

# Between “Peace Dividends” and Peace

By Guy Ben-Porat

The promise of economic development was in the background of the Israeli-Palestinian peace process and underscored the concept of the “New Middle East” (NME).<sup>1</sup> It was argued that economic incentives—often described as “peace dividends”—could create an optimistic horizon and, consequently, change the motivations and perceptions of both sides to the conflict. This liberal view has drawn upon the ideology of globalization and shared within its underlying tenets of rationality, professionalism, and the virtues of a market economy. Accordingly, it stressed economic and technological development that supposedly rendered territory and territorial disputes marginal or irrelevant and, consequently, advocated territorial compromise. The promise of a NME was not entirely a myth; rather, after the Israeli-Palestinian Declaration of Principles (DOP) was signed in 1993, Israel experienced unprecedented economic growth. The optimism was short-lived, however, as relations between Israelis and Palestinians soon returned to cycles of violence.

The purpose of this study of the Israeli-Palestinian peace process is to examine the impact of economic incentives on the transformation of protracted conflicts. While economic growth can certainly provide motivations for peace by creating a virtuous cycle, as I argue below, reliance on economic growth faces two problems. First, the incentive of economic growth does not appeal equally to all people, so fundamentalist groups may prefer territorial stakes over promised prosperity and thus possibly seek to derail the process. And, second, economic growth might not distribute its benefits equally, leaving some groups alienated from the process and, consequently, making the process vulnerable to derailment without the support of these groups.

## PEACE DIVIDENDS AND VIRTUOUS CYCLES

In a post-Cold War world characterized by the acceleration of globalization, “peace dividends” have become a commonly used term to describe new mechanisms available for the resolution of protracted conflicts. “Peace dividends” can be the result of either direct investments by third parties in a conflict zone or an indirect result from the access allowed to an emerging system of political cooperation and economic development.<sup>2</sup> Peace dividends are portrayed in win-win terms; namely that entire regions across communities would benefit from global integration that would follow the transition from conflict to peace.<sup>3</sup> The pacifying potential of dividends related to globalization portrays a virtuous cycle in which peace and economic

---

**Dr. Guy Ben-Porat** is a Lecturer in the Department of Public Policy and Administration at Ben-Gurion University of the Negev, Israel.

development mutually reinforce each other. Initial advances in resolution of the conflict enhance business confidence, enable global integration and generate economic growth. Economic betterment, or peace dividends, on their behalf, widen support for forming a peaceful solution and make territorial compromises easier to establish and maintain.

Peace dividends raise both the hopes of marginalized communities seeking political, economic, and cultural equality and the dominant communities' hopes of raising prosperity in an economy that has been restricted by conflict. But, due to the nature of the process of globalization, it is questionable whether these hopes can be met and, consequently, whether, or under what terms, the incentives associated with globalization can translate into a stable peace. Because of the unequal impacts of globalization, the virtuous cycle described above rests on two problematic assumptions. First, that successful global integration is indeed universally open and, second, that it is universally desirable. The first assumption neglects the fact that globalization creates winners and losers and therefore peace dividends may be paid out unevenly, alienating those who are on the losing side and leaving the process vulnerable to opposition. The second assumption ignores the existence of "spoilers," leaders and parties who believe that peace threatens their power, world-views, or interests.<sup>4</sup>

---

### **Spoilers may favor a separatist agenda regardless of the economic consequences and have the power to derail the peace process through extreme actions.**

---

Spoilers may favor a separatist agenda regardless of the economic consequences and have the power to derail the peace process through extreme actions. Violent actions by spoilers can derail the process and offset the virtuous cycle by undermining both economic growth and political support and, consequently, create a vicious cycle in which a setback in the peace process can offset the economy and vice versa. Thus, while globalization can create the incentives that kick-start a peace process, it remains questionable whether and under what terms these incentives can be translated into a stable peace settlement. The stability of the peace process, it will be argued here, depends on the ability to make the virtuous cycles inclusive and the economic gains from peace universal, so that spoilers will be marginalized and wide support for the process maintained. Economic elites, geared to benefit from global integration, and political entrepreneurs are natural supporters of compromise and are expected to create a coalition for peace, but its success will be determined by their ability to incorporate large parts of society and to appeal to their disputants.

