

CHAPTER THREE

THE TANGIBILITY OF DRIFTING TOWARD A ONE-STATE REALITY

The Parameters for Examination

To assess how far we are (if at all) from the one-state reality, an imaginary continuum was drawn between two poles: **On one end, the one-state reality, and on the other, a separation into two distinct and separate political entities.** To assess the current position on the continuum, criteria were examined in an attempt to derive as accurately as possible metrics to identify and indicate the point of no return.

The criteria examined included the situation on the ground—Jewish settlements, separate and shared transportation routes, separate and shared infrastructures; the geographical and demographic pattern of population distribution and their interactions; the security situation—namely, increasing Israeli security responsibility; assessing the effectiveness of governance and the Palestinian Authority’s control, including indicators of sovereignty; the Palestinian economy and its level of dependence on Israel’s economy; the perspectives of the Israeli and Palestinian publics regarding the possibility of reaching a political settlement versus their attitudes toward a one-state situation; and an assessment of the regional and international system—specifically, whether the two-state option is still viable, or whether the cumulative factors point to the current reality as a de facto one-state situation characterized by an apartheid regime, as shown in Figure 11.

FIGURE 11.

<p>Control</p> <p>Security • Civil • Economic • Cultural • Movement and access • Internal crossings • External crossings</p> <p>.....</p> <p>Territory</p> <p>Scope of area under Israeli control • Scope of area under Palestinian Authority control • Settlements and outposts that enable or prevent separation • Shared or separate infrastructures</p> <p>.....</p> <p>Security</p> <p>Control over borders and perimeter • Potential for friction • Risk of terrorism • Risk of violent popular uprising • Risk of civil war • Criminal aspects • Status of the security barrier</p> <p>.....</p> <p>Jerusalem</p> <p>Reality model of a one-state situation • Linkages between arenas: West Bank, Gaza Strip, Arab citizens of Israel • Situation on the Temple Mount • Situation in East Jerusalem</p> <p>.....</p>	<p>Economy</p> <p>Palestinian economic independence • Monetary dependence on the Israeli economy • Fiscal dependence • Trade balance • Impact on GDP • Employment in Israel • Customs envelope • Illegal workers (without permits)</p> <p>.....</p> <p>Social Situation</p> <p>Friction between populations • Implications for Arab citizens of Israel • Implications for social cleavages within Israeli society • Impact on values—liberal/conservative</p> <p>.....</p> <p>Public Opinion</p> <p>In Israel</p> <p>Support for one state • Support for two states • Support for separation</p> <p>Among Palestinians</p> <p>Support for one state • Support for two states • Separation • Violent opposition</p> <p>.....</p>	<p>Israeli Politics</p> <p>Implications for the country's democratic regime • Implications for the law and judicial system • Unity/polarization among publics in Israel</p> <p>.....</p> <p>Palestinian Politics</p> <p>Implications for unity/division/reconciliation • Status and functioning of the Palestinian Authority • Relation to the land • National aspirations • Issue of rights</p> <p>.....</p> <p>International System</p> <p>Israel's standing in the international/regional arena • Position of the international community and the Arab system and expected reactions • International and regional recognition of a one-state reality (apartheid)</p> <p>.....</p>
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To assess the impact and weight of the factors that bring a one-state reality closer or farther, a list of measurable criteria was formulated. They are as follows:

Population—The number of settlers in Judea and Samaria (excluding East Jerusalem); the number of Palestinian residents in areas under Israeli control (Area C); the number of Palestinian residents in areas under Palestinian Authority control; the number of illegal Palestinian residents in Israel.

Security—An increase or decrease in the number of terrorist attacks in relation to the expansion of settlements and outposts in Judea and Samaria; the number of thwarted attacks by the Israeli security system compared to the number of thwarted attacks and arrests carried out by the Palestinian security apparatuses.

Economy—The number of Palestinian workers in Israel, with and without permits; the ratio of wages in Israel to wages in the Palestinian Authority territories; the ratio of the use of the shekel compared to other currencies in the Palestinian territories; the ratio of the Palestinian Authority's trade with Israel compared to its trade with other countries; tax collection for the Palestinian Authority by Israel in relation to direct tax collection by the Palestinian Authority.

Territory—The number of residential units added to the settlements—an annual comparison. A comparison between construction in settlement blocs and construction in settlements outside the blocs and east of the security barrier; establishment of new settlements and outposts; expansion of the jurisdictional area of settlements; number of outposts and buildings in settlements demolished on an annual basis; number of permits granted to Palestinians for construction in Area C in the past year; and the number of Palestinian structures demolished in Area C.

Infrastructure—Power stations and electricity transmission lines, both shared and separate for Palestinians and settlements; number of wastewater treatment facilities, both shared and separate; degree of Palestinian dependence on the supply of water and electricity from Israel.

The international and regional system—The number and content of international decisions and official statements supporting the two-state solution, compared annually; the proportion of international and Arab contributions to the Palestinian Authority relative to Palestinian revenues; the number of countries recognizing a Palestinian state; the number of

international decisions defining the situation in Judea and Samaria as a one-state apartheid regime.

Palestinian public opinion—The rate of support among Palestinians for a two-state solution; the rate of support among Palestinians for a one-state solution; the rate of support for terrorist activities against Israelis; the percentage of Palestinians rejecting the existence of the State of Israel; the rate of support among Palestinians for political negotiations with Israel, all compared to previous years.

Israeli public opinion—The rate of support among Israelis for a two-state solution; the rate of support among Israelis for a one-state solution; the rate of support for separation from the Palestinians; the rate of support for annexation—compared to previous years.

Legal aspects—Several legislative proposals addressing the promotion of annexation, application of Israeli law, or sovereignty, in the territories; Supreme Court rulings; permissions versus restrictions on settlement, comparison on a yearly basis.

Is it possible to provide a quantitative assessment regarding whether the point of no return has been crossed, and the reality is effectively that of a single state? Based on the evaluated criteria and other reliable information sources, an attempt was made to identify the point of no return in terms of transitioning to a one-state reality and to formulate a reliable response to the question of whether certain indicators hold greater significance in identifying this point, such as control—Israel’s full control over security, economy, territory, and population, or the loss of the Palestinian Authority’s effectiveness on all fronts.

However, no method has been found to identify the tipping point or point of no return, and based on this, to determine whether the one-state reality already exists in practice. Therefore, a change in approach was adopted—from attempting to precisely define the situation to examining the main vectors (direction and intensity) influencing the emergence

of a one-state scenario. The focus shifted to assessing the implications of decisions and actions, primarily by the Israeli government, on the main vectors leading to a one-state reality. Based on this, conclusions were formulated regarding how to prevent this reality. To this end, a method was developed (via a digital platform) based on expert wisdom and consolidating insights and ratings from experts in various fields (security, economics, society, international relations, and Middle Eastern studies) regarding the impact of events, actions, and decisions in the Palestinian arena on the vectors leading to a one-state reality. Several key vectors were identified (on the platform, experts assess the vector's direction and strength, and determine the level of confidence or conviction in their evaluation). The vectors are as follows:

Escalation or de-escalation in terrorism and violence: The security dimension is central in Israel due to the cost in human lives, as well as the ongoing cost of living in the presence of terrorism and under an atmosphere of security threats. The security requirements limit the Israeli government in making decisions regarding relinquishing security-related freedom of action in all areas of the Palestinian Authority, or full Israeli control over the security barrier of the West Bank. The Israeli security requirements have constituted an obstacle to advancing agreements with the Palestinian side. There is indeed a significant influence of the security dimension on civilian, settlement, and economic domains, as well as on the fabric of life for Palestinians.

A decrease or increase in the effectiveness of the Palestinian Authority's functioning: The Palestinian Authority's degree of functioning and its ability to govern the Palestinian population and provide for its needs is crucial for political, geographical, and demographic separation from the Palestinians; for reducing Israel's burden of responsibility for the Palestinian population; in response to the question of whether there is an effective "partner" for political arrangements and their implementation. In an extreme scenario of the Palestinian Authority's dissolution, Israel will bear full responsibility for a population of 2.7 million Palestinians.

