

**Section III:**  
**Arresting the Shrinking Palestinian Economy  
and Mitigating Dependency on Israel:  
Challenges and Alternatives**

Michele Di Maio

University of Naples Parthenope, Italy

Expert Group Meeting on

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# Question(s)

1. Is there any chance to establish effective industrial policy for the Occupied State of Palestine?
2. What regional cooperation mechanisms could be developed to boost the Palestinian economy?

# Industrial policy

- It is a complex (and highly criticized) concept
- It relates to supporting specific sectors that are considered strategic for the economy
- There are three elements that are necessary for successful IP
  1. Dialogue between the private and public sector
  2. Strategy
  3. Data

# Regional cooperation

- Common interests
- Trade relations can be the engine of cooperation
- It can provide the context in which to develop industrial policy

# The OPT context

- Trade issues
  - Amodio, F. and Di Maio, M. (2017). Making do with what you have: Conflict, input misallocation, and firm performance. *Economic Journal*, forthcoming
  - Amodio, F., Baccini, L., and Di Maio, M. (2017). Security, trade and political violence. HiCN working Paper 127
- Shrinking manufacturing sector
- IP coupled with regional cooperation could provide an environment conducive to economic development

# Warnings

- IP fails if there is no dialogue
- IP fails if the market is small
- IP fails if there is no domestic competition