted on matt diasec.

Source: **Steve Sabella,** https://stevesabella.space/pages/elsewhere

Introduction

In July 2020, several local and international human rights organisations denounced the Palestinian Authority (PA) and its security forces for arbitrarily arresting 20 anti-corruption activists during a peaceful protest held in Ramallah, demanding their immediate release. The activists were charged with "illegal gathering" and "violating the emergency rules"; charges that the PA regularly uses, among others, to intimidate dissidents and critics, especially those demanding reform and the end of rampant corruption in PA institutions. This particular protest came in response to a series of scandals involving the nepotistic appointment of disqualified relatives of the PA political elite to senior posts without undergoing proper vetting procedures. Similarly important were protestors' allegations of corruption against the Palestine Telecommunications Company (Paltel), a giant private company that has monopolised the telecommunications sector for more than two decades.

Interestingly, in recent years, anti-corruption campaigns have realised the interlinkage between corruption in the PA public sector and the conglomerate-dominated private sector, pointing to the growing influence of a handful of capitalists over PA decision-making and policy formulation in favour of narrow elite interests. As for Paltel, it has been at the centre of public criticism since its establishment in 1995, with repeated complaints about its poor services and high prices. In fact, Paltel exemplifies the political power of conglomerates in influencing the political sphere and decision-making processes in the PA (Dana 2020). Accumulated popular discontent with Paltel resulted in the emergence of "*Bekafi ya shirikat alitisalat*" (Enough, telecommunications company!), a grassroots campaign mobilising social constituents to challenge Paltel's political power and monopoly. On multiple occasions, the campaign's leading activists have been repressed, arrested, and charged with "defamation" of the telecommunications company. This also is an indication of Paltel's capacity to influence the PA's security and judicial institutions (see Amnesty International 2020).

The powerful Palestinian conglomerates operating in occupied Palestinian territory (oPt) emerged in tandem with the PA's formation in 1994 against the backdrop of the global changes following the collapse of the socialist bloc and the triumph of late capitalism. The PA should be seen as a peculiar case, in that it originated from a national liberation movement to embark on a liberal state-building project without first undergoing decolonisation. Central to this peculiarity is the combination of the settler-colonial context within which the PA emerged, and its promotion by neo-colonial powers and institutions. In this context, the PA was designed to serve a whole range of functions, especially with regard to assuring political stability despite the unabated colonisation. In the mainstream political discourse, this state of affairs is dubbed the "peace process"; a misleading depiction that continues to dominate policy circles despite more than a three decades of Oslo-induced colonisation and the repressive status quo. In this context, the PA elite has shown tireless commitment to this status quo, despite occasional rhetorical claims to the contrary that sometimes hint at dissolving the PA in response to the long-dead two-state solution at the very basis of the Oslo process. However, the PA has not taken any serious steps to challenge the status quo, and its very existence appears to have become a pillar of Israel's colonial project in the oPt.

One satisfactory explanation for the PA's acquiescence lies in the robust political-economic elite networks that have been nurtured by Israel and international donors to dominate Palestinian institutions. This elite found in the PA a highly profitable project that ought to be protected and legitimised under the pretext of a "national project", a slogan often articulated by the elite to justify their actions and agendas. A close examination reveals that the elite are mostly a product of the political-economic coalition established in exile since the emergence of the modern Palestinian National Movement in the 1960s (Nakhleh 2012). This alliance grew in sophistication after the Oslo Accords and the formation of the PA and was translated into a solid patron-client network involving the Palestine Liberation Organization (PLO)/Fateh leadership and cadres, returnee capitalists, PA upper bureaucrats, and security heads. Their efforts primarily focus on securing unchallenged dominance over public institutions and the centres of economic and political power in Palestinian society. This has resulted in the emergence of "neo-patrimonial crony capitalism", a term coined by Gilbert Achcar to refer to a predatory and corrupt capitalist system defined by political-economic collusion to capture economic resources in favour of the elite, where the practices of favouritism, the embezzling of public property, inflated bureaucracies, and the incapacity of the law prevail (Achcar 2013, 74). Such a highly distorted capitalist formation is further aggravated in the context of the PA because of its direct interaction with Israel's settler-colonialism. After the intra-Palestinian division in 2007, this network further consolidated its grip over PA institutions, monopolised the economic realm, and boosted its relationship with Israel in economic normalisation and security collaboration.

This chapter aims to highlight the complex relationship between these political and economic actors in the oPt, with a specific focus on the West Bank and in light of ongoing colonisation and the involvement of international donors. It demonstrates the extent to which crony capitalism, patronage, and money politics have overturned the principles of national anti-colonial struggle, transforming major forces of the past national liberation movement into the institutional backbone of Israel's post-Oslo colonial strategy toward the oPt. This helps explain the inability and unwillingness of the PA leadership to embrace an alternative strategic position that bypasses Oslo constraints. As the Oslo political-economic arrangement became highly profitable to those elite, it became undesirable for them to think outside the box.

