Conflict Management at Border Enterprises

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Introduction

Political science must be based on recognition of the interdependence of theory and practice, which can be attained only through a combination of utopia and reality (Carr, 1942:19).

Historically, the allocation, demarcation and administration of borders have been an elite phenomenon determined by national governmental bodies through some degree of force or threat. Yet while initial demarcation is an elite phenomenon, over time in many areas borders are continuously negotiated and re-interpreted through the dialectics of everyday life among all people who live at them, but also, to a lesser extent, by those who cross them and by those people within a state's border who feel in contact with or threatened by outsiders. (Donnan and Wilson, 1994:11).

In this way, the border both defines international relationships and is continuously redefined by them, with the balance between realist and utopian themes being a constant tension in the policy considerations that determine border activity.

This paper considers the case of Israeli-Palestinian cross-border relations before the construction of the security barrier from 1998-2000, overlapping with part of the Oslo peace process. This study of cross-border movements in varied contexts of commerce, labor, industry and gambling, evaluates this dual function of borders in a unique situation of perceived rather than formal borders and in light of a situation of ongoing conflict. Israeli-Palestinian border dynamics during this period are an example of cross-border relations during a period of hopes for normalcy even as low-level conflict continued unabated\(^1\).

\(^1\) Paradoxically, Israel – a country where any given point is not far from a border – is in some ways the prototypical borderless state. The Green Line, the ceasefire border of 1949, was never formally recognized but rather accepted de facto by Israel and many non-Arab countries as the border. On the other hand, the fence currently under construction – although it has significant impact on the lives of people living in its vicinity and on any development of cross-border Israeli-Palestinian relations – has been
The contribution of border and conflict management theories to this evaluation is especially helpful in illuminating some of the salient features of this particular case. First, the many differences between Arab and Israeli social, political and economic systems – with Israeli-Palestinian relations as no exception – inform many of the border area dynamics, including different expectations regarding the nature of the political and economic relations being established between Israel and its neighbors. Among others, I will look to theories of economic interdependence in considering this aspect. In particular, I will consider the role of "top-down" and "bottom-up" initiatives that, in simultaneous and contradictory movements, both enforce the border as a barrier and encourage cross-border interactions, despite and in light of these tensions.

A second and perhaps unique feature of the Israeli-Palestinian border is that this border is perceived, rather than formal. This ambiguous state of affairs allowed spontaneous cross-border commercial interaction to develop at various locations along roads and in cities and villages of the border area. The potential of this interaction compared to others of the period will be evaluated in light of contact theory. The case study was carried out during the Oslo peace process and thus offers a window of opportunity for examining border interactions, contact and third party involvement in the framework of intractable conflict.

The case study analysis will be preceded by an introduction to the theoretical aspects of conflicted borders.

**Borders of Conflict in Border Theory**

Changes in the nature of borders reflect different historical phases and developments in the internal relations of states and societies and their external interrelationships in the wider system of states (Anderson 2001). Conflict, as the clear expression of troubled inter-state relations, is expressed by the lack of natural evolution of cross-border relations evident in areas of harmonious inter-state relations. A review of the development of border theory shows that classic theory, while almost irrelevant to peaceful borders of developed countries, is still very applicable to borders where conflict prevails.

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declared by the government to be a security barrier and not a political demarcation of the future border. Notwithstanding, this barrier will have significant impact on the lives of people living in its vicinity and on any development of cross-border Israeli-Palestinian relations.
Classic border theory focuses on the physical elements of international borders as barriers to movement, where political and often military aspects of neighboring states are initially apparent (Minghi 1963). Location and growth pole theories of economic activity have viewed borders as areas of economic disadvantage where both public and private sectors tend to avoid investing due to the complex security oriented state bureaucracy in this area of potential conflict. Center-periphery models imply an opposition between a dominant center of political, social and economic power and a subordinate periphery less integrated into channels of political communication. These theories view borders as a hindrance to economic activity, emphasizing their role as "artificial barriers to the rational economic organization of potentially complementary areas" (Hansen 1983:256). Stability reveals the economic opportunity of cross-border relations, but in areas of conflict, borders remain barriers to most perceptions of rational economic organization. Recent research of local organization and business initiatives along the Thailand-Burma border in tension with state bureaucracy shows that these models still have relevance (Aribarg 2005).

Current research has evolved to emphasize interdisciplinary aspects of borders and the bordering process in different social sciences and to note the growing permeability of borders. Globalization of economic and cultural life, mass communication and the increase in mass tourism and international travel are viewed as processes that devalue national boundaries both as markers of collective identity and of self-contained and self-governing societies. The state's influence and control of economic life within its borders is weakened by the increased flexibility of capital, regionalization, spatial differentiation and multi-national strategies. Borders, then, are perceived in post-modern theory as potential bridges rather than barriers, to human interaction. This is a basic change of perception both in the essence of borders and in their function (O'Dowd and Wilson. 1996; Newman 2000; Sigurdson 2000; Van Houtum 2002). The European Union is often presented as a unique case of how a traditional border can be transformed and even disappear through processes of economic integration. Areas of conflict are generally not included in this vision of the transformation of borders to bridges. While exposed to forces of globalization through economy and communications, these borders remain highly impermeable as barriers to local cross-border contact and interaction.