The support of wide constituencies is crucial when the peace process meets obstacles, when spoilers act violently to derail the process, and when the promises of growth and prosperity are slow to be realized. The resolution of protracted conflicts is a long and arduous process that has to tackle many levels of disagreement and mistrust. The prosperity, potential or real, that follows the signing of agreements might be insufficient to maintain wide support, especially when compromises seem

to undermine existing identities and when spoilers threaten security. The strength of the peace process depends, therefore, on the one hand, how dividends are distributed, and, on the other hand, how issues of security and identity are addressed.

### SETTING VIRTUOUS CYCLES

Shimon Peres’s idea of the “New Middle East” framed the mutually reinforcing effects of peace and economic growth and the creation of a virtuous cycle. The changing world structure, argued Peres,<sup>5</sup> favors economic growth over territorial acquisition and requires that Israel and its neighbors change their priorities, or risk becoming marginal in the world economy.

*Toward the end of the twentieth century, relations between nations began to take on a new, qualitative dimension...The scale has tipped in the direction of economics rather than military might... What is right for the rest of the world is right for Israel and the Arab nations as well. Fate has brought us from a world of territorial conflict to one of economic challenge and of new opportunities created by human intellectual advances. History, as Professor Paul Kennedy once wrote, creates a winners and losers list. The Middle East is now a winner. The ball is in our court.<sup>6</sup>*

A higher standard of living, Peres argued, is a precondition for mitigating the tensions between countries, an answer to the growing threat of fundamentalism, and an incentive for democratization. The ultimate goal, according to Peres, was that the peace process between Israel and its neighbors would lead to the creation of a regional community of nations, with a common market and centralized elected bodies, modeled on the European Community.

The idea of the NME did not fall on deaf ears as the Israeli upper and middle classes were more than prepared to globalize. The changes in patterns of consumption and culture in Israel since the 1970s were described as an “Americanization” of Israeli society. From a society of austerity in the 1950s, Israel had become an increasingly affluent society, with more “hedonistic” values, open to foreign cultural influences and deeply engaged in consumption.<sup>7</sup> The business elite were a ready partner for an agenda of peace and global integration. Israeli businesspeople who became involved in the peace process described themselves, in addition to promoting their own businesses, as leading Israel towards a better future. One businessman explained,

*My generation was raised on the essential values of Zionism and we became concerned that there was no similar legacy to pass on to the next generation, [but] my Zionism is peace. This is a new Zionist goal.<sup>8</sup>*

Overall, there was a growing desire among Israelis to “normalize” the country, making it into what they considered an advanced, sophisticated, and more tolerant society. While liberal economic reforms were initiated in 1985, the continuation of the conflict and the rising costs of maintaining the occupation of the territories, particularly since the Palestinian uprising (the *intifada*) in 1987, undermined the

developments. The Israeli election of 1992 took place in the shadow of the continuing *intifada*, the Gulf War, mass immigration from the former USSR, and the necessary loan guarantees from the United States conditioned on Israel's willingness to negotiate peace. The more moderate Labor Party, led by Yitzhak Rabin, challenged the hard line Likud Party, who was reluctant to compromise. Two days before the elections, when the polls indicated that the Labor party would win, an improved business mood was reflected in the stock prices, as they climbed 3.5 percent. After the elections, results confirmed the expectations, as prices climbed by another 7 percent. One economic analyst explained,

*Whereas in the ballot box investors vary in their political views, in the stock market there was largely a consensus. For most investors the return of the left (the Labor) means higher chances for conflict resolution.<sup>9</sup>*