This chapter is divided as follows: the first section provides a historical overview of the relationship between the PLO leadership and exiled capitalists, highlighting the competing ideological positions of the Palestinian factions toward the role of the capitalist class in the national struggle. The second section analyses the Oslo structures conducive to the evolution and consolidation of crony capitalism in the PA, with a particular focus on the impact of the Paris Economic Protocol. The third section focuses on the formation of Palestinian conglomerates during the early years of the Oslo 'peace' process. The fourth section studies the first generation of monopolies that existed in the 1990s, revealing the extent of complicity between PA political and security leaders and private economic networks in facilitating major corruption practices related to monopolies. The fifth section highlights the structural context after 2007 and how the donor-sponsored reform agenda consolidated crony capitalism in the PA. The sixth section highlights the second-generation monopolies (2007-present) and the intersection between the PA's public and the conglomerates' private monopolies. The final section gives an example of how PA political leaders' cronies and relatives are involved in private businesses.

The origins of the Palestinian political and economic elite

In the 1950s and 1960s, exiled Palestinian communities experienced a process of class formation that produced a new political and economic elite, effectively replacing the old elite of the pre-Nakba era. The political elite was comprised of the PLO leadership. The economic elite was embodied in the rise of exiled Palestinian businesspeople whose wealth, partially surviving the Nakba, has been part and parcel of the capital accumulation at the regional level (Hanieh 2011, 83). The interaction between these elites was shaped by the competing ideological positions of the different political movements. This was evident in the tense ideological debates among the forces of the Palestinian National Movement during the 1960s and 1970s, which aimed to determine its identity. Central to these debates were issues of major concern to the revolutionary and liberation movements at the time, such as whether to place the national capitalists in the progressive anti-colonial camp or if instead they would act in service of their own private capital accumulation and, by extension, the colonial and imperial forces (see Cabral 2009; Fanon 2007).

The largest PLO faction, Fateh, praised the role of the capitalists as a patriotic "national bourgeoisie" that would offer key material support to the national movement and, as such, retained close relations with many prominent capitalists (see Bouillon 2004; Nakhleh 2012). In contrast, the Palestinian left disputed the assumption that the capitalist class could play constructive roles in the national liberation movement, placing it in the counterrevolutionary camp that would lead the movement towards a conservative trajectory. In addition to disputing Fatah's position, the Palestinian left also experienced heated internal debates that endangered its organisational unity. For the Popular Front for the Liberation of Palestine (PFLP), the capitalist class stood as an extension of "the business and banking interests of imperialism" they warned that "this class will stand by its own interests, that is, with imperialism against the revolution" (Popular Front for the Liberation of Palestine 1969). However, the PFLP recognised the importance of the petty bourgeoisie in furthering the goals of the national liberation struggle. In contrast, the Democratic Front for the Liberation of Palestine (DFLP) dismissed both the capitalist and petty bourgeoisie classes in the national liberation movement, asserting the sole role of the working and peasant classes to lead the national struggle (Sayigh 2000, 231). Although these disagreements dominated the subsequent decades leading up to the initiation of the Oslo process, the post-Oslo crisis of the Palestinian left has largely marginalised the question of capitalism and capitalists in the national movement, leaving the Palestinian capitalists' growing power unchallenged. As Fatah dominated PLO institutions in the late 1960s, it paved the way for exiled Palestinian capitalists to occupy formal positions in PLO centres of power, such as the Palestinian Central Committee and the Palestinian National Council (see Bouillon 2004; Nakhleh 2012). Although most capitalists were identified as independent nationalists, in practice they enjoyed strong ties with the Fateh leadership and the PLO chairperson, Yasser Arafat.

Though the Palestinian capitalists' involvement in the PLO was motivated by nationalism, their contributions to the national movement were constrained by their economic interests. For them, the limitations imposed on the processes of capital accumulation by anti-colonial activity must be circumvented. This position was reflected in their compromising position within the PLO (Nakhleh 2012). For instance, after the 1970 Black September battle between PLO combatants and the Jordanian army, Munib Al-Masri, the well-known Palestinian capitalist, helped initiate a formal channel to mediate between the PLO and the Jordanian government, which resulted in the departure of the PLO political and military forces from Jordan. Another example concerns the active role of the Palestinian capitalist Hasib Sabbagh in promoting secret contacts between the PLO and the Reagan administration in the 1980s to enhance the chances of a potential peace settlement between Israel and the PLO (Faucon 2010, 72-73). These moves occurred in close coordination with the PLO leadership.