Globalization notwithstanding, even in peaceful areas borders continue to serve important functions and remain central to social theory and national security. While borders and nation states can be blurred by political and economic integration, they retain significance as markers of identity (Newman 1998; Anderson and Bort 2001). In addition, intensified globalization actually increases the need to police borders, which are widely ignored by traffickers in migrants and drugs besides remaining the focus of political and ethnic discontents. Although economic activity strives to promote freer movement of capital and people through de-territorialization, most borders continue to serve as regulators through policy and national territorial control (Paasi 1999). These top-down forces of re-territorialization through enforcing borders serve as a reminder of and function to perpetuate the constant conflict potential at borders even as bottom-up de-territorial forces strive to cross them.

**Cross Border Interaction and Conflict Management Theory**

Functionalist ideas of cross-border cooperation are based upon the premise that over time, perceptions will change and borders will wither as citizens cooperate across territorial boundaries (Tannam 1996). Whether or not such a transformation will occur, however, is not dependent merely on border dynamics. Neighboring states may interact in various realms: economy, politics, culture and society. These interactions can catalyze mutually advantageous cooperation but they also may serve as the focus of a stressful and competitive relationship of potential conflict. Stated otherwise, international conflict is a multi-dimensional, complex phenomenon, not limited to issues of security and in turn, conflict management, in order to be successful, must be multi-disciplinary and encompass understandings of politics, economy, psychology, culture and society.

Theories of conflict differ on the relative weight and contributions of the 'objective' material roots of conflict as in competition over limited resources and the more 'subjective' roots of national identity, society and culture.

Liberal conflict management efforts, based on the view that conflict is subjective and based on psychological factors, de-emphasize the realist objective causes of unequal division of power and resources which are at the base of conflict when viewed as motivated by objective factors. Marxist-oriented theories, at the other extreme, oppose efforts at promoting cooperation and trust through conflict management. According to these theories, conflicts should not be quickly resolved or
managed since they have revolutionary potential of correcting historically unjust social structures.

A third approach recognizes that conflict, as a complex phenomenon, has both structural and relative aspects that relate to the objective and subjective theories respectively. Recognition of this complexity calls for a non-simplistic view of conflict management reflecting both the realist-objective aspects of conflict (the struggle over interests and limited resources) and its subjective-psychological aspects. Real differences of interests are expressions of existing social and political structures and create situations of conflict but perceptions, beliefs and behavioral interactions are central in deciding their outcomes. In addition, social conflict has a dynamic aspect which includes different interactions of objective and subjective factors over time. When intervening one should be aware of the general trends of interaction and their current status (Fisher and Keashly 1991).

Awareness of this complexity of inter-group conflict is central to understanding the changing functions of borders where conflict has been a recent experience. Levels of cross-border interaction reflect the status of the objective conflicting interests and its perceptions in subjective terms.

**Contact Theory**

As mentioned above, in assessing the impact of cross-border interaction on conflict management and vice-versa, it is vital to evaluate the pre-existing mutual perceptions of societies in general and those of the cross-border interactions in particular. Even in mutually beneficial cross-border cooperation ventures, perceptions are not symmetric across borders or even within a single country. Often the population in the interior is less interested in cross-border interaction or cooperation for political, social or economic reasons. The U.S. and Mexico enjoy peaceful relations but issues of illegal immigration and smuggling are central to the border area. Cross-border interaction is beneficial to some but others have reservations about the level of integration developing in the border area. Another example is North and South Ireland, where political hostility inhibited economic cooperation for decades. Today, competitiveness in the Single European Market provides stronger economic motivation for cross-border cooperation, yet many Protestants fear 'creeping unification' through cross-border cooperation with the Irish Republic, compared to Catholics, who, unsurprisingly, are highly supportive of
economic cross-border cooperation (Tonge 2005). Here cross-border cooperation exists in an atmosphere of continuous suspicion and asymmetric expectations.

*Contact theory* sees dialogue and experiences of contact as necessary for normalizing relations and developing confidence between conflicting societies. This theory has a unique application to border relations since the border, as the initial interface between societies, can play an important role in generating this transformation.

Viewed through the lens of contract theory, positive cross-border contact can serve as a rare and unique experience of varying degrees of co-existence in cases of intractable conflict. These conflicts are usually highly emotionally and cognitively engaging for the societies involved, they are prolonged (at least two decades) and often violent. While intractable conflicts are not psychological phenomena, reflecting competition over human needs and resources: security, identity, space, water or food, psychological factors contribute to their severity. Only an approach that addresses not only physical needs, but also the perceptual impasses, can effectively manage and ultimately resolve such conflicts.

When conflict is prolonged and violent, rivalry, racism and hatred accumulate. Forming perceptions of the opponent group is part of coping with any conflict, even minor. Collective memories are impressed by events relating to the conflict, which is often reflected in the cultural work of both sides involved. The emotional involvement of both societies in the conflict is high because of its heavy toll in human life and resources. This involvement is expressed in a range of fears and anxieties on the one hand and by a will to revenge on the other. This is part of the conflictive ethos, apparent when at least one generation is born into a situation of conflict, knowing no other reality (Rouhana and Bar-Tal 1998). The conflictive ethos is the psychological foundation of beliefs that form a common social cognition, which a society develops in order to deal with stress, anxiety, fear and pain wrought on them by the conflict. These beliefs are vital in forging, simplifying and presenting a complex reality with which the general public can cope and serve as a basis of information and motivation for organizing and acting as a group.