### THE PEACE FESTIVAL

The news of the dramatic progress in the secret negotiations in Oslo during the summer of 1993 caught most Israelis by surprise. A month later the parties to the conflict signed the Declaration of Principles (DOP) on the White House lawn and economic developments were already underway. The DOP, though an important breakthrough, was only an established framework for further negotiations, but the Israeli government, in need of bolstering support, chose to create and ride the waves

---

### **The NME seemed, if for a short moment, to turn from a dream into a reality.**

---

of optimism for as long as they lasted, being buoyed by the business community and the media. The closer it got to the agreement, the more enthusiastic the headlines became. "In the air, the land and the sea—Israel is on the map," exclaimed a major daily. It then outlined the new goals Israel had, including the building of a "Mediterranean highway" linking Israel to Europe, organizing tourist packages that would include Israel and its neighbor countries, uniting the electricity networks of Israel, Syria, and Jordan, and other joint projects.<sup>10</sup>

The stock market reflected the explosion of business optimism as investors were "betting on peace" and three days after the signing, it broke all records. The papers were full of stories on the economic fortunes awaiting Israel and businesspeople interviewed were full of optimism. Foreign companies that had previously avoided business in Israel now entered the Israeli market. The list included major American retail chains, such as Pepsi Cola, McDonalds, Burger King, Tower Records, Office Depot, and Ace Hardware; European companies like Heineken, Amstel, and Daimler Benz; and East Asian companies, such as Hyundai and Acer.

The NME seemed, if for a short moment, to turn from a dream into a reality.

Newspapers drew a new map of the region in which countries in the Middle East, the Mediterranean, and the Far East, previously closed to Israel, opened up. New economic ventures were described, involving cooperation of Israeli and Arab businesspeople. For example, Koor, one of Israel's largest conglomerates, revealed a day before the ceremony in Washington an ambitious peace project secretly launched one year earlier. The project, titled “Salaam 2000,” was a US\$100 million investment firm in which Koor had joined forces with a Spanish bank (Banesto), a Moroccan large private concern (ONA), and a group of Palestinian businesspeople.

---

**The steps taken towards peace by the government, therefore, created new opportunities for businesspeople who, by exploiting them, created “peace dividends.”**

---

What underscored the developments described above was cooperation between the Israeli government and business elites. Businesspeople accompanied several visits of governmental officials in the region and beyond and made explicit the connection between the political and economic developments. The steps taken towards peace by the government, therefore, created new opportunities for businesspeople who, by exploiting them, created “peace dividends.” This business-government nexus was the core of the planned virtuous cycle and the peace dividends aimed at a dual purpose: consolidating the new relations between Israel and the Arab world and bolstering the Israeli public's support for peace. But, it was soon revealed that the peace process and the NME, despite the early enthusiasm, suffered from a shortage of legitimacy, not only in the Arab world as a whole, but also within Israel in particular.

Being a strong economy relative to its neighbors, the developments in the peace process contributed to economic globalization, rather than regionalization of the Israeli economy. The end of the Arab boycott opened new markets to Israeli businesspeople, particularly in Southeast Asia and, combined with political stability, encouraged the entry of foreign companies and investments. The Israeli economy became attractive to foreign investors. In the early 1990s, foreign direct investment (FDI) reaching Israel averaged US\$240 million annually, while in the last four years of the decade it averaged US\$2.4 billion, a ten-fold increase. Israel international risk rating also improved markedly, with Standard & Poor's and Moody's rating Israel, respectively, AA- and A2, interpreted as “high quality” and “strong payment capacity.” Israel's economic growth, its fiscal policy, and the peace process were the explanations for the favorable rating. This globalization trend has had important positive effects on the Israeli economy, but rather limited effects on the peace process, as Palestinians, neighboring Arab states, and also the poorer sectors of Israeli society have shared little, if any, of the benefits.