Following the demise of the socialist bloc and the emergence of the United States (US)-led new world order, the PLO accelerated its strategic shift toward political compromise with Israel. This perception was further enforced and became a clear strategy following the PLO's political isolation and financial bankruptcy induced by Arafat's decision to support Iraq's 1990 invasion of Kuwait, which ended the Gulf states' support to the PLO. The consequences of the PLO's political stance towards the Iraqi invasion of Kuwait were likely decisive in shifting the economic considerations of the PLO leadership in the later stages, as evident in the PA's economic policy. The signing of the Oslo Accords implied a highly pragmatic and self-serving consensus among the elite that political choices should not harm economic interests. The political move towards a peaceful settlement with Israel was accompanied by a shift in Palestinian economic thought from economic nationalism towards liberalism, embracing the free-market doctrine and economic cooperation with Israel as fundamental pillars in the process of state-building (Khalidi 2018). A group of diaspora businesspeople supported the path towards a peaceful settlement, based on their assumption that capital operations and investments would be better protected from regional instability and threat under a sovereign Palestinian state (Smith1986).

The Oslo structure of patronage and cronyism

The institutionalisation of crony capitalism in the oPt was an inevitable by-product of the political economy framework created by the Oslo Accords (1993), the Paris Economic Protocol (1994), and the subsequent agreements signed between the Israeli government and the PLO in the 1990s. The Oslo process introduced three central factors that informed the convergence of interests between PLO political leaders and the capitalist elite.

The first and most important factor relates to the fact that the Oslo process instituted the existing power asymmetry between Israel and the Palestinians. Oslo provided Israel with all the necessary means to consolidate its colonial control over the oPt and exploit internal Palestinian dynamics to its own ends. A major aspect of the restructuring of Israel's colonial control has been outsourcing responsibility for the Palestinian population to the PA (Gordon 2008). Oslo provided Israel space and legitimacy to engineer powerful mechanisms of control over almost every aspect of Palestinian life, including the borders, natural resources, movement, and economic interchange. In particular, the Paris Economic Protocol (PEP) provided Israel control over critical PA state-building resources, such as fiscal and monetary policies, industrial zoning rights, external trade, and the general macroeconomic framework.

The PEP functioned as a mechanism for nurturing the PA's patron-client system and networks, especially through the tax-transfer system. The tax-transfer system granted Israel the power to collect customs duties on imports via Israeli-controlled ports and borders and income taxes from Palestinian workers in Israel, before then transferring them to the PA—accounting for nearly half of the PA's budget as its single largest source of revenue. These transfers have often been withheld to punish the PA if it adopts policies not accepted by Israel. This tax-transfer system constitutes a vital source of the political rent necessary to ensure the PA's functionality, particularly by stabilising its internal patron-client system. Second, the PEP ensures that Israel can control Palestinian trade and economic investments through a wide range of measures that regularly require close coordination with, and the consent of, Israeli authorities. Thus, Israel has pushed for a specific form of capitalist development in the oPt, one that operates by the PA's distribution of "special privileges for expatriate investors" to stimulate an acquiescent political-economic order to flourish (Khan 2004, 53). Invariably, Palestinian political and business elites are subjected to an Israeli-influenced policy framework that determines the nature of the relationships between state-building and economic development processes.

A second important factor concerns international donors' and multilateral agencies' involvement in underpinning the Oslo process and guiding the PA's institution-building and economic development. High levels of aid assistance have served as another crucial form of strategic rent and encouraged certain forms of neoliberal development and governance initiatives, because these initiatives appear more likely to attract external support (Brynen 2000, 225). While donor agendas and strategies differ in minor respects, particularly between important and less important players, donor involvement in the oPt overwhelmingly mirrors manifestations of global power structures in relation to the Oslo peace process. Donor agendas have been guided mainly by liberal interventionism, expressed in the following two paradigms throughout the Oslo process: the "peace dividends" paradigm of the 1990s, and the "economic peace" paradigm after 2007. These paradigms have prioritised joint economic incentives and inter-elite compromises over the central political matters that lie at the core of the conflict. International donors' persistent support to state-building initiatives, despite the long-standing failure of the Oslo process to achieve any of its stated objectives, confirms the conclusion reached by several scholars that the flow of international financial and technical support is inherently intended to enforce stabilisation and pacification within a context of on-going colonisation (Turner 2015).