As the complication, severity and suffering of the conflict situation increase to a level of an intractable conflict, social involvement in the conflict widens. The media as well as educational and cultural institutions reflect the depth of social involvement in the conflict as its ethos spills over leaving long-term negative effects such as
intense mistrust, de-legitimization of relations and reluctance to change perceptions and behavior long after conflict has been resolved. (Rouhana and Bar-Tal 1998, Bar-Tal 2000).

Contact theory holds that the process of transition from severe situations of conflict to stable peace is affected by the nature of contact, interaction, cooperation and/or conflict between people (Kacowicz and Bar-Siman-Tov 2000). The border as the potential physical site of joint ventures and as an important interface of economic interdependence is a central aspect of this interaction. The vital role of the border in conflict transformation must therefore be considered in the interdisciplinary context, emphasizing the perceptual no less than the social and economic dimensions of the boundary as well as its more traditionally perceived functions of regulation and control (Newman 2004).

Contact theory is one way of understanding the dynamics of third-party involvement, to promote cross-border cooperation through external political or economic pressure, or more effectively, through offering incentives (Cortright 1997). For example, the QIZ areas (qualified industrial zones) in Jordan and Egypt, where commercial and industrial cooperation with Israeli manufacturers guarantee special status in exporting to the U.S., are an example of an important incentive, which, in addition to its economic impact, also promotes interaction between actors on either side of the border. On the Irish border, the EU financial aid, which has had a positive impact in creating cross-community reliance upon funding, has even promoted some political cooperation. Not surprisingly, it has been found that the top-down involvement of supranational institutions in local conflict management is most successful when grafted onto existing cross-national bottom-up, locally initiated structures of cooperation that include many elements of interpersonal interaction and contact interfaces (Hauss 2001).

Cross-border interaction is not automatically a positive contact experience. Inter-personal and inter-group contact experience in the Irish experience show that often contact is superficial, reflecting a preference to avoid friction during interaction more than a trend towards reconciliation. Participants usually refrain from addressing political issues and simply exchange of information on issues of culture and religion. For this reason intimate relationships rarely develop from initiated or spontaneous contact (Cairns 2000).
An analysis of the inter-group contact at the United States-Mexico border found that some groups interact in essentially competitive and conflict-oriented ways and that many interactions have one-sided benefits. Counter to the expectation of “affinity by contact” or even “affinity by common group goals,” direct contact for mutual economic gain with out-group members who speak a different language at this border was sometimes found to be inversely related to affinity (Levin, Soden and Conary 2005). Likewise, contact between Israeli employers and Palestinian employees in border industrial parks is mutually but not equally beneficial and not always a pleasant experience for both sides due to the workplace environment and the surrounding political atmosphere (Arieli 2003). Mutual perceptions change but not at the same pace and degree. One study suggests that Israeli perceptions of Palestinians improve more than Palestinian perceptions of Israelis, probably because they benefit more from the contact experience and suffer less from the workplace conditions (Amir, Ben-Ari, Bizman, and Rivner 1982) Realizing the potential of inter-group contact depends on several factors (Allport 1954, Amir, Bizman, Ben Ari and Rivner 1980, Kelman 1999):

1. **Mutual perceptions prior to contact.** It is easier to strengthen positive or negative perceptions than to change them.

2. **The frequency and quality of contact.** A one-time contact cannot transform relations nor can an unpleasant experience of interaction.

3. **The level of social and institutional support of the contact.** A social environment with a positive attitude towards cross-border contact allows a change in negative perceptions of the other while an opposing environment makes change in perception less likely.

4. **The extent to which the sides perceive shared interests and mutually beneficial outcomes of the contact experience.** Interaction promoting shared goals creates dissonance between old perceptions and current appreciation of cooperation. This dissonance can uproot prejudice and allow positive mutual perceptions to develop.

5. **The relative position of the sides during the interaction.** Contact where the conflicting sides meet on equal standing can contribute to ameliorating relations by uprooting old stereotypes and allowing an understanding of similarities to develop.
Consistent with a contact theory approach, cross-border projects of shared infrastructure or cooperative planning in areas of tourism and environmental issues can be carried out realizing some of the above factors and help change negative perceptions even when motives are not identical. For example, in the framework of Israeli-Jordanian agreements, Israel has committed to annually give water to Jordan. This is a loss for Israel when viewing Israel's water balance but the interaction and cooperation, both politically and locally, has contributed to bettering problem solving mechanisms and mutual relations with benefits that extend beyond the very specific issue of water supply.

**Confidence-Building Measures**

Cross-border contact involving mutually beneficial interaction, for example as in planning and building shared infrastructure, can serve as an opportunity to advance from zero-sum perceptions to those of shared interests. Projects and interactions involving cooperation along the border can function as confidence-building measures (CBMs). CBMs are widely recognized as central measures of preventive diplomacy and are included in all of the treaties and agreements related to the Middle East peace process (Steinberg 2004). These measures, when successful, can spill over and create a climate of mutuality where people-to-people activities ensure cooperation and dialogue and help support peace in the face of crises or setbacks in relations.