## **DISTURBING REALITIES**

The economic growth that followed the ceremonial signing of the agreement had a limited political impact and the peace process remained vulnerable to derailment. The NME, in Peres's vision, was to take example from the European Union. However, unlike the EU, the Middle East not only suffered from high inequalities between Israel and its Arab neighbors, but also cooperation was conditioned upon the development of the peace process between Israel and the Palestinians. From an Israeli business perspective, the major benefits of peace were in Israel's global integration rather than in regional developments. Israeli businesspeople saw the region mainly as a supply of cheap labor and a market for some exports. Arab states, on their part, were suspicious of cooperation because of Israel's economic superiority that could translate into Israel's advantage and their own exploitation. The NME made even Egypt uncomfortable, despite a standing peace treaty with Israel of over fifteen years. Egyptian President Mubarak asked,

*What is a new Middle East? If it's peace and cooperation that's OK. But people say Israel wants to be the strongest state in the region and control the economy. Talk like this makes all the countries in the region afraid.<sup>11</sup>*

The Casablanca business summit in November 1994, was a striking example where new ideas of cooperation were raised and new plans created, but, it also set off alarm bells all over the Arab world due to Israeli businessmen's overbearing presence and determination.

---

### **The NME made even Egypt uncomfortable, despite a standing peace treaty with Israel of over fifteen years.**

---

For the Palestinians, official partners in the peace process, the situation was even less promising. In 1993, the Palestinian economy was in shambles. After twenty-five years of occupation the West Bank and the Gaza Strip remained poor regions that supplied Israel's manual labor and had few economic resources of their own. Heavily dependent upon Israel, they paid a high price for the *intifada* in terms of productivity declines, trade with Israel, and employment in Israel. Additionally, Palestinian support of Iraq during the Gulf War resulted in the termination of aid from Kuwait and Saudi Arabia, and terminated remittance income from Palestinians working in the Gulf, who were deported after the war. Palestinian economic priorities were generating employment; improving productive capacity, especially in agriculture and industry, through heightened investments; enhancing private sector growth; improving quality of education, training and health; and ending dependency on Israel.<sup>12</sup> But, not only has the peace process not mitigated economic hardship for the majority of Palestinians, their economic situation has even grown worse, particularly in comparison to the booming Israeli economy.

The peace process included an economic protocol, known as the Paris Agreement, signed in April 1994. The agreement, according to critics, was structurally favorable to Israel but, regardless of its merits and shortcomings, the economic agreement was short-lived. Since March 1993, Israel began to impose a series of closures on the territories in response to terrorist attacks. Imposed shortly after the Paris Protocol was signed, the closures turned the free movement of labor and goods set forth in the agreement into a dead letter. Israeli industrialists, farmers, and developers, with government permission, replaced Palestinian laborers with foreign laborers and the latter's numbers grew from a few thousand to over 150,000 by the late 1990s.

For Israelis, the closures imposed on the Palestinians were about security concerns after terrorist attacks, but for Palestinians, these were a form of collective punishment. The closures had both economic and political consequences. Economically, the unemployment rate in the West Bank and Gaza grew to a point that after the total closure of March-April 1996, 66 percent of the Palestinian labor force was either unemployed or severely underemployed. This forced the Palestinian Authority to increase public sector employment and donor countries to redirect as much as 40 percent of their disbursements from long-term investments to emergency budget

---

### **In Israel, in spite of the evident economic growth, the support for peace did not meet the government's expectations.**

---

support and employment generation. Trade was also adversely affected by the closure, with the closing of the Israeli market for Palestinian exports and the severing of ties between Gaza and the West Bank. The overall result has been a severe decline of per capita GNP by approximately 30 percent since 1993, and of declines in real wage rates of 38 percent between 1992 and 1994, and by an additional 15 percent between the end of 1995 and the end of 1997.<sup>13</sup> While in September 1993, about 65 percent of Palestinians expressed support for the DOP, a little more than a year later, in December 1994, only 41.5 percent expressed support. In 1995, a majority of Palestinians (59.5 percent) said they did not expect a lasting peace with Israel, while only 23 percent did expect a lasting peace.<sup>14</sup>