International donor politics in the oPt promoted crony capitalism in two fundamental ways. First, donor intervention is closely coordinated with Israel and money flows typically passes through Israeli channels, while the PA appears to be only a passive aid recipient with minimal negotiating power. Israeli economist Shir Hever estimates that Israeli companies and the Israeli government receive at least 72 percent of international aid because the Palestinian market remains captive to Israeli exports (Hever 2015). Furthermore, major donor policy decisions are influenced by Israel's political and security considerations. On the few occasions when the PA shows non-compliance, major donors tend to reduce or discontinue financial support to the PA altogether. Second, because donor strategies are motivated by stabilisation and pacification, international aid constitutes a strategic form of rent-seeking that operates as a powerful instrument supporting compliant political and economic elites while excluding others considered to be destabilising actors (Turner 2011). It is therefore not surprising that the politicised nature of international aid disregards corruption practices and facilitates the centralisation of power in the hands of a few political-economic elites in exchange for political stability.

A third key aspect to consider is the way in which the PA has established a system of neo-patrimonial governance characterized by a concentration of power in the hands of a few individuals (Brynen 1995). This system involves the exploitation of modern institutions to meet the demands of donors, while also allowing for the manipulation of internal constituents through a system of patronage and patron-client relationships. The combination of both systems is mutually inclusive: while the PA commitment to donor agendas secures continuing aid, the aid, in turn, is distributed as political rent to PA constituents. Such an equation means that, as long as the PA's patron-client regime keeps people on the bottom compliant and ensures political stability, donors would not object. This is aggravated by the absence of sound legal and accountability schemes, thus paving the way for an array of corruption practices to prevail (e.g., the theft of public funds, bribes and other favours in return for services, inflated salaries, favours paid to senior PA officials to prioritise certain investments and businesses, and high-level political interference in senior civil servant appointments favouring those with close ties to predominant business actors) (Shehada 2015).

The 'peace' conglomerates

In 1994, Israel allowed thousands of PLO affiliates in exile to return to the oPt, including the PLO political leadership, the upper echelon of Fatah, and several business associates. Thus, the centre of Palestinian politics and economics was virtually transferred to the oPt, resulting in a drastic transformation of the pre-Oslo political-economic reality. While the returning Fatah leaders constituted the backbone of the nascent PA's bureaucracy and public sector, returnee capitalist groups were granted favourable treatment and invited to invest in almost every sphere of economic activity. The redefinition of the political-economic terrain in the oPt introduced contentious relationships and power struggles among the returning political and business elite and the local leadership and traditional businesses that had operated under direct Israeli occupation rule in the preceding decades. Nevertheless, these local leaders were not politically senior in the PLO ranks nor more economically developed, because most of their businesses comprised small and medium-sized firms. The international donor community's top priority was to consolidate PA rule in the face of internal opposition, and to be able to deliver security for the Israelis by facilitating the concentration of power in the hands of Arafat and his political-economic allies (Le More 2008, 6).

The PA's economic vision has been guided by the international donor community in general, and the World Bank in particular. The neoliberal paradigm constituted the cornerstone of PA state-building and economic development, which, despite the changes in implementation due to the shifting political circumstances, has remained a guiding principle of the PA's economic governance (Khalidi and Samour 2011). The PA adopted a set of measures and created legal and institutional frameworks designed to attract international and expatriate Palestinian capital for investment into the oPt. These measures included the PA's institutional orientation towards a free-market economy, which is codified in its constitution under the PA's Basic Law of 1999. The PA also established the Palestinian Investment Promotion Agency (PIPA) in 1998 to promote an investor-friendly tax regime, known as the Investment Law. In the absence of accountability mechanisms and legislative oversight, the Investment Law was amended in 2011 and 2014 by presidential decrees that gave PIPA unprecedented power to offer further concessions to large businesses (Palestinian Economic Policy Research Institute 2014, 6). From the perspective of the PA elite, the Investment Law serves to create a legal environment that stimulates private investment and boosts economic growth. However, this law is largely regressive, benefiting a few privileged businesses at the expense of smaller economic actors and exacerbating socioeconomic inequalities.

Upon the establishment of the PA in 1994, the returnee capitalists initiated large commercial initiatives in the form of conglomerates with substantial capital and market power. Among those are two major conglomerates that dominated the private sectors during the Oslo decades. The first is the Palestinian Development and Investment Company (PADICO), established in 1993 by the wealthy Al-Masri family, with a declared capital of US $1 billion and a paid-up capital of US $250 million. PADICO was formed by a number of companies primarily headquartered in Jordan and the Gulf states, and swiftly became the most potent holding company in the oPt through its subsidiaries. These subsidiaries operate in various commercial sectors, such as tourism, telecommunications, real estate, industrial estate, electronics, electricity, poultry, plastics, security exchange, stock, and agriculture. Being the largest conglomerate in the oPt, PADICO's power extends to the political sphere where it exerts influence on the PA's policy design. Its members have often appeared in peace talks with Israel.