A critical view of CBMs claims that disparity in size or resources between countries creates an asymmetrical sense of insecurity that cannot be bridged by CBMs, since under no circumstances will a nation agree to reduce its capabilities further than its opponent (Desjardins 1996). But even from a realist perspective, and consistent with contact theory, CBMs can correct misperceptions, break down barriers to communication and facilitate the realization of shared interests.

This mutual change in perception can be demonstrated through game theory where players who start out playing their non-cooperative strategies, after several trials are able to break out of the trap of mutual defection and achieve the awards of mutual cooperation. Time is necessary to develop mutual trust, a necessary prerequisite for the escape from the compulsion to assume the worst of the other and the shift to cooperative strategies based on positive sum perceptions that result in mutually beneficial outcomes (Brams 1976). CBMs can provide the time and positive experiences during which mutual trust can develop.
Planning CBMs in border areas as a conflict management effort requires consideration and evaluation of the issue of economic interdependence between states and of the various theories of the effect of interdependence on conflict.

**Economic Interdependence**

Any policy intervention for border areas must take into account the economic and social expressions of economic interdependence, as well as the complex interrelation between welfare and peace and security. Welfare depends on peace and security but is also the necessary condition for their establishment which makes realizing these goals most difficult in areas of intractable conflict.

According to Maslow (1943), unfulfilled basic human needs are the central cause of conflict. These include food, shelter, security, respect, belonging, self-realization and other cognitive and psychological requirements which in their totality provide an explanation for the human urge for social and economic progress (Fisher 1990).

The relevance of the human needs theory to the variable of economic interdependence at a border is borne out in the liberal view whereby the greater the percentage of the GNP accounted for by the commerce between two countries, the greater their interdependence and the lower the chances of conflict between them. This argument of "binding commercial liberalism" views the contact and communication between people and governments involved in economic interdependence as having a positive political effect in reducing conflict. Political rivalry between the countries endangers the profits of interdependence. Viewed in this way, economic actors also serve as a political lobby ensuring the continuing of positive relations between the countries (Stein 1993).

Some realists, on the other hand, view economic interdependence as positively correlated with conflict since as commerce increases, so do the range of economic issues over which disputes can emerge (Walz 1970). Frequent contact and communication through commerce could mean increased friction. This is especially so when economic relations between countries are asymmetric, which they often are. Economic ties, in this case, are viewed as amplifying conflicting interests and fears of domination and may even give rise to conflict (Hirschman 1945 1980, Barbieri and Levy 1999). Critics of the effects of economic interdependence also point out that economic processes are more long term than immediate political challenges and can give rise to political instability resulting from economic asymmetries and other factors
during transition periods which are especially problematic during a peace process (Khalizad and Lesser 1998).

Another realist view sees no connection between economic relations and conflict since these are only one vector in a variety of factors that could contribute to conflict: technology, weapons, deterrence, balance of power, oil and leadership (Pevehouse 2004).

Indeed prosperity and stability are not clearly and predictably connected. There is growing indication that the strength and nature of the effects of interdependence depend on various domestic and international factors (Mansfeld and Pollins 2001). Industrialized countries often profit more following a transition to peace, while developing countries continue to suffer from over-population, debt, commercial barriers and social-economic rift.

Contributing to conflict resolution through economics also depends on popular support for economic reform. Creating and ensuring a continuing vested interest in peace throughout the public in countries of former conflict involves both governmental and private initiative and involvement to enable the continuing and expanding realization of human needs through cooperation, interdependence and sustainable development (Arad and Hirsch 2000, Berman 2000, Nelson 2000, Anderson and Zandvliet 2001). Not all commercial activity strengthens the public’s vested interest in peace. Some economic sectors may be threatened or harmed by new competitors from across the border or by the transferring of economic activity.

The advantages of developing economic relations should not be monopolized by few, but rather expand economic activity and increase the quality of life for the general public, in order to be a positive factor in post-conflict relations.

**Emerging cross-border interaction after conflict**

Post-conflict border interactions are a unique situation because of the gap between the political stratum where conflict has been resolved or is in the process of being so and the range of societal perceptions towards former enemies.

Peaceful and stable border areas allow and encourage many economic and social cross-border interactions through which positive local relations can develop. Impressions of these positive relations can spread throughout the border area and form the basis of a hybrid social and cultural identity of borrowed elements from both sides of the border. Transnational borderlanders of the U.S.-Mexican border are not the
local majority but their numbers are growing (Martinez 1994a). These individuals, who interact freely on both sides of the border, may represent the future of many border areas.

In border areas emerging from conflict, several factors could hinder such development and spillover of cross-border relations. The development of a socially and economically stable border environment depends upon bridging national and ethnic cross-border identities (Kelman 1999). This delicate goal depends on global factors and on the quality of diplomatic relations and inter-group contact over time. Social hostility can last long after a political solution has formally ended conflict. Hostility towards those across the border can even grow in response to post-conflict changing cross-border relations. When cross-border interaction takes place, some refrain from participating. This group continues to promote separateness and to some extent neutralizes the spread of any positive cross-border interaction taking place. Another factor that affects local attitudes toward post-conflict cross-border interaction is the media, whose reflections of the status of the general relations between the two countries can weaken the impact of cross-border inter-group contact (Levin, Soden and Conary 2005).