Increase or decrease in Israel's international legitimacy: Israel's international standing in the context of its conduct in the Palestinian arena pertains to the international interpretation, primarily by the United States, of the reality in the Israeli–Palestinian conflict: Is there still broad support for a comprehensive settlement based on the notion of a two-state solution, or is there a noticeable decline in support for the two-state idea, due to the assessment that it is no longer feasible given the situation on the ground?

Getting closer to or further from normalization with Saudi Arabia and the ability to establish a regional security-economic coalition among the moderate Arab states, Israel, and the United States. This vector gained significance following the Swords of Iron War, and its implications extend beyond concluding the campaign in the Gaza Strip, the return of the Israeli hostages held by Hamas, neutralizing the possibility of Hamas's resurgence through regional involvement in stabilizing and rebuilding the Strip, expanding and deepening the Abraham Accords.

Moving closer or further away from the reality of a one-state solution: This vector, which pertains to the direction and intensity of the drift toward a one-state reality, summarizes the other dimensions while simultaneously being influenced by processes and developments, such as how areas of Judea and Samaria are managed and controlled; the scope and distribution of Israeli settlements and outposts in the territories; the degree of intermixing and friction between the populations; the system of values and laws applicable in Judea and Samaria; and the degree of connection between the infrastructures and arteries; the potential for a settlement with the Palestinian Authority, for the support and involvement of the moderate Arab states.

In addition to the primary vectors, experts assigned weight to additional metrics: The economic and infrastructural dependence of the Palestinian Authority on Israel; the expansion of settlements—construction, land acquisition, increase in settler numbers; the expansion or contraction of the

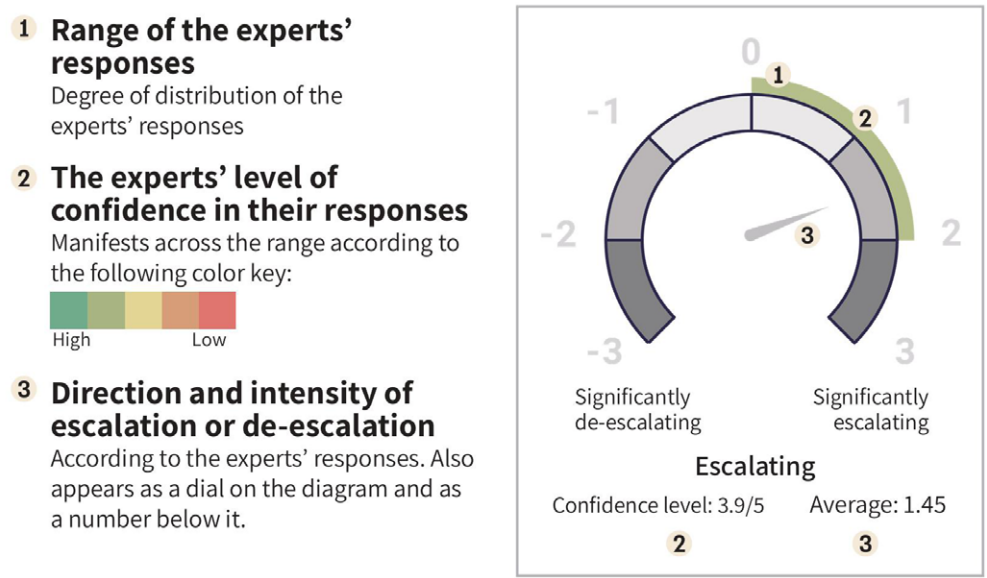
Palestinian operational space in Area C; changes in the number of Palestinians residing in the West Bank; and indicators of sovereignty for both sides.

The experts also utilized the option of providing open-ended responses to offer additional insights, ideas, and suggestions regarding the issues on the decision-makers’ agenda. All expert responses were analyzed and taken into account when drafting the weighted results.

Expert Wisdom—Examples

To illustrate the Expert Wisdom platform, Figures 12 shows a graphic depiction of data analyzed across a range of queries, highlighting potential decision implications for policy makers. Experts examined several issues using the platform, and their findings were conveyed to the political-security echelons.

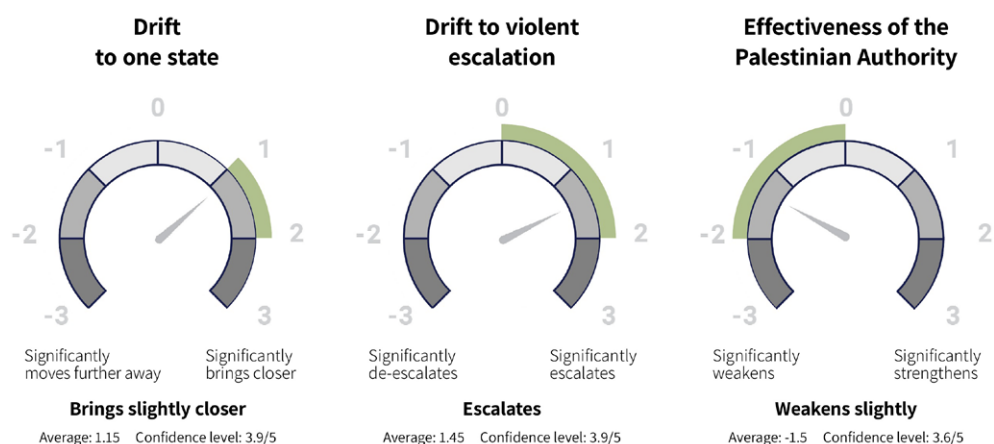
FIGURE 12.



Inquiry Summary Report: Repeal of the Disengagement Law in Northern Samaria

Figure 13 shows the implications of implementing the policy on three vectors and the experts' level of confidence in their judgment.

FIGURE 13.



The Experts Insights:

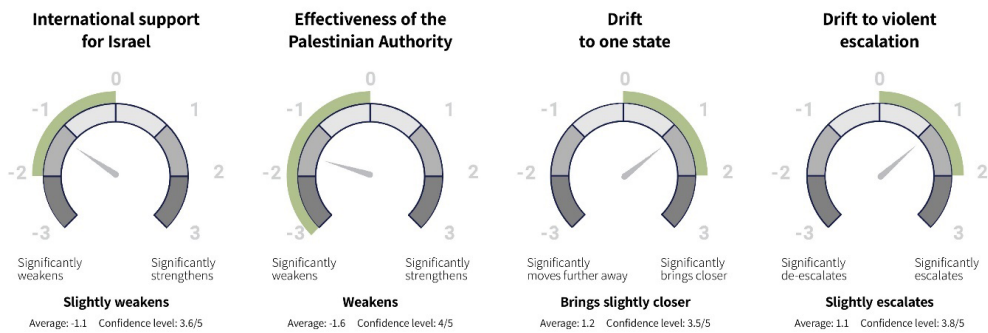
If new settlements or outposts are established in northern Samaria:

- Terrorism in the region will intensify. Even today, security instability and intensifying terrorism are being felt in the Jenin and Nablus districts.
- There may be an increase in friction between Palestinians and the IDF; an increase in friction between Palestinians and settlers.

Inquiry Summary Report: Offsetting the Palestinian Authority's Clearance Revenues

Figure 14 illustrates the implications of offsetting the Palestinian Authority's clearance revenues on four vectors and the experts' level of confidence in their judgment.

FIGURE 14.