The other conglomerate is the Arab Palestinian Investment Co. Ltd (APIC), established in 1994 by Al-Aggad group and other investors with an authorised paid-up capital of US $100 million. APIC controlled several key economic sectors through multiple subsidiaries in the food industry, public relations services, automobile, medical supplies, electric and power generation, and banking, among others. APIC enjoys political connections with the PA, especially through Tareq Abbas, the son of PA President Mahmoud Abbas and APIC's Vice President of Corporate Affairs.

Although the Palestinian economy involves other active business entities, PADICO and APIC are the largest in terms of market dominance and political power. Both of these conglomerates ensured a well-calculated distribution of their subsidiaries, since "their grouping operates as a cartel that tends to avoid conflict and competition with one another by diving over the economic sectors to secure monopolies (Powers 2020).

Thus, not only have these conglomerates effectively dominated the private sector, they also precluded the development of smaller businesses, which consequently led to widening socioeconomic gaps and inequalities. Furthermore, most investments are concentrated in the service sector, at the expense of the productive base (agriculture and manufacturing). According to estimates, the share of manufacturing activities fell from 21.3 percent in 1995 to 13.1 percent in 2014, while agricultural productivity fell from 12 percent in 1995 to three percent in 2016. Simultaneously, the total share of services and construction increased from 67 percent to 83 percent (United Nations Conference on Trade and Development 2012). Given the non-productive nature of the service sector compared to agriculture and manufacturing, many economists assert that the service sector does not constitute a real development (Morrar and Gallouj 2016).

The first-generation monopolies (1990s)

Since its establishment in 1994, the PA built a reputation of corruption characterised by an array of rent-seeking practices, financial bribery, and public embezzlement. The most prominent large-scale practice during the early years of Oslo was elite collusion in creating monopolies over strategic sectors of the economy. These monopolies served to expand the PA's rent-seeking opportunities in order to consolidate its patron-client network. This was expressed in forging multifaceted networks that involved many prominent PA officials, security leaders, and a handful of private actors who partnered directly or indirectly in various investments. These networks were primarily controlled by Yasser Arafat and his inner circle of advisors and were directly facilitated by Israeli security and business figures (Bouillon 2004). The complicity of these actors in shaping these dynamics was then described as a "security-monopolistic complex" manipulating the economic resources of the state-building process in favour of the narrow interests of the elite and their cronies (Hajo 1998).

These monopolies can be summed up in two primary forms: private and public. Private monopolies are those awarded by the PA to favoured conglomerates as exclusive licences to run large-scale projects in privatised sectors such as infrastructure, electricity, and telecommunications. The largest monopoly was constituted by the establishment of the Paltel in 1995 as a PADICO subsidiary, which owns exclusive monopoly over all types of telecommunications, including fixed lines, contacts, media services, the internet, and cellular services. Almost all Paltel services, including all international traffic for landlines, cellular, and internet lines, must be routed through Israeli providers, thus making the company Israel's largest dependent client (Tawil-Souri and Aouragh 2014). During the 1990s, Paltel had been publicly accused of corruption and misuse of power. For example, it was revealed that Paltel "does not collect telephone bills from ministries, governmental establishments, major shareholders and officials, and it redistributes these costs to other customers in the form of higher charges" (Nasr 2004, 179). Paltel also was directly involved in economic normalisation, and some of its shares were owned by Israeli companies such as the Israeli Peace Technology Fund (PTF).

In contrast to private monopolies, public monopolies are exercised by companies created and owned by the PA. Public monopolies were concentrated in the import of strategic commodities such as tobacco, fuel, and foods. The largest companies were the West Bank-based Palestinian Commercial Services Company (PCSC), headed by Khaled Salam, and Al-Bahr Company in Gaza, headed by Hashim Abo Nada. Both men were advisers to Arafat. These two companies held significant shares in various private companies, including PADICO and APIC, and enabled public officials to engage in business activities through privileged access to contracts, licenses, and exclusive dealerships (Sayigh et al. 1999, 19). These business activities were partially conducted through public-private initiatives, including the Electricity Distribution and Management Project, Palestine Industrial Estate Development and Management Company, and the Gaza Water and Sanitation Service.

The PA public monopoly system was supported by the Israeli authorities through informal partnerships with former Israeli security figures to facilitate the import and supply of these imports through Israeli-controlled ports (Bouillon 2004; Roy 2001, 12). This collaboration was largely profitable to the PA figures involved in these monopolies, especially through reduced transaction costs. Moreover, substantial amounts generated by these monopolies were often off-budget and were used to finance the PA's "secret accounts" in foreign and Israeli banks (Hilal and Khan 2004, 79).