Top-down political involvement is a dominant factor affecting the depth, scope and spillover potential of cross-border activity. Four types of peaceful borderlands have been distinguished according to their degree of cross-border interaction. These are: alienated, coexistent, interdependent and integrated borderlands (Martinez 1994b). Characterizing borders by their degree of permeability, defines them in terms of levels of political involvement. For this reason, in examining the transitory processes between the four stages, the question as to who or what leads them should be asked.

The Israeli-Egyptian border is an example of this dilemma. Since the signing of the Camp David peace treaty, cross-border interaction has been very limited. This was a border of minimal co-existence until 2005. Israeli tourism was limited to the Sinai and there was no significant Egyptian tourism crossing the border into Israel. Cross-border commercial cooperative initiatives were rare and Israeli investors often used Arab identities when operating in Egypt. Reciprocity was absent in many aspects of Israeli-Egyptian non-political relations and the most prominent cross-border activity was the smuggling of women for prostitution and drugs (which, incidentally, involved significant reciprocity in both initiation and cooperation). Recently, a political change
was noticed in Egypt leading to the sudden release of the Israeli prisoner Azam Azam from Egyptian prison and interest was renewed in planning an industrial park on the border between the two countries. If and when cross-border activity increases, this border can be characterized as one advancing towards interdependence. In such a case of cold diplomatic relations, most developments of bottom-up, cross-border interactions are possible only when allowed and maintained by top-down political decisions.

In the European experience as well, the beginning stages of cross-border interaction were characterized by deep political involvement of heads of states. Now that high levels of economic and social interdependence have been established, local bottom-up forces are applying pressure to further develop the integration processes.

Economic logic often takes a back seat to politics even at peaceful borders. States hinder integration processes at borders due to different political and national interests. This was expressed in reference to European integration:

"Men, goods, ideas, industrial and commercial structures are increasingly and ever more rapidly overcoming frontiers. The interdependence of collectivities is becoming evident but politics are not evolving accordingly."³

This may be explained by the idea that the opening of borders and the interdependence of states threaten to dismantle the nation state and organize the world by what unites it and not by what divides it (Mitrany 1943:51). Obstructing the developing interaction between borderland societies emerging from conflict is often a political interference in the process of reconciliation which serves to preserve the conflictive ethos in society long after conflict has been formally resolved.

Finally, even when positive cross-border interaction develops, the border may not be in a position to generate spillover of this experience to the political center due to its relative inferiority in the center-periphery relationship and based on the distance, physical or psychological, between them.

**Interests in crossing and managing borders**

Local populations are exposed to people, ideas, tastes, institutions and behaviors across the border. Even in areas of conflict, borders are rarely totally impervious to

cross-border interaction. Smuggling activities in alienated border areas proves this point by showing familiarity with market needs across the border and an ability to coordinate with partners there. In this fashion, even during the height of the Intifada, cross-border Israeli-Palestinian partnerships successfully planned and carried out widespread car thefts and dismantling for resale on both the Israeli and Palestinian markets. Coordination was so impressive that it was even possible to order (stolen) spare parts for specific car models.

Interests in border-crossing are varied and include family, culture, tourism, shopping, education, business, labor (legal and illegal) and migration (legal and illegal, temporary and permanent). These interests have varied levels of intensity and are factors of the border regime, the size of the border population and economic conditions in the two countries. Thus the family ties between the Druze populations of the Golan Heights and of Syria have been the basis for various cross-border interactions despite the alienated border relations. These interactions can be as straightforward and poignant as yelling to loved ones across the fence, mutual visits coordinated by the U.N., family arranged cross-border marriages and Israeli Druze enrollment at Syrian colleges. Before the peace agreement with Jordan, occasional adventurous individuals illegally crossed the border from Israel to see the historic city of Petra. Tourism to Jordan has increased since the peace treaty was signed but is still very limited. Mutual cross-border relations are developing only at the pace set by diplomatic relations.

Border-crossing is a factor of trust and security. The tourist, student, investor and businessman decide to cross the border after assessing other alternatives. Few will cross the border if it involves jeopardizing their lives or business interests. For this reason, when the atmosphere between neighboring countries deteriorates to suspicion and conflict, cross-border movement decreases in volume and becomes limited in purpose.

Border industry, for example, is highly conflict sensitive. Although borders can be advantageous locations for industry due to the access to different markets and labor pools, when political relations are unstable, industry is built in clusters, where cross-border activity is not totally independent and there is an institutional safety net to industrial activity, thus limiting the uncertainty. Examples are the Erez and Gaza industrial parks on the borders of the Gaza strip and the Jordan–Israeli industrial park planned in the upper Joradian Valley. The dwindling activity in the Gaza Industrial
Estate and the closing of the Erez industrial park, show that in severe cases of conflict, institutional involvement is not enough to attract industry. Stability is often more significant to investors than labor costs and tax benefits.

The state has contradicting interests in managing borders. The ramifications of the different levels of cross-border interaction influence policy which is set according to its needs and political-economic ideology. Security considerations are of utmost importance. The state monitoring of border-crossing activities focuses on keeping out elements perceived as endangering to the state's interests or population, such as terrorists, smugglers and illegal immigrants.