In Israel, in spite of the evident economic growth, the support for peace did not meet the government's expectations. Overall economic growth measured in GDP, after a long period of slow growth, reached 6.8 percent in 1994, and 7.1 percent in 1995. GDP per capita grew from US\$12,610 in 1992 to over US\$16,000 by the end of the decade. In addition to the booming high-tech industry, the tourism industry, sensitive to geopolitical developments, doubled in size. With the continuation of the peace process, economic forecasts were positive, predicting continued growth of Israel's economy. Yossi Beilin, then Deputy Minister of Foreign Affairs, recalls little euphoria even at the peak of the process as opinion polls in Israel showed a slight advantage to the opposition.

*We assumed that people would automatically associate the peace process with the lifting of the Arab embargo, the boom in investment in Israel, the dramatic fall in unemployment levels, rising living standards, receding prospects of war, the influx of tourists and Israel's emergence from isolation and obloquy into the light of international respect and recognition.*<sup>15</sup>

For many, the peace movements were historically perceived as upper class and Ashkenazi (European descent) oriented, and the peace they sought in the NME framework perceived as self-serving. This image of the peace process was difficult to erase despite attempts, but there were difficulties beyond the image issue. The period of the 1990s was characterized not only by impressive growth but also by growing economic gaps. The “New Middle East” was about becoming a part of the global world, where relations between nations take a new, qualitative dimension, and foster a peaceful environment that creates wealth and goodwill. But such “peace dividends,” to large segments of Israeli society, were at best a myth and at worst a threat, as part of the new ventures were relocating labor-intensive industries from Israel to the neighboring Arab states.

### **A FRAGILE PEACE**

Economic development and “peace dividends” were insufficient to create the necessary support to hold the peace process through difficult periods and enabled “spoilers” to derail the process into a series of vicious cycles. For the Israeli ideological right wing, the peace process and the general desire to “normalize” Israel through global integration was an anathema. Territorial compromise was described as a betrayal of Zionism and the government was often described in harsh terms, with members referred to as traitors. At the extremes, this ideology was translated into violent acts. On February 25, 1994, a Jewish settler, Baruch Goldstein entered the Cave of the Patriarchs in Hebron and killed twenty-nine Muslim worshippers, leading to a renewed cycle of violence. Anti-agreement demonstrations in Israel grew more and more violent in their language, especially after Palestinian terrorist attacks undermined the sense of security, but it was an act of a lone extremist that shocked and surprised the Israeli public when, in November 1995, Prime Minister Rabin was assassinated. The assassin, a young Israeli religious Jew, explained his act as an attempt to stop the peace process and save Israel.

The Palestinian anti-Oslo opposition gradually grew in size and political influence as the prospects of peace seemed increasingly distant. The Hamas movement established during the *intifada* argued that not an inch of Palestine be ceded to Israel or any other non-Muslim entity. Since its establishment, the Hamas built its power base through the establishment of social welfare structures—schools, mosques, youth clubs, and charity organizations—that widened its support, from the educated middle class to the dwellers of the refugee camps, that enabled it to challenge the PLO. The Hamas (together with the smaller in size, Islamic Jihad) terrorist campaign of suicide bombers against civilian targets in Israel since 1994, including suicide bus bombings in the cities of Hadera and Afula, then in Tel-Aviv and Jerusalem, hurt the Israeli



public’s sense of security and was followed by an Israeli retaliation of closures. Ironically, the Hamas was not only able to derail the peace process but also to increase its support when the peace process—in large part due to its own actions—failed to deliver the promised results.