The consolidation of crony capitalism after 2007

The post-second Palestinian intifada was shaped by internationally sponsored large-scale reform that re-institutionalised the PA's crony relations with the business class along new parameters. First, the neoliberal policies embraced by PA Prime Minister Salam Fayyad (2007-2013), and maintained by the subsequent governments, have been accompanied by legal and institutional reforms that effectively regulated the PA's business relations along ostensibly 'professional' principles. Second, the PA's security reforms reintroduced well-trained security forces specializing in internal policing that became heavily involved in suppressing the public sphere and any opposition to the PA, including voices critical of PA corruption. Third, the increasing international aid to the PA after 2007 expanded rent-seeking opportunities and allowed the PA to extend its patron-client system to incorporate many political factions, civil society organisations, and trade unions. Fourth, Israel offered a range of incentives and privileges to secure the Palestinian elite's compliance in serving Israeli security interests.

Shortly after the internal Palestinian division between Hamas and Fatah in 2007 and the subsequent institutional division between the West Bank and Gaza, Israel and international donors intensified the PA reform process, creating a fertile environment for political-economic crony relations to prevail, sustained by heavy-handed security measures. This was made possible by the harmonious interaction between the policies of the PA Prime Minister Salam Fayyad—widely dubbed Fayyadism—and the Israeli "economic peace" policy spearheaded by the Israeli Prime Minister, Benjamin Netanyahu. Both policies operated heavily in the economic and security spheres. Fayyadism is closely associated with the large-scale implementation of neoliberal economic policies, which faithfully followed World Bank recommendations to promote the private sector and export-led economic development (Khalidi and Samour 2011). This dynamic was endorsed by the rebuilding of the Palestinian security forces under the auspices of US Lieutenant General Keith Dayton, who equipped the PA security forces with professional skills of internal policing and "counterterrorism" and redefined the PA security agenda to serve Israeli security interests (Tartir 2017).

By the same token, the Israeli "economic peace" policy in the West Bank emphasised the role of economy and security to achieve "peace" and stability. This logic is premised on the assumption that active economic and security collaboration would institute the conditions for political stability and economic prosperity, leading in the long run to the far-reaching pacification of the population necessary for attaining comprehensive peace. Thus, Israel facilitated unprecedented and large-scale investments by selected Palestinian capitalists, whose operations depended primarily on Israeli businesses and suppliers (Abunimah 2014, 29).

International donors generously invested in this political-economic order. In 2008 and 2010, the Palestinian Investment Conference (PIC) held in Bethlehem assembled diverse officials and businesspeople representing the US, the European Union (EU), and the Arab states, alongside many Palestinian and Israeli figures. Titled "Palestine Open for Business", the conference promoted and financed a wide range of economic projects such as the construction of

Rawabi city near Ramallah, multiple industrial zones, banks and financial institutions; the conference also directed generous investments to Paltel in order to develop the telecommunications sector (Palestine Investment Conference 2010). The large Palestinian private conglomerates, such as PADICO and APIC, have also been major receipts of foreign investments.

The second-generation monopolies (post-2007)

Since 2007, PA reforms have reconfigured the mode of monopoly that existed during the 1990s, transforming it into a legalised system characterised by the disproportionate market power of the conglomerates. The second-generation monopolies have been sustained by persistent market manipulation to prevent other businesses from entering into meaningful competition. The PA's public and public-private monopolies have been centralised in the form of the Palestinian Investment Fund (PIF), founded in 2003 to replace the ill-reputed PCSC and Al-Bahr companies. Although the PIF was formed as a sovereign wealth fund ostensibly independent from the PA, its Board of Directors and senior staff are appointed by the PA's president and include key figures representing PADICO and APIC and other large companies.

The PIF is a striking example of the conflicts of interest and collusive relationship between the PA elite and the capitalists in dominating the pillars of the Palestinian economy. The former US adviser to the PA, James Prince, reported in 2014 that:

> The Palestinian Investment Fund (PIF) is one of the most obvious and controversial tools used by Abbas to wield influence and direct favours… the PIF has largely operated as an extension of the Presidency, a tool by which to curry favours, lavish gifts, and marginalize critics… Under the rubric of creating jobs, the PIF serves as an economic powerbroker. Increasingly, the Fund is viewed by average Palestinians as epitomizing the corruption associated with the intertwining of power, politics, and business. (House Foreign Affairs Committee 2014)