The history of Israeli management of the Israeli-Lebanese border demonstrates the priority of security considerations at the expense of other potentially positive border developments. Beginning in the British Mandate period, local, interpersonal cross-border relations developed spontaneously between Jewish farmers and their Shiite neighbors in southern Lebanon. The perception of security in the 1950's mostly ignored the Shiite population of southern Lebanon and focused all efforts on developing relations with the Maronite-Christians. Moslem farmers who were caught crossing the border were treated harshly in the name of the security cause. The state's involvement in managing this border terminated a tradition of local cross-border multi-functional interaction even though promoting these interactions could have contributed to state security (Erlich 2000).

Social and economic considerations are also influenced by security issues. For years, the Israeli authorities have allowed thousands of Palestinians to work in the building sector of Israel. Beginning with the second Intifada, the number of permitted workers was drastically reduced. Workers from Thailand, the Philippines, China and Nigeria have replaced the Palestinians in many low paying jobs, greatly decreasing contact between Israelis and Palestinians.

The U.S. policy of monitoring cross-border activity at its Mexican border offers another concrete case where the complexity in balancing the different interests of security, regional welfare and the labor market takes on a number of expressions. One example is that illegal immigrants are schooled and employed throughout the border region of the U.S. simultaneously to the construction of the border fence. This illustrates the governmental, top-down and the local, bottom-up forces and their simultaneous and contradictory motives and actions (Cornelius, Wayne. 2000).
Case study: Israeli-Palestinian border enterprises

The Intifada uprising, which began in Oct. 2000, abruptly halted the Israeli-Palestinian Oslo peace and border negotiations. Parallel to those negotiations, the years of 1998-2000 were marked by tremendous economic development of a variety of joint Israeli-Palestinian economic interactions. Most of these economic activities, which have ceased to function due to the violence of the Intifada, were located along the perceived border in the buffer zone between Israel and the Palestinian Authority.

Any attempt to analyze commercial or industrial developments along the Israeli-Palestinian border should take into account two significant points:

1. There is no formally agreed upon border and the perceived border area is the focus of a continuous and many times violent dispute.
2. The border area is a physical divider between two societies which are already divided by major economic and cultural differences.

Three kinds of border developments can be distinguished in the buffer zone:

1. spontaneous, unplanned road markets which developed along main roads
2. planned border industrial parks.
3. the Oasis casino in Jericho.

Road Markets

The spontaneous developments were different commercial and service initiatives of Palestinians, for example, along the Samaria road in the area of the villages of Bidya and Masacha, along the road to Jenin in the north of Samaria and in Abu Dis and Azaria in the East Jerusalem area. Along these roads, markets sprouted up, almost overnight, where Palestinians opened stores and service centers with a wide range of businesses such as carpentry shops, automotive service centers, dentist offices, contracting businesses, restaurants, laborers, grocery stores, building supply outlets, butcher shops, plant nurseries and photo shops.

These markets were based entirely on the mutually beneficial cross-border interaction of Israelis and Palestinians. Israelis, Jews and Arabs, came from near and far to visit and patronize these roadside markets and stores, enjoy the unique atmosphere and the inter-cultural meeting and of course to enjoy the competitive prices.
On weekends there was especially heavy traffic of buyers and sightseers when many thousands of shoppers, often entire families would crowd these roadside markets, which had no planned parking areas and were hazardous due to the heavy traffic. Israeli businesses often complained of the unfair competition of the untaxed border markets, where prices were 20-30% lower than in Israel. Notwithstanding these complaints and the safety risks involved for shoppers, Israeli authorities did nothing to stop Israelis from visiting and shopping in these markets.

Israeli shekels were the main currency; most businesses accepted Israeli credit cards and even delivered to distant Israeli locations. Most purchases were off the books. According to official estimates, the value of the transactions in all border market areas together exceeded 275 million dollars a year.

Palestinian cities near the border such as Jenin, Kalkilyah and Tulkarem, enjoyed large volumes of Israeli shoppers during these years who spent an estimated 20 million dollars in each city during this period. Municipal authorities went out of their way to encourage Israelis to come. Signs in Hebrew were put up everywhere, parking areas were developed and no parking tickets were given to cars with Israeli plates on Saturdays. Palestinian police were highly visible, maintaining an atmosphere of security.

The Palestinian Authority was interested in this commercial interaction and had people in these markets giving out pamphlets inviting Israelis, in Hebrew, to visit and shop in interior Palestinian areas such as the city of Nablus, where they were promised they would have a safe and friendly shopping and tourist experience.

There were three main reasons for the success of these border markets:

1. Security – this was a period of comparatively limited violence between Palestinians and Israelis
2. Proximity of the markets to large Israeli population centers
3. Competitive prices of goods and services

Other possible reasons may have been:
- the friendly atmosphere
- personal interaction between buyers and sellers
- the unique shopping experience very different from that of the Israeli shopping mall
- the fact that these markets were open on the Sabbath when most Israeli businesses are closed
In theoretical terms, these border markets were a bottom-up phenomenon with top-down support or at the very least a top-down ‘hands-off’ approach. In terms of contact theory, the relatively free Palestinian-Israeli interaction, where people-to-people processes and relationships were beginning to develop, held tremendous potential for improving mutual perceptions and promoting conflict transformation.