### **PEACE DERAILED: THE 1996 ELECTIONS**

Economic growth and peace dividends, despite the impressive economic balance sheet of the previous three years, played a small part in the 1996 elections. If anything, the elections and their results demonstrate the limited impact of peace dividends. The elections were held a few months after the assassination of Prime Minister Rabin and the Labor Party seemed comfortably in the lead as the Israeli right wing parties were under attack for their alleged role in the incitement that preceded the assassination. But, a series of terrorist attacks by the Hamas in February and March of 1996, that killed over sixty Israelis, and a poorly ran election campaign, turned the elections into a close race and the moment of truth for the peace process.<sup>16</sup>

---

### **The vision of peace that was detached from local symbols in favor of a more cosmopolitan or global stance failed to appeal to large parts of society that remained attached to local-territorial identity.**

---

The resentment towards the peace process cannot be attributed solely to economic calculations and security concerns. For large segments of Israeli society, and particularly lower-class Mizrachim (Jews of non-European descent), the bundling of peace with secularization, de-territorialization, and liberalization of the state seemed to offset not only their more traditional values, but also their status as Jewish citizens of the state. These groups sought in the state, not only protection from the adverse effects of liberalization, but also an affirmation for their status as Jews in society.<sup>17</sup> Peace coupled with liberalism, secularism, and globalization, designed to “normalize” the state and make it “a nation like all nations,” threatened to undermine all status advancements made by incorporation through republican duties such as military service. The vision of peace that was detached from local symbols in favor of a more cosmopolitan or global stance failed to appeal to large parts of society that remained attached to local-territorial identity.

The business-government nexus described above was unable to persuade significant sectors of Israeli society of the benefits of peace, especially when security concerns were overwhelming. This was especially salient when prior to the elections, as the gap between Peres and the incumbent Netanyahu were closing, the open and direct support of the business community for Peres failed to make a difference. Large constituencies remained alienated from a peace process they saw as compromising their national identity and personal security. Nachum Barnea described the roots of hostility and alienation towards the Labor Party displayed in the election outcomes.

*It was a coalition of communities and individuals that believed he [Peres] is not loyal enough to the national, Jewish interest....It was a coalition of the hungry. Many of them feel neglected, treated unfairly and marginalized in Israeli society. They identify, not without justice, the left with the political, economic and cultural establishment, in which they have no share.<sup>18</sup>*

## FROM THE “NEW MIDDLE EAST” TO THE “SECURITY FENCE”

Economic growth had a limited influence not only on domestic politics and the public’s acceptance of the peace process, but also on the relations between the two sides. The vision of economic cooperation encompassed in the “New Middle East” has not materialized and the peace process has gradually turned into a partition process that overshadows ideas of cooperation. The negotiations failed to resolve the unbridgeable issues that were deferred to the final phase—the status of Jerusalem and the Temple Mount/Haram al-Sharif, the right of return of the Palestinian refugees, and the location of the final borders. The process became a series of intensive negotiations and took on a zero-sum dynamic in which each side tried to maximize its territorial gains, often disregarding the impact of its behavior on relations with the other side.<sup>19</sup> The result was a series of complex and detailed agreements based on Israeli redeployments, the extent of which has been a constant source of tension between demands for Palestinian sovereignty and Israel’s security concerns. This dynamic began early after the initial signing and continued after the 1996 elections as Netanyahu’s government negotiated more agreements and transferred territories to Palestinian control.

---

### **Economic growth had a limited influence not only on domestic politics and the public’s acceptance of the peace process, but also on the relations between the two sides.**

---

In the summer of 2000, seven years after the signing of the DOP, Ehud Barak, the newly elected Israeli prime minister of the Labor Party, and Yasser Arafat met in Camp David for a crucial negotiation. Barak, who initiated the summit, declared his intention to pass over the interim agreements that, he argued, reached a dead end, and move to the final agreement that would put an end to the conflict. Two weeks of negotiations failed to bridge the differences and the sides departed without reaching an agreement, blaming each other for the failure of the summit. The Palestinian frustrations of the last seven years exploded after a visit of Israeli opposition leader, now prime minister, Ariel Sharon, to the Temple Mount, a visit meant to demonstrate Israel’s sovereignty over the site. The following clashes between Israeli security forces and Palestinians escalated into unprecedented levels of violence, ending the peace process and, shortly after, Barak’s term in office.