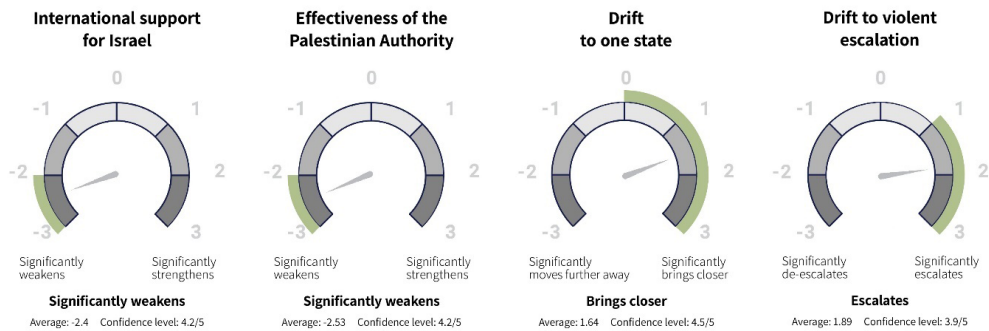
The Experts' Insights

- The scope of the offset is the relevant data point. If significant offsets occur continuously and on an ongoing basis, the Palestinian Authority will weaken to the point of collapse.
- The decision stems from internal Israeli political needs at the expense of stability and security in Judea and Samaria. It shows that **the government has a covert strategy to cause the Palestinian Authority's collapse.**

Inquiry Summary Report: Implications of a Large-Scale Military Operation in Northern Samaria and Forming a Separate Enclave from the Palestinian Authority (Canton)

Figure 15 shows the implications of a military operation in northern Samaria on four vectors and the experts' level of confidence in their judgments.

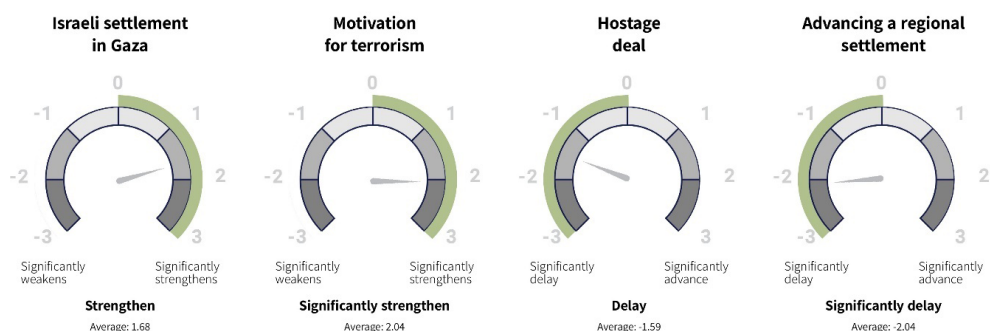
FIGURE 15.



- A massive military operation and the permanent presence of IDF forces in the refugee camps in Jenin, Nur Shams, and others will be interpreted as being driven by internal Israeli political reasons and the extreme right-wing elements taking control of the Israeli government's agenda and on the IDF's operational concept in Judea and Samaria.
- This move is expected to have far-reaching implications: accelerating the disintegration of the Palestinian Authority and adversely affecting most aspects of the Israeli–Palestinian relationship. All of these will expedite the drift toward a one-state reality.
- An attempt to shape a reality of cantons instead of the Palestinian Authority will lead to chaos, anarchy, and an escalation in terrorism; it will place full responsibility on Israel for the needs of the Palestinian population (without the assistance of international entities); it will harm Israel's international and regional standing and lead to accusations of an apartheid regime.

Inquiry Summary Report: The Implications of Taking Control of Areas in the Gaza Strip and Holding Them Over Time (see Figure 16)

FIGURE 16.



The Experts' Insights

- The leading trends, even following the hostage release deal, indicate a state of chaos in the Gaza Strip, which could lead to the occupation of the Strip and the establishment of a military government. For its survival, Hamas will continue to take hostages, work on rebuilding its military strength, and strengthen its control over the Gaza Strip.
- Decision-makers do not understand Hamas's interests. The organization's ultimate value is the survival of its rule. It rules the citizens of the Gaza Strip. Hamas clearly does not wish to lose territory, yet it is confident in its ability to recover militarily (and proves this) and maintain control over the Gaza Strip.
- The occupation of territory in the Strip carries implications regarding the intention to establish settlements there, and it is unrelated to the objectives of the war. This will weaken Israel on the international stage and contradict President Trump's policy to de-escalate the region in order to focus on Iran and establish a Saudi Arabia-Israel axis. **This is another layer leading Israel to the one-state reality.**

Additional Factors

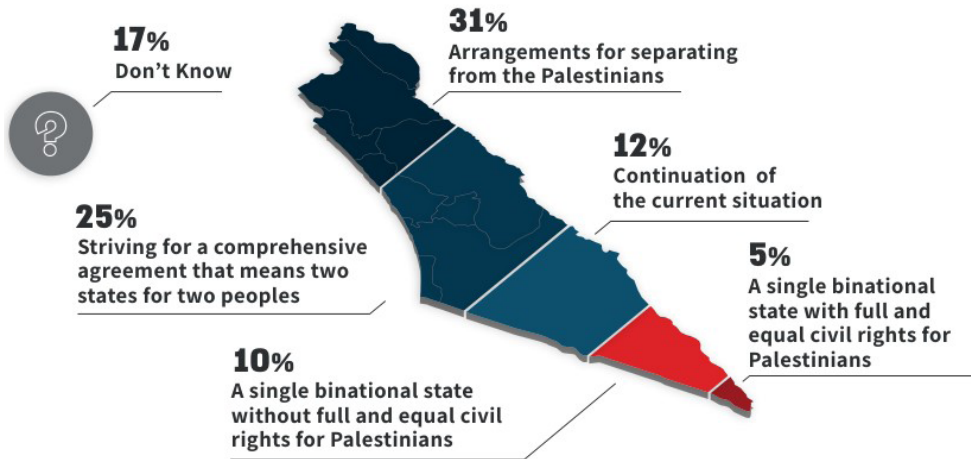
Additional factors significantly influence the formation or perception of a one-state situation, and accordingly, prevention efforts must be made: Public opinion in Israel; Palestinian public opinion; the dependence of the Palestinian economy on Israel; the international position in general, and the regional position in particular.

Public Opinion in Israel. The public opinion in Israel is critically important regarding the future of the conflict and the question of whether there is a chance for a political settlement. The majority of the public does not believe there is a stable and sustainable solution to the conflict. After October 7, the public's position that views the establishment of an independent Palestinian state in Judea and Samaria as an existential threat to the State of Israel has strengthened since it is expected to act as a terrorist entity (like Hamas in the Gaza Strip) and serve as a hostile platform for attacking Israel and carrying out assaults similar to those that occurred on October 7, 2023.

Each year, the INSS conducts a comprehensive public opinion survey regarding perceptions and trends within the Israeli public, referred to as the National Security Index. Recent survey results indicate an increased erosion of support for the two-state solution. In November 2022, 62% of the Israeli public supported measures to separate from the Palestinians.¹⁷ When asked to choose several options, more than half of the Israeli public (56%) supported separation from the Palestinians, including 25% who believed that it is possible to strive for a comprehensive agreement with the Palestinians in the near future (see Figure 17). 10% expressed support for a single state with Jewish supremacy, and 5% supported a single state with equal rights for Jews and Arabs.

17 Ruth Pines Feldman, "National Security Index: Public Opinion, 2022–2023," in *Strategic Analysis for Israel*, ed. Tamir Hayman, Ram Yavne, and Anat Kurz (2023), p. 87.

FIGURE 17.



Note. From Ruth Pines Feldman, “National Security Index: Public Opinion, 2022–2023,” in *Strategic Analysis for Israel*, ed. Tamir Hayman, Ram Yavne, and Anat Kurz (2023), p. 88.

In March 2025, the public was asked what they believed to be the best option regarding the Israeli–Palestinian conflict.¹⁸ This repeated the question asked in 2022, which presented the one-state option alongside a range of other possible solutions and asked the respondents which they considered best for Israel (see Figure 18).

