

Abstract

This thesis analyzes the Israeli-Palestinian conflict. Deeply rooted in history, and dominated by mutual violence, the conflict has been causing considerable damage to society, politics and economics for several decades. The latest attempts for the peace negotiations process failed, leading to an escalation of tensions and the Second Intifada in 2000. The Israeli West Bank Barrier has been constructed with an aim to reduce the number of terrorist attacks and to stabilize the situation of the region. By using the synthetic control method, we evaluate the impact of the Second Intifada and the Barrier on GDP per capita. The results indicate that Israel benefits from the West Bank Barrier, in 10 years the country managed to completely recover from the substantial negative effect of the Second Intifada. On the other hand, the West Bank experienced a decline in GDP per capita at the beginning of construction since the Barrier damaged properties located close to the construction and restricted movement of goods and people. A couple of years later the situation stabilized, however, the West Bank was unable to achieve full recovery from the armed uprising of 2000, and the GDP per capita growth remained limited. The estimations for the whole of Palestine reveal a negative impact, that is also attributed to the Palestinian Civil War, a conflict between the main Palestinian political parties in the Gaza Strip.

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