**Border Industrial Parks**

Another type of border initiative was the border industrial park. Two industrial parks functioned on the borders of the Gaza strip and seven others were in different stages of planning to be built at various locations along the border near the cities of Jenin, Tulkarem, Rafah, Ramallah and Hebron. The rationale was to establish industrial centers using the advantages of the border area to offer economic opportunities in industry to both Israelis and Palestinians:

1. Access to an abundance relatively inexpensive labor in the Palestinian Authority
2. Proximity of the border areas to Israeli investors and industrial centers
3. Tax incentives given by both the Israelis and Palestinians authorities
4. Exposure to foreign investors and markets.

Developing industry in a secured border location was perceived by many as a partial solution to the problem of acute unemployment in the Palestinian Authority\(^4\). An aspect of this humanitarian problem was the daily entrance of 150,000 Palestinian day laborers to Israel. Interior Palestinian areas had difficulty attracting investors and industry due to political instability and lack of infrastructure.

The industries in these planned estates were mainly low–tech businesses including textiles and raw materials. Salaries were much lower than the minimum Israeli wage yet there was great demand among Palestinians for these jobs, due to the heavy unemployment in the Gaza Strip. Many of the employees were women.

The personal interaction of Palestinians and Israelis in these industrial areas was limited due to heavy security and the structured environment of employer (Israeli) and employee (Palestinian). The potential efficacy of the industrial parks as a stabilizing

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\(^4\) See also Al-Jaber, Abdel Malek, "Industrial Estates and Free Zones: A New Opportunity", Palestine-Israel Journal, Vol VI No.3, 1999 pp. 63-65. The World Bank as well as the U.S. and German governments were involved in planning, financing and marketing these border industrial parks.
factor was also limited by their occasional use by terrorists in order to penetrate into Israel and by the devaluation of their role by radical groups within the Palestinian Authority who publicly denounced employees for collaborating with the enemy. This lack of societal support turned most of the Palestinian employees into a silent group unable or unwilling to promote the spillover of any positive aspect of their border place of employment. In contrast to the road markets, the potential of interpersonal contact in the industrial park was low.

**Oasis Casino**

The Oasis Casino on the outskirts of Jericho was a very different border development. It functioned during the years 1998-2000 and was closed by its owners when Israelis were denied entrance to the area by Israeli authorities due to the Intifada. Its owners are anticipating re-opening the casino in the near future.

Jericho is a small town of about 30,000 people, just north of the Dead Sea. The casino was initiated by the Palestinian Authority and the Austrian Martin Shlaf investing house. The Palestinian Authority gave the land for the project in return for 30% ownership and the Austrians, who own 70%, finance and run the casino.

The casino was built in area A, which is completely under Palestinian control, at the northern entrance of Jericho, about a mile from the city. It was built on private land, in an open space area with much tourist potential due to its proximity to the Dead Sea and to different religious holy sites. The casino building complex spans 4500 sq. meters, and occupies a 50-dunam lot. The signs in the entrance are in Arabic, English and Hebrew.

The most interesting aspect of the casino was the choice of its location. It is, on the one hand, very near the border and therefore accessible to Israelis who usually prefer not to venture into the interior Palestinian areas, but on the other hand, this border is distant from any main population centers, Israeli or Palestinian. It is near Jerusalem, but over an hour's drive from Tel Aviv. Despite the distance, 97% of the gamblers were Israeli's, most of who came from the greater Tel Aviv area which calls attention to the question of why this site was chosen.

Certainly, one consideration must have been that the casino could not have been built in the heart of Palestinian population centers due to the fact that gambling is outlawed by Islamic law and there was major public opposition to its establishment.
As opposed to the border markets which were located near Israeli and Palestinian population centers, the Jericho site was chosen due to its peripheral location and comparatively limited ability to effectively oppose the project.

Public Palestinian opposition to the casino was voiced even by Suhha Arafat who told the New York Times that it was an embarrassment to the Palestinian people that building a casino preceded building hospitals and taking care of sewage. Many thought it was outrageous that the casino was built across from a refugee camp. Dr. Aziz Heider of the Truman Institute agrees that the public opposition was sweeping but passive due to the Palestinian Authority's involvement in the casino.

Another source of opposition was from Israel, where gambling is against the law. Although many thousands of Israelis gambled at the casino, there was much public sentiment against it due to the social ills related to gambling, the huge amounts of Israeli money passing to the Palestinian Authority and the fear that the casino's profits were funding terrorist activity. Thus the chosen border location, distant from major population centers, allowed its continuous activity far from the public eye.

The casino employed one thousand and six hundred people who worked in three shifts, around the clock. One thousand and three hundred of them were Palestinians. Many others were indirectly connected as suppliers and drivers etc. The average salary was $1200 a month, many times the average Palestinian income. This explains the four thousand people who were on the waiting list for employment there.

It is interesting to note that other than employees, there was a total ban on Palestinians to even enter, let alone gamble, at the casino. It seems that the Palestinian authorities did not want to be held responsible and portrayed for exposing Palestinians to the problematic religious, moral and economic aspects of gambling.

The casino's profits were 66% of the daily intake, about $468,000 a day during the last year of the casino's functioning, or about 328 million dollars during the full two year period. This includes a daily income of $30,000 income from sale of cigarettes, drinks and meals.