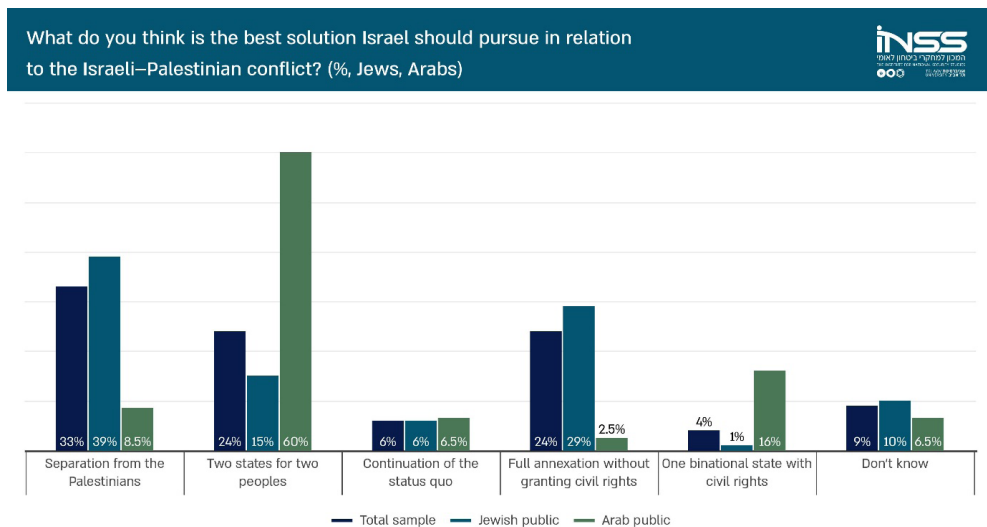
The findings are as follows:

- 33% of the Israeli public (39% among Jews) supports arrangements for civilian separation from the Palestinians;
- 24% (29% among Jews) favors a single binational state (full annexation) without granting full rights to Palestinians;

18 “What do you think is the best solution Israel should pursue in relation to the Israeli–Palestinian conflict? (percent of the entire sample, Jews, Arabs),” Swords of Iron Survey Results, March 2025, The Institute for National Security Studies, <https://www.inss.org.il/publication/survey-march-2025/>

- 24% (15% among Jews) supports a comprehensive settlement, meaning a two-state solution;
- Four percent (1% among Jews) backs a single binational state with full equal rights for Palestinians (a state for all its citizens);
- Only 6% (6% among Jews) supports the continuation of the current situation;
- Nine percent (10% among Jews) responded “Don’t know.”

FIGURE 18.

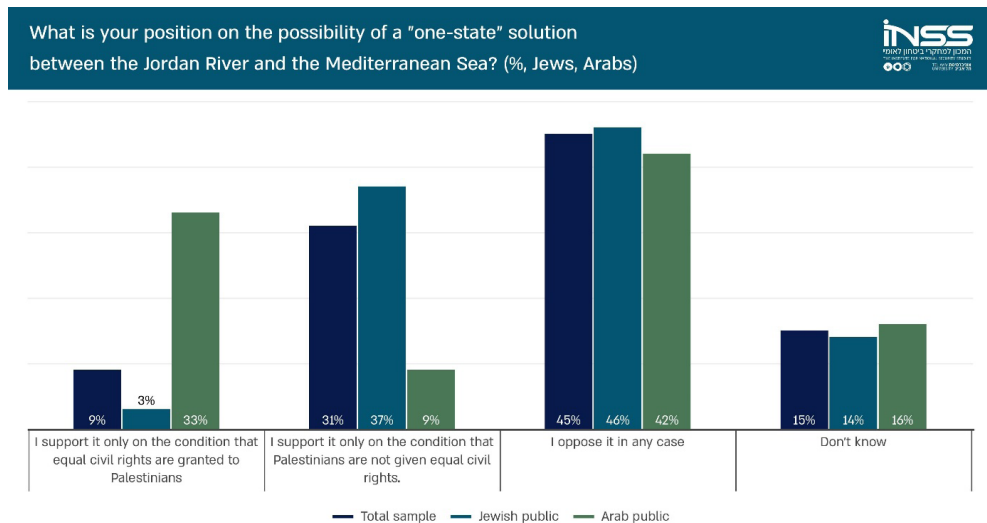


The responses reflect the impact of the October 7 attack on public attitudes compared to the year 2022. There has been a significant increase in those who view a one-state binational solution without equal rights as the best option (a rise from 11% in 2022 to 29% in 2025 among Jews).

Another question examined whether the public supports or opposes various versions of a one-state solution (see Figure 19):

- 45% of the Israeli public (46% among Jews) opposes this solution under any circumstances;
- 31% (37% among Jews) supports a one-state solution involving full annexation without granting Palestinians full civil rights;
- 9% (3% of Jews) support a one-state solution with full equal rights for Palestinians (i.e., “a state for all its citizens”);
- 15% (14% among Jews) answered “Don’t know.”

FIGURE 19.



How does the public in Israel perceive the reality of a one-state solution? In considering the possibility of a one-state reality, the public has a range of concerns. In both the survey and the focus groups conducted by INSS in early 2023, participants were asked whether they perceive dangers in a one-state binational reality: Half of Jewish respondents identified increased violence between Jews and Arabs as the main danger (compared to 19% of Arab respondents). Jewish respondents also expressed concern that Israel

would lose its Jewish character (46.5%) and that an Arab-Muslim demographic majority would emerge, leaving a Jewish minority (45%).

The focus groups conducted prior to October 7 voiced similar concerns. The participants agreed that a one-state solution would not preserve Israel's Jewish character and democratic nature, and Jewish religious symbols would not be reflected in the state's identity. In a binational state, the dilemma arises of annexing territories and the legal status to be granted to Palestinians. Indeed, the participants understood that granting rights poses a problem, as such a state requires equal rights for all citizens, which would lead to the establishment of a democratic but non-Jewish state.

In focus groups conducted after October 7, 2023, participants viewed the establishment of a Palestinian state as a completely unjustified "prize" for terrorism, suggesting that its establishment might be only possible in the distant future (perhaps in a generation or two). Palestinians were perceived as "despising" Israelis and as unwilling to compromise on a state limited in the territories. Instead, they were seen as seeking a Palestinian state "from the river to the sea" and the elimination of all Jews residing within those boundaries. A noteworthy finding was that the settlements were not viewed as safeguarding security, and even right-wing individuals expressed willingness to evacuate communities located in areas previously designated for the Palestinian Authority. However, from the respondents' perspective, Israel must maintain security control in the West Bank and the Gaza Strip.

Parallel to the erosion of support for the two-state solution, since October 7, the proportion of Israelis supporting a one-state situation has increased, although for the majority of the Israeli public, this is not considered a desirable solution and is perceived as fraught with dangers.

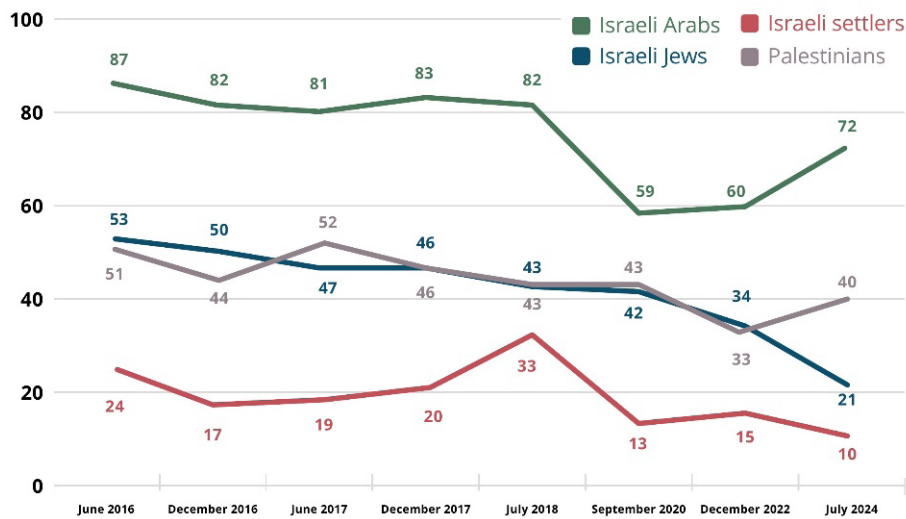
The primary challenge, therefore, is how to convey to the Israeli public the dangers of drifting into a one-state reality, as well as the need to exert pressure on decision-makers to take immediate steps to halt this drift.