Not long ago, PIF Chairman Mohammad Mustafa was at the centre of a controversy that exposed the scale of this relationship. He was described in the media as the most important man in the Palestinian economy. As a critical power player, Mohammad Mustafa occupied multiple positions in the private and public sectors. Besides chairing the PIF, he is also an economic adviser to the president and formerly served as the PA's Minister of the Economy and Deputy Prime Minister for Economic Affairs. Mohammad Mustafa is a prominent actor in the private sector where he led several initiatives, including as the founding Chief Executive Officer (CEO) of Paltel and member of APIC's Board of Directors. At the same time, PIF has substantial ownership of APIC, estimated at 15.70 percent (Mubasher Palestine n.d.). Interestingly, as the key link between PIF and APIC, Mohammad Mustafa was mentioned in the 2016 Panama Papers (Offshore Leaks Database 2015). Though lacking details regarding the kind of offshore investments, the involvement of Palestinian figures and enterprises in the Panama Papers hints at the discreet transnational commercial activities of Palestinian capital.

Since its inception in 2003 and through 2017, the PIF achieved a cumulative net profit of US$1.036 billion (Palestine Investment Fund 2018). The PIF invests in high value-added strategic sectors such as infrastructure, conventional and renewable energy, real estate, tourism, technology, industry, banking and the financial market, and agriculture, among other sectors. The PIF's strategic monopoly is evident in its control over 90 percent of the cement market in the West Bank, which is exercised through its subsidiary, the Construction Industries Company (Sanad). Behind Sanad stands the Israeli Nesher Cement Enterprise, which exerts an overall monopoly over the Palestinian cement market, and supplies Sanad with all cement materials and clinker products. Ironically, Nesher Cement Enterprise is also accused of supplying materials for the construction of Israeli illegal settlements and the separation wall (Who Profits: The Israeli Occupation Industry n.d.). Sanad uses its monopoly to manipulate local market prices. In 2016, Sanad announced it would increase cement prices despite the decrease of cement prices by five percent in Israel at the same time. In response, many Palestinian construction companies protested Sanad's decision, demanding the end of the cement monopoly and price manipulation.

Concerning private monopolies, many major monopolies remained in place after 2007, especially those of strategic significance to the economy. Most importantly, the PA renewed Paltel's monopoly over the telecommunications sector in 2016 for the next 20 years. Much of the deal's terms remain secret and hidden from the public. While the circumstances surrounding the deal remain largely ambiguous, it has been noted that Paltel can maintain its monopoly by bribing Israeli officials to prevent the entry of competition into the market, particularly with the help of the recently founded mobile operator Wataniya (Haddad 2016, 266). In a brief official statement, the deal was anticipated to secure a total of US$290 million in revenue for the PA during the overall period. As Paltel's annual profit is already estimated at US$120 million, the deal has been harshly criticized on the ground that public ownership of the telecommunications sector could secure substantial revenues and reduce reliance on external aid. However, the deal ensured that most profit would end up lining the pockets of the company shareholders.

Given the strategic vitality of the telecommunications sector to society, the deal exemplified the highest form of corruption and cronyism in the eyes of the Palestinian public. In recent years, several grassroots campaigns have taken place, most notably the "Enough, telecommunications company!" initiative, to protest Paltel's costly and inefficient services and demand an end to its monopoly. For example, the protestors criticised Paltel's subscription fee of 20 Israeli shekels, which Paltel imposes on a monthly basis regardless of whether or not the subscriber uses the service. Given that Paltel has 470,000 subscribers, it is estimated that the company collects more than nine million Israeli shekels per month— more than 100 million shekels in yearly net profit from the subscription fee alone (Paltel Annual Report 2018). The imposition of the monthly subscription fee has been described by protestors as illegal because it violates the Palestinian Basic Law, whose Article 88 states that any taxes and duties shall be imposed, amended, and repealed only by law.

Despite the peaceful nature of these protests, the PA security forces suppressed them and arrested the organisers on multiple occasions. One activist told us "Isn't it enough with the occupation? This is our homeland, and we will not allow our public goods and collective interests to become a private property for a few capitalists and corrupt politicians" (interview with Nidal 2020). Commenting on the political power of Paltel, Iyad Riyahi, the co-founder of the Social and Economic Policies Monitor (Al Marsad) indicated that "who is in real control of the economic policies of the PA are a few businessmen who fully dominate the Palestinian market. They are very influential to the extent that they can appoint and overthrow a minister or even the entire government" (interview with Iyad Riyahi 2020).