This 66% level of profitability, high compared to the 52% average of casinos in Europe, was due to the large volumes of Israeli gambling and the relatively low cost of labor in Jericho. According to various assumptions, as there are no formal records, the Palestinian Authority received about 50 million dollars a year from the casino, little of which was devoted to the public Palestinian budget.
Approximately three thousand people came to gamble every day. 97% of them were Israelis, the rest were tourists. Of the Israelis, there were professional gamblers who came a few times a week and many others who came on a one time basis. It was possible to drive from anywhere in Israel directly to the casino, but most chose organized buses where one paid $25 for the round trip and was 'reimbursed' with $25 worth of free gambling chips. About 7 busloads arrived at the casino daily from Tel Aviv and many more from other areas of Israel.

During the years 1998-2000 when the casino functioned, there was a slight rise in building and development in Jericho. Housing was built for the employees and a large hotel was built near the casino. Also, a few tourist projects were initiated, such as the cable cars to the Qarantal monastery, restaurants, art galleries and banks. Signs were put up directing visitors to the ancient synagogue in the city.

The casino in Jericho was disappointing to many. In addition to the thousands of gamblers who sought their fortunes there, the local Palestinian local in Jericho had expected to benefit from the casino through employment, commerce and tourism. The city was in waiting for change yet the local market had not developed significantly during this period. Storekeepers complained that of the thousands who gambled at the casino, few tourists and rarely any Israelis entered the city. There were no signs in Hebrew or road markets comparable to the border markets described earlier.

The casino was an enclosure at the side of the city with little effect on it. Israelis traveled to and from the casino without even entering Jericho. This is a recognized disappointing aspect of most casinos, which generate only few benefits for their local surroundings (Felsenstein 1999).

Politically, many saw the casino as a sign of the normalization of relations between the Palestinians and the Israelis. Actually, there was no social interaction since Palestinians were denied entrance to the casino and Israelis rarely entered the city of Jericho.

The owners of the casino, who are often interviewed in Israeli newspapers, are still investing in the upkeep of the closed casino in anticipation of it being opened in the near future to Israelis. For those who are interested in regional development and in promoting people-to-people Palestinian-Israeli interaction, the re-opening of the casino does not hold much promise.

Summary
Border research yields important insight regarding the effects of contact, interaction, interdependence and resulting perceptions on conflict management. Despite the great potential of borders, supported by a broad theoretical basis and extensive practical experience in the form of border-based CBMs, positive cross-border experiences during conflicts and after their formal resolution are often episodic and too weak to stimulate regional cooperation. Many of the reasons for this failure – unmet human needs that feed conflict, economic imbalance between parties, a deeply rooted conflictive ethos and lack of spillover into non-border areas and national politics – explain the relative ineffectuality of these inter-group contact opportunities initiated at the border between Israel and the Palestinian Authority. Notwithstanding the economic benefits for those involved, in most cases the cross-border contact experiences did not develop into meaningful personal interaction that could have served to change mutual perceptions and generate conflict transformation, even at the border area.

The Oasis Casino, a border phenomenon highly profitable to its owners, had almost no impact on cross-border relations simply because it was a highly regulated institution purposely separated from the city of Jericho, with only rare opportunities for inter-group contact. Its raison d'être was the high level of profitability to its owners and so the interactive experience there was subordinate to ensuring this goal alone.

Border industrial parks, although providing thousands of employment opportunities were not effective in stabilizing relations between Israel and the PA. The non-equal standing of employers and employees, the structure of the factory workplace, highly monitored and limited access to these sites due to security needs and the ongoing conflict allowed minimal contact between Israelis and Palestinians.

The spontaneous interaction of Israelis and Palestinians at the road markets, although inadvertent, was actually the most effective development in creating an environment with potential of positive inter-group contact. It seems that most important factors of the success of this interaction in nurturing fruitful contact were its location in Palestinian villages and along open roads and the free and non-structured atmosphere where buyers and sellers met voluntarily, on equal ground. Governmental authorities contributed by not interfering.

Could this commercial interaction have spilled over and developed into social and cultural cross-border involvement? The murder of an Israeli shopper in the Bidia
market in the very beginning of the Intifada put an end, overnight, to the entire phenomenon of road markets in the border area. This abrupt and violent end sadly demonstrates the fragility of the border in the framework of an ongoing conflict.

Hope can be derived from the observation that when diplomacy opens a window of opportunity, border areas are quick to respond. The spontaneous bottom-up appearance of the road markets was due to the public's perception of a turn in the political relations between Israel and the Palestinian Authority.

In Monnet's words:

"The history of European unification shows that when people become convinced a change is taking place that creates a new situation they act on their revised estimate before that situation is established."\(^5\)

The border is the initial interface between neighboring countries, even in the age of telecommunications and aviation. In periods of post-conflict, there is little substitute for the contact experience generated from local border areas to transform mutual perceptions and initiate mutually beneficial activities. Planners of border policy should be aware of both the potential and the fragility of these interactions, especially in their beginning stages and focus on planning a 'good border' reflecting the needs of the local population on both its sides (Falah & Newman 1995). As political relations stabilize, cross-border interaction can increase both in depth and in scope.

Future research should focus on the processes through which relevant information and imagery of these border interactions are communicated from the border to the political centers through spillover processes and media, in order to increase the efficacy of border diplomacy and ultimately, peaceful relations.

Bibliography