Palestinian Public Opinion

The Palestinian public opinion is, in some respects, an exaggerated mirror image of Israeli public opinion. Over time, support for the two-state solution has noticeably declined. Within five years, Palestinian support fell to a rate of less than half, down from a level in 2017 that was close to the level of support then recorded among Israelis (see Figure 20). In 2022, support among Palestinians sharply declined, with only 27% expressing support for the two-state solution.

FIGURE 20.

Do you support or oppose a solution based on the establishment of a Palestinian state alongside Israel, known as the “Two-State Solution”?



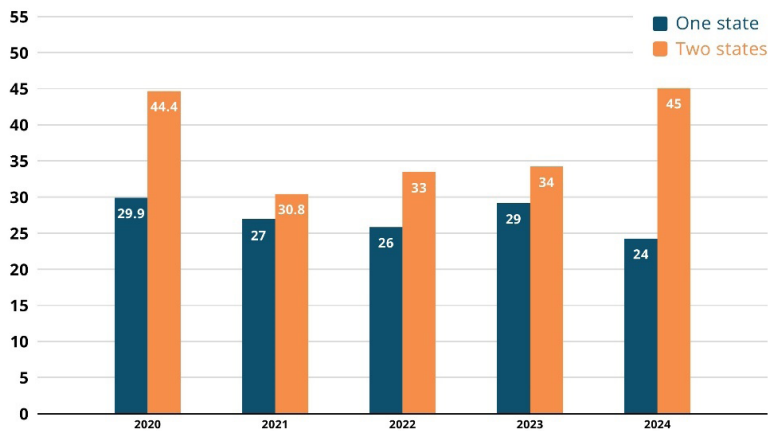
Note. Taken from Public opinion surveys of the PCPSR.

At the same time, however, there has not been a dramatic increase in support for a one-state solution; the percentage of supporters for this option remains around 30%, with slight fluctuations across surveys (see Figure 21). Among the

Palestinians who support a one-state solution, three streams can be identified: The first advocates changing Israel from within through a struggle for equality and justice; the second calls for reconciliation with the Zionist movement and the establishment of a binational and egalitarian democracy; and the third is the Islamist stream, which advocates for a Greater Palestine encompassing all of Palestine’s territory as a Muslim waqf (religious endowment), free of Jews.

FIGURE 21.

The Rate of Palestinian Support for the One-State Solution and the Two-State Solution
according to surveys by Khalil Shikaki



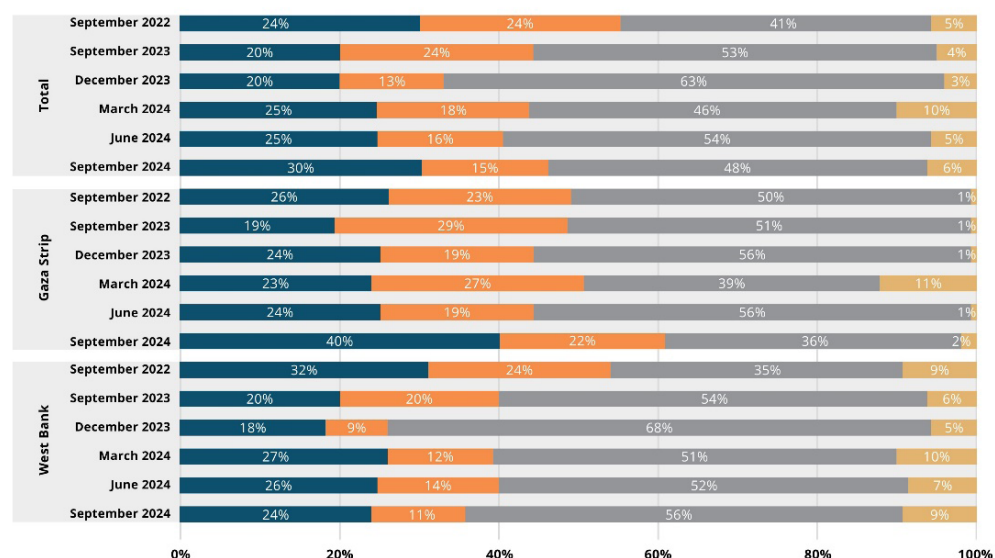
Note. Compiled from Public opinion surveys by the Palestinian Center for Policy and Survey Research (PCPSR).

Khalil Shikaki has examined the degree of support among the Palestinian population for armed struggle in surveys conducted by PCPSR, which he heads. The findings show that continuing the armed struggle remains the preferred alternative for the majority of the public at 48% compared to other options. However, one year into the war in Gaza, a survey in September 2024 indicated a decline in the degree of support for armed struggle, alongside a

significant gap in its support among the residents of the Gaza Strip at 36% compared to 56% in the West Bank (see Figure 22).

FIGURE 22.

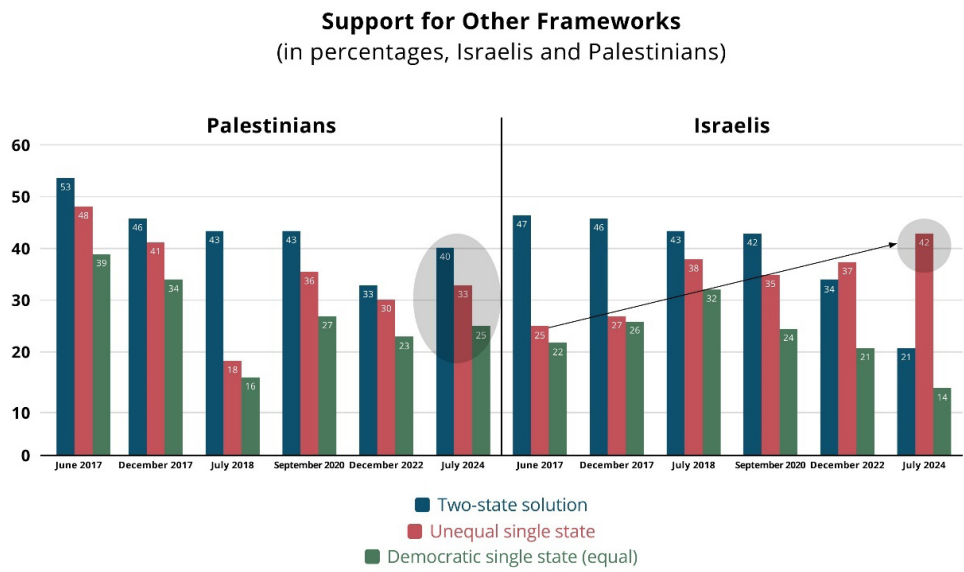
In your view, what is the best means of achieving the Palestinians' goals in ending the occupation and building an independent state?



Note. From PCPSR, “Press Release: Public Opinion Poll No. 93,” September 17, 2024.

Khalil Shikaki, in collaboration with Dr. Dahlia Scheindlin, Dr. Nimrod Rosler, and Dr. Alon Yakter in July 2024, posed a question to Jewish Israelis and Palestinians, examining their level of support for the one-state solution in two variations—without equal rights and democratic (equal rights). Forty-two percent of Israelis preferred a single state without equal and full rights for Palestinians. Thirty-three percent of Palestinians preferred this option in reverse—a single state without equal and full rights for Jews (see Figure 23).

FIGURE 23.