The cycle of violence which began in October 2000 was unprecedented and ended the vast majority of cooperation, limited as it was, that had existed. Israeli political elites, with wide public support, adopted a policy of unilateral partition and began the construction of a fence that separated the West Bank from Israel. The concept of a fence between Israelis and Palestinians has always been a part of the political discourse in Israel. From the time of Oslo, especially when the process was undermined by violence, the fence was raised as a fallback position, a security measure Israel could or should use unilaterally, if the Palestinians failed to cooperate. The Labor Party in the 1996 campaign, with its back against the wall, facing a terrorist campaign, used the slogan “we are here, they are there, a fence in between.” This strategy emphasized the need to achieve security by ending the occupation, with or without Palestinian cooperation, and draw its future borders.

If the NME overstretched the value of economic growth and peace dividends, the fence policy seems to disregard these issues altogether. The building of the fence had to overcome not only budgetary questions, but also to balance the demands of Israeli settlers that the fence be extended eastward to include them and those of the American government and other international actors that the fence should not be used to annex territories. The building of the fence was designed to strike a balance between these internal and external pressures, but essentially ignored the consequences for the Palestinian economy and society. Not only does the fence imply annexation of some Palestinian villages to Israel, separating them from the West Bank, it also involves cases in which lands are confiscated from their owners for the building of the fence, and cases where landowners will be separated from their lands by the fence, depriving them of their income.<sup>20</sup> Moreover, the fence would sever all economic ties that remain between Palestinians and Israel and would add to the economic plight of the Palestinians. The Gaza Strip, which, unlike the West Bank is sealed off from Israel, has suffered immensely from Israeli closures that prevented the entry of workers and goods to Israel, often in retaliation for terrorist attacks, as unemployment rates skyrocketed. The planned Israeli withdrawal in the summer of 2005, which includes the closing of the Erez industrial zone, once a part of the NME Vision, will hardly improve the situation.

## CONCLUSION

Economic growth and peace dividends carry a promise for a better future and, therefore, have the potential to change the perceptions and interests of the parties in conflict. But, while in the earlier stages of the process, the dividends of peace can contribute to its momentum and, together with the reduction of violence, to a general optimism, in the later stages, when the peace process inevitably reaches obstacles, their impact might wane. In Israel, the peace festival in the early stages seemed to confirm economic expectations and underscored the relation between peace and economic growth. But, when the dust settled and ceremonies were replaced with the mundane negotiations, the limited influence of peace dividends was exposed. First,

“spoilers” who found compromise unacceptable, regardless of economic benefits, organized to derail the process. Second, wide sectors of the Israeli population and even broader groups of Palestinians were left out of the virtuous cycles and remained suspicious towards or alienated from the peace process, especially when it was derailed by spoilers. And, third, the major issues of contention—refugees, holy sites, final borders—were largely unaffected by the promise of economic growth.

### Notes

<sup>1</sup> Shimon Peres, *The New Middle East* (New York, NY: Holt, 1993); Guy Ben-Porat, “A New Middle East? Globalization, Peace and the ‘Double Movement,’” *International Relations*, Vol.19, No.1, March 2005, 39-62.

<sup>2</sup> Denis O’Hearn, “Peace Dividend, Foreign Investment, and Economic Regeneration: The Northern Irish Case,” *Social Problems*, Vol. 47, No. 2, 2000, 180-200.

<sup>3</sup> Denis O’Hearn, “Peace Dividend,” 183-4.

<sup>4</sup> Stephen John Stedman, “Spoiler Problems in Peace Processes,” *International Security*, Vol. 22, No. 2, Autumn 1997, 5-53.

