

# The Cost of Palestinian Unilateralism

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## ABOUT THE AUTHORS



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**Given the robust rhetorical support for the unilateral Palestinian statehood campaign, recent revelations that the PA cannot pay its employees their full salaries due to unfulfilled donor pledges is all the more surprising.**

**W**ith the Israeli-Palestinian negotiations stalled for more than two years now, the tide of support for recognition of Palestinian statehood at the UN General Assembly in September is growing. Palestinian unilateralism has been buoyed not only by strong support from Arab nations, as might be expected, but also from more unexpected quarters, such as Britain and France.

Given the robust rhetorical support for Palestinian statehood, the past weekend's revelation that the Palestinian Authority cannot pay its employees their full salaries in July due to unfulfilled donor pledges is all the more surprising. According to the *New York Times*, PA Prime Minister Salam Fayyad reported that of the \$971 million in pledges made by donors so far this year, only \$330 million had actually been paid. Those arguing most strongly for Palestinian unilateralism, the PA's Arab neighbors, are among the stingiest with aid -- among them, only the UAE, Oman, and Algeria have fulfilled their aid pledges. As a result, the PA is saddled with a deficit that stands at \$500 million and rising; steep indeed, but equivalent to only about half a day's oil revenues for Saudi Arabia.

This far exceeds the aid shortfall experienced by the PA in 2010, despite the fact that its aid requirements have fallen as a result of Fayyad's efforts to wean the PA off of external assistance. And it comes despite the PA's strides in fiscal management, which should have been heartening to donors wary of their funds being ill used.

That the same friends who are promising their UN votes to the PA are failing to follow through on their aid pledges should give Palestinians pause. The last IMF report on the Palestinian economy, issued last April, heaped praise on the PA's economic efforts, which were in part responsible for a remarkable eight percent increase in the West Bank's GDP in 2010. But it noted that continued economic recovery for the Palestinians depended on three things in particular: further reductions by Israel in restrictions on movement and access within the West Bank and Gaza; better coordination between the PA and Israel on the collection of "clearance revenue" (essentially taxes and fees

collected by Israeli authorities and transferred to the PA); and more reliable disbursement of donor aid.

The first two boil down to Israeli-Palestinian cooperation, which is threatened by the specter of Palestinian unilateralism in September. Indeed, shortly after the IMF report was issued, Israel temporarily suspended the transfer of clearance revenue to the PA in protest of the Hamas-Fatah unity agreement. If indeed the Palestinians seek to circumvent negotiations and seek recognition by the acclamation of the UN General Assembly, the painstaking gains made in Israeli-Palestinian economic cooperation will almost certainly be lost, to the detriment of both parties. And as the weekend's report on unfulfilled donor pledges makes clear, the Palestinians cannot count on the friends cheering them on rhetorically to step up financially if the going gets rough post-September.

For Israelis and Palestinians, there is no unilateral path to peace and prosperity; these will be achieved only through the hard work of negotiations. This is the sobering lesson Palestinians should take from the latest economic data, and the unified message the US and its allies should deliver to Ramallah.

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