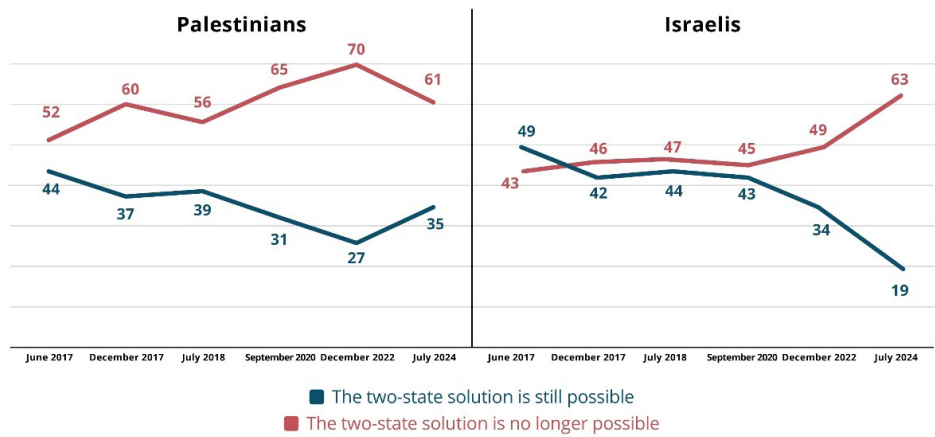


Note. Taken from Public opinion surveys of the PCPSR.

When respondents were asked about their assessment regarding the practical viability of the two-state solution, nearly identical levels of skepticism were found in both populations. Sixty-one percent of Palestinians and 63% of Israelis estimated that there is no chance of implementing this solution (see Figure 24).

FIGURE 24.

There are those who believe that the two-state solution—an independent Palestinian state alongside the State of Israel—is no longer possible, due to political changes and developments on the ground, such as the expansion of settlements, which have made its implementation impossible. What is your opinion?
(Percentages, Israelis and Palestinians)



Note. From public opinion surveys conducted by the PCPSR.

The Dependence of the Palestinian Economy on Israel

Alongside the advantages—primarily symbolic—that can be attributed to Palestinian economic independence, it is important to note that the fundamental concept in economics is that integration is preferable to an independent economy that does not utilize the relative advantage of different markets. There are advantages to elements symbolizing Palestinian economic independence and separation from Israel; however, full economic independence is not necessarily positive or feasible in the case and circumstances of the Palestinian economy. There are two central components in the issue of economic independence in the Israeli–Palestinian context: dependence on Israeli policy decisions and economic integration with Israel. The Palestinian economy is highly dependent on the Israeli economy, while most Israeli

economic decisions do not take into account the impacts on the Palestinian economy.

Uniform customs barrier—Subject to the decisions in the Paris Protocol,¹⁹ the two economies are within the same customs barrier, as there is no clear and monitored border between the State of Israel proper and the West Bank. The standards and import procedures are determined unilaterally by Israel, leaving the Palestinian Authority without control over the goods crossings (unlike the situation in the Gaza Strip, where Hamas controlled the external crossings until October 7, 2023).

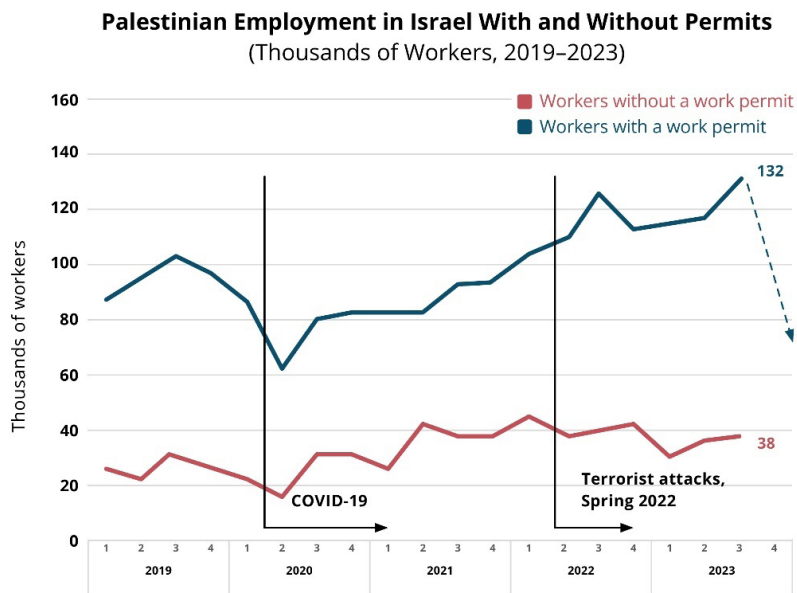
Employment in Israel—Approximately 140,000 Palestinian workers from the West Bank and approximately 18,000 from the Gaza Strip were employed in Israel prior to October 7 (excluding unauthorized workers).²⁰ The Palestinian Authority has no influence over the number of employees in Israel; these are Israeli decisions. During the COVID-19 pandemic (2020–2022), an application was launched by the Coordinator of Government Activities in the Territories (COGAT), streamlining the procedures for obtaining work permits in Israel directly with the workers, effectively reducing the Palestinian Authority’s involvement in the matter. Hamas was the entity that authorized which residents of the Gaza Strip could travel to work in Israel.

19 The Paris Protocol is an economic agreement between Israel and the PLO, representing the Palestinian people, signed on April 29, 1994, and integrated with minor amendments into the Interim Agreement between Israel and the Palestinians in September 1995. The protocol combined the Palestinian economy with the Israeli economy through a customs union, Israeli control over the Palestinian Authority’s borders, and an arranged relationship between Israel and the Palestinian Authority in six main areas: customs, taxation, labor, agriculture, industry, and tourism. Its validity was set for five years, but in practice, it regulates the economic relationship between Israel and the Palestinian Authority to this day.

20 Data processing from Palestinian workforce surveys and the Palestinian Central Bureau of Statistics was conducted at the Institute for National Security Studies by Dr. Haggay Etkes and Prof. Esteban Klor.

Although only a quarter of Palestinians within the Palestinian Authority worked in Israel, their wages accounted for 40% of the income of Palestinians within the Palestinian Authority in 2022, due to wage disparities between the regions. The integration of the Palestinian labor market with Israel distorts the Palestinian labor market—unskilled laborers employed in Israel earn significantly more than highly educated individuals who do not work in Israel. One consequence of this fact is the erosion of incentives among Palestinians to pursue higher education. After October 7, the number of Palestinian workers employed in Israel and the Judea and Samaria region changed significantly. (See Figures 25 and 26).

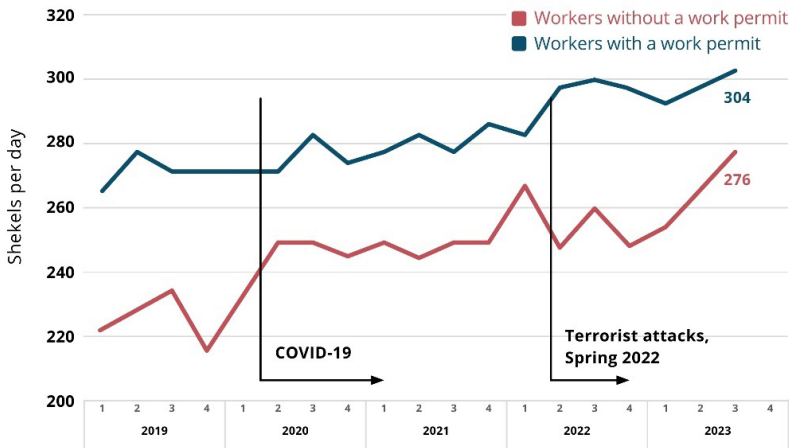
FIGURE 25.



Note. Taken from data of the Palestinian Central Bureau of Statistics.

FIGURE 26.