Politics in business

Although the Palestinian public is aware of power relations between the capitalists and the PA, gathering detailed and precise information regarding political elites' engagement in business ventures is a challenging task. This is because elites often enjoy social, political, and legal immunity and are protected by the security apparatuses. Generally, the political elites' corruption, embezzlement of public resources, money laundering, and informal involvement in business come to light at times of internal conflict within elite circles, or through leaked documents obtained by investigative journalism. The PA's political elite became particularly discreet about their business relations following a series of corruption scandals during the 1990s and early 2000s. However, several PA officials' family members and relatives are publicly involved in large businesses operations, either independently or through existing conglomerates. The most prominent example concerns the sons of President Mahmoud Abbas, Tareq and Yasser Abbas, whose businesses and wealth have been at the centre of public and media debates questioning the possible connection between their successful business ventures and their father's political power. To defy these accusations, advocates claim that the president's sons' involvement in business preceded their father's presidency and that they are "hard-working entrepreneurs who were trying to help their fellow Palestinians by developing the economy" (Entous 2009). The Abbas brothers have been involved in the private business since the early years of Oslo, although in recent years, they have become influential economic actors in the oPt and beyond.

Yasser Abbas is the Chairman of Falcon Holding Group, which consists of several individual companies based in Palestine and other countries in the region. He holds several leadership positions in several conglomerates, including the Al-Mashreq Insurance Company and the First Option Project Construction Management Company (United States District Court for the District of Columbia 2013). His younger brother Tareq is an APIC Board Member, has acted as Vice President of its Corporate Affairs since 2014, and served from 1999-2011 as General Manager of one of APIC's major subsidiaries called Sky Advertising, Public Relations, and Event Management (APIC). In contrast to Tareq, whose political ambitions are barely noticeable, Yasser has shown interest in politics on several occasions, particularly by joining official PA trips as a special envoy of the president (KAZINFORM 2012).

In 2009, Reuters published a detailed investigative report that sheds light on the political background of the successful businesses run by the president's two sons. According to documents obtained by Reuters, the United States Agency for International Development (USAID) paid over US$2 million for Yasser's Falcon Holding Group to construct a sewage system in Hebron in 2005, and for Tareq's Sky Advertising to launch a public relations campaign in 2006 to improve the US's image in the Palestinian territories. When asked about the links between USAID's financing of profitable projects by companies operated by the sons of the PA president, a USAID official stated that "family ties were not a consideration" (Entous 2009).

Similarly, in 2012, *Foreign Policy* published an article questioning the legitimacy of the wealth acquired by Yasser and Tareq, specifically after Mahmoud Abbas took office in 2005, and whether they have "enriched themselves at the expense of regular Palestinians—and even US taxpayers" (Schanzer 2012). Entitled "The Brothers Abbas: Are the sons of the Palestinian president growing rich off their father's system?", the article sparked considerable controversy concerning potential links between American aid to the PA and the personal enrichment of PA officials and their relatives. Yasser Abbas responded by filing a libel lawsuit with the federal district court in the District of Columbia's against *Foreign Policy*, charging the publication with a defamatory allegation of corruption. The judge contended the following:

> The question of US aid to the Palestinian Authority, and the level of corruption in the PA under both Yasir Arafat and Mahmoud Abbas, is fundamentally a matter of public, not private, interest. The relationship between the United States and the Palestinian Authority, and the way that U.S.-appropriated funds are used by the Palestinian Authority has been debated at length for years. The question of whether the sons of the president of the Palestinian Authority are enriching themselves by virtue of their political ties, and whether some of their wealth can be traced to US tax dollars is part of that issue. As defendants point out, numerous publications in the United States and throughout the

> world have written extensively about corruption in the Palestinian Authority generally, and the Abbas family's wealth specifically. Indeed, Mr. Abbas does not dispute that "there is a public controversy concerning allegations of corruption within the Palestinian Authority." (United States District Court for the District of Columbia 2013)

The lawsuit was dismissed by the court, with the conclusion that the questions posed in the article "do not qualify as false and defamatory statements" (Unites States Court of Appeals for the District of Columbia Circuit 2015). While the result of the lawsuit cannot be taken as firm evidence of the direct connections between Yasser's wealth and his father's political career, it must be understood within the context of the growing "conspicuous wealth" of PA political elites and their relatives and associates.

Conclusion

Crony capitalism has become a fundamental explanatory variable in understanding the interrelationships between the PA political elite and a handful of business groups and entities. While crony relations have existed since the early years of the PA's establishment, cronyism and associated patronage networks have grown in complexity during the previous decade. The changing nature of monopolistic practices highlights the state of PA-business relations in the context of Israel's settler-colonialism and international donors' financial support. The system of crony capitalism in the occupied West Bank is a significant factor driving persistent poverty, inequality, and social division. Moreover, while powerful interest networks internally underpin PA cronyism, it is externally sustained by Israeli and international donors as long as it achieves political stabilisation and preserves the status quo. In truth, the reality of crony capitalism in the oPt is an understudied "black box" area of research due to various security restrictions, autocratic politics, and difficulties associated with acquiring detailed and precise information.

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