<sup>5</sup> Peres, *The New Middle East*, 35-36.

<sup>6</sup> Peres, *The New Middle East*, 35-36.

<sup>7</sup> Maoz Azaryahu, “McIsrael? On the ‘Americanization of Israel,’” *Israel Studies* Vol. 5, No. 1, Spring 2000, 41-64; Chaim Nagid, “The Americanization of Israeli Culture,” *Skira Hodshit* (Hebrew), January 8-9, 1993; Uri Ram, “The Promised Land of Business Opportunities: Liberal Post-Zionism in the Global Age,” Gershon Shafir and Yoav Peled, eds., *The New Israel* (Boulder, Colorado: Westview Press, 2000), 129-159.

<sup>8</sup> Interview with Benni Gaon, former CEO of Koor, in Ben-Porat, “A New Middle East?”

<sup>9</sup> Guy Rolnik, “Gaza & Jericho, but the National Bank First,” *Haaretz*, October 6, 1993.

<sup>10</sup> Guy Ben-Porat, “Between Power and Hegemony: Business Communities in Peace Processes,” *Review of International Studies*, Vol. 31, No. 2, April 2005, 338-341.

<sup>11</sup> Quoted in Laura Drake, “Arab-Israeli Relations in a New Middle East Order,” in J.W. Wright, ed., *The Political Economy of Middle East Peace* (London, UK: Routledge, 1999), 17.

<sup>12</sup> Sara Roy, “De-development Revisited: Palestinian Economy and Society Since Oslo,” *Journal of Palestinian Studies*, Vol. 28, No. 2, Spring 1999, 67-68.

<sup>13</sup> Roy, “De-development Revisited,” 76.

<sup>14</sup> Palestinian Center for Policy and Survey Research (PSR), “The Palestinian-Israeli Agreement: ‘Gaza-Jericho First’ September 10-11, 1993,” “Negotiations, PNA and Opposition, Jordanian-Palestinian Relations, Elections, and the Presidency of the PNA, December 29-31, 1994,” “Armed Attacks, Palestinian-Jordanian Relations, Negotiations, Elections and Other Issues of Concern, August-September 1995,” available at <http://www.pcpsr.org/survey/cprspolls/index.html>, accessed July 18, 2005.

<sup>15</sup> Yossi Beilin, *Touching Peace: From the Oslo Accord to a Final Agreement*, trans. Philip Simpson (London, UK: Weidenfeld& Nicolson, 1999), 270.

<sup>16</sup> Ben-Porat, “Between Power and Hegemony,” 343-344.

<sup>17</sup> Yoav Peled and Gershon Shafir, “The Roots of Peacemaking: The Dynamics of Citizenship in Israel, 1948-1993,” *International Journal of Middle Eastern Studies*, Vol. 28, No. 3, August 1996, 391-413; Gershon Shafir and Yoav Peled, “Peace and Profits: The Globalization of Israeli Business and the Peace Process,” in Gershon Shafir and Yoav Peled, eds., *The New Israel: Peacemaking and Liberalization* (Boulder, CO: Westview Press, 2000), 243-264.

<sup>18</sup> “Peres Gave, Bibi Took” *Yediot Acharonot*, May 31, 1996.

<sup>19</sup> Guy Ben-Porat, “Grounds for Peace: Territoriality and Conflict Resolution” *Geopolitics*, Vol.10, No.1, Spring 2005, 163-164.

<sup>20</sup> “The Impact of Israel’s Separation Barrier on Affected West Bank Communities: A Follow-up Report to the Humanitarian and Emergency Policy Group (HEPG) and the Local Aid Coordination Committee (LACC),” Update Number 1, July 31, 2003, 3-4, available at <http://www.reliefweb.int/library/documents/2003/hepglace-opt-31jul.pdf>, accessed July 22, 2005.