Daily Wages of Palestinian Workers Employed in Israel, With and Without Permits
(in Shekels, 2019–2023)



Note. Taken from data of the Palestinian Central Bureau of Statistics.

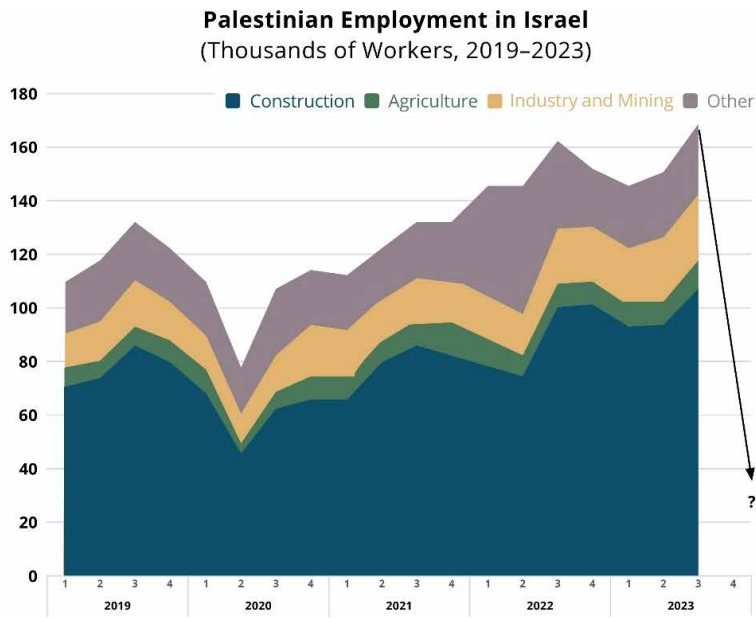
As of January 2024, only approximately 8,000 Palestinian workers were permitted to enter Israel, primarily for essential factories. Simultaneously, the number of Palestinian workers employed in the settlements and industrial zones in Judea and Samaria increased. As of May 2024, more than 10,000 Palestinian workers were employed there: approximately 8,000 in industry, about 1,500 in services, and around 1,300 in the construction industry. Some of the workers are employed without official permits, and the data may vary depending on the security situation and government decisions.

As of April 2025, the unemployment rate in the Palestinian Authority territories has significantly increased following the cessation of Palestinian employment in Israel since October 7, 2023. The Israeli decision to prevent the entry of approximately 130,000 Palestinian workers, who were primarily employed in the construction and agriculture sectors, led to a sharp increase

in unemployment. It is estimated that the unemployment rate in the West Bank currently stands at around 33%.²¹

Due to the demand for workers in the construction industry in Israel (see Figures 27 and 28) and the 100,000 Palestinians seeking employment, the potential for illegal work has increased, leading to a rise in unauthorized employment in Israel.

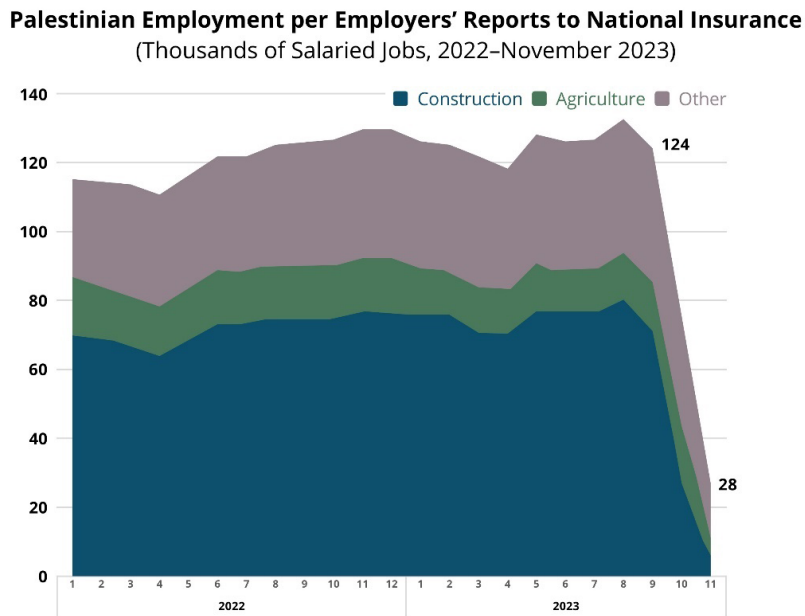
FIGURE 27.



Note. Taken from the Israeli Central Bureau of Statistics and includes unreported employment.

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FIGURE 28.



Note. Taken from Israeli Central Bureau of Statistics.

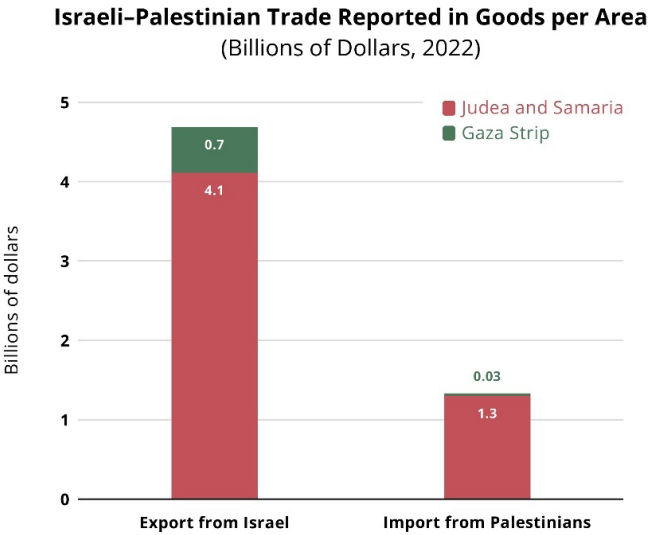
Use of the shekel—The shekel is the primary currency in the Palestinian economy alongside the US dollar, the Jordanian dinar, and the euro. About 70% of the Palestinian Authority’s debt is in shekels. It is difficult to transfer funds between banks due to restrictions intended to prevent funds from reaching terrorist entities.

Indirect taxes determined by Israel—Under the Paris Protocol and the customs barrier arrangement, Israel sets and collects indirect taxes—customs, excise, VAT (except in Areas A and B)—and then transfers them to the Palestinian Authority. These clearance revenues constitute over 60% of the Palestinian Authority’s income. In practice, Israel freezes or offsets part of these transfers due to the Palestinian Authority’s support for the families of terrorists (those killed as well as prisoners in Israeli jails). The Palestinian

Authority is authorized to collect additional taxes of its own, but it struggles to collect them effectively.

Commerce—The export of Palestinian goods to Israel is limited, while the export of Palestinian labor services to Israel is expanding (see Figures 29 and 30). The Palestinian goods and products market demonstrates increasing independence, as a product manufactured for an Israeli audience can also be sold in European markets. According to data analysis conducted by Dr. Haggay Etkes, Israeli–Palestinian trade has partially recovered from the decline following the outbreak of the Swords of Iron war. Israeli exports to the Palestinian economies decreased by approximately 30% at the end of 2023 but recovered after six months, with the export volume in the second quarter of 2024 being about 15% lower compared to right before the war. The imports from the Palestinians decreased for a quarter when the war broke out but immediately returned to their pre-war levels.²²

FIGURE 29.

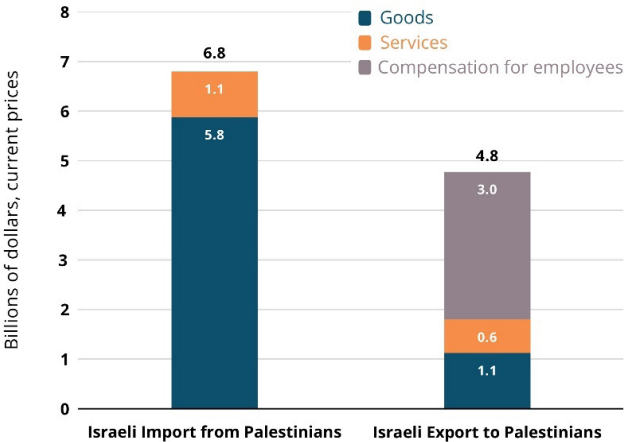


Note. Taken from the Palestinian Central Bureau of Statistics.

22 Haggay Etkes [@EtkesHaggay], “On Economic Trends in Israel” [Tweet]. X, April 13, 2024.

FIGURE 30.

Bilateral Trade and Employment Balance in the Year Preceding the Swords of Iron War
(Billions of Dollars, 4Q 2022–3Q 2023)



Note. Taken from the Israel Central Bureau of Statistics and the Palestinian Central Bureau of Statistics.

In 2024, international donations to the Palestinian Authority dropped to their lowest level ever—\$358 million, which constitutes only about 2% of the Palestinian GDP. The financial damage to the Palestinian Authority, including the confiscation of funds and halting payments by Israel, is estimated at \$1.4 billion from 2019 to April 2024—approximately 8% of the Palestinian GDP in 2023. In September 2024, the World Bank warned of an inevitable economic collapse in the Palestinian territories due to the ongoing conflict.²³

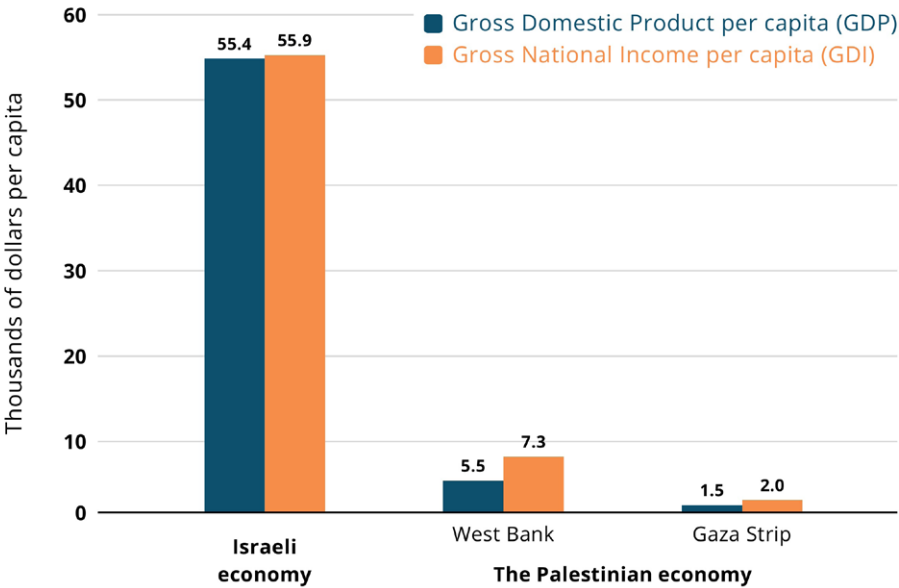
Gross Domestic Product (GDP) per capita—in Israel, GDP (in 2024 terms) exceeds \$54,000. In the Palestinian Authority, GDP per capita was approximately \$3,125 in 2023,²⁴ similar to 2022 figures (see Figure 31).

23 Data processed from the Israeli Central Bureau of Statistics and the Palestinian Central Bureau of Statistics conducted at INSS by Dr. Haggay Etkes and Prof. Esteban Klor.

24 Data processed from the Israeli Central Bureau of Statistics and the Palestinian Central Bureau of Statistics conducted at INSS by Dr. Haggay Etkes and Prof. Esteban Klor.

FIGURE 31.

GDP and Income per Capita in the Israeli and Palestinian Economies
(Thousands of dollars per capita, 2022)



Note. Taken from the Israel Central Bureau of Statistics and the Palestinian Central Bureau of Statistics.

These gaps are insurmountable, but it is estimated that in a one-state reality, the GDP per capita in Israel would decrease by one-third. It is difficult to envision a situation where the Israeli public would accept this. In 2024, the Palestinian economy experienced a sharp decline in GDP, with the first quarter of the year recording a 35% decrease in gross domestic product. In the Gaza Strip, the economy shrank by 86%, leading to a decrease in its share of the Palestinian economy from 17% to less than 5%. In the West Bank, a 25% decrease was recorded, primarily in essential sectors such as commerce, services, construction, and industry.

To conclude the economic dimension, in the reality of a single state and the application of Israeli law on Palestinians in Judea and Samaria, a significant allocation of resources will be required, naturally at the expense of funding other tasks and in light of the heavy economic burden expected for the State of Israel (the GDP per capita according to forecasts will decrease by approximately one-third). Tens of billions of shekels per year will be required to fund healthcare, education, transportation, and public services for all Palestinians who will be added to the State of Israel; equalizing infrastructure in the West Bank to that in Israel will cost a fortune as updates and adjustments to water, electricity, roads, and services systems will be necessary. The dissolution of the Palestinian Authority would mean transferring full responsibility for the needs of the Palestinian residents to the State of Israel, including subsidizing living costs, providing economic support, and building infrastructure. There may be a “brain drain” due to the economic and social erosion. Moreover, economic sanctions and boycotts from the international system are anticipated.

Legal and Policy Implications

A unilateral move by Israel to annex and apply sovereignty over the territories of Judea and Samaria will be accompanied by ethical, legal, and political implications. Israel holds the territories of Judea and Samaria under the laws of belligerent occupation and is considered an occupying power in these areas. According to international law, occupation is a temporary situation in which the occupying state holds territory in trust and not by virtue of sovereignty. The occupying state is prohibited from exploiting the occupied area for its national interests or making changes that worsen the population’s condition. This includes the prohibition of applying sovereignty or annexing the entire territory or parts of it.

Accordingly, an act of annexation and the application of sovereignty would present Israel with a range of legal and ethical challenges, both domestically and internationally, and risk further harm to its international standing.

On the domestic level, the Israeli authorities will become the competent entity in the annexed territory, and Israeli law will apply to it. The Palestinians will be eligible for residency status and will be allowed to apply for citizenship. As Israel seeks to avoid this and does not apply sovereignty over population centers, thereby creating Palestinian enclaves not included within Israeli territory, this will lead to a violation of Palestinian human rights; their rights to property, equality, and freedom of movement. This will also harm the fundamental democratic nature of Israel and could officially render it an apartheid state. It is expected to lead to internal disputes regarding the legality of the move, which will further deepen the rift within Israeli society.

On the international level, the move will be perceived as another of Israel's serious violations of international law, the prohibition against annexing occupied territory, and the Palestinians' right to self-determination in these areas, which has been further reinforced by several UN resolutions of the General Assembly and the Security Council. As stated, revoking citizenship or residency from Palestinians and creating enclaves would harm their human rights and constitute a violation of international human rights law by Israel. It may establish Israel's status as an apartheid state under international law. Any action to expel Palestinian residents from the annexed territory is prohibited and may be considered a war crime or a crime against humanity.

Moreover, the move would constitute a violation of the Oslo Accords, from which Israel has not yet withdrawn, and which prohibit unilateral actions, as well as the Interim Agreements that underpin its cooperation with the Authority.

Additionally, the move would constitute a violation of the advisory opinion issued by the International Court of Justice (ICJ) in July 2024, which determined that Israel's ongoing presence in the "Occupied Palestinian Territories" is illegal and that it must withdraw from the area and end the occupation as soon as possible. The General Assembly anchored the advisory opinion in a resolution from September 2024, which determined that Israel must end its illegal presence in the territories within a year at most. The implication is that

not only are the application of sovereignty and annexation prohibited under international law, but according to the advisory opinion, Israel's very presence in the territories is no longer legal. It should be noted that both the advisory opinion of the ICJ and the United Nations General Assembly resolution are not binding, and it can even be anticipated that attempts to enforce them through the Security Council would encounter an American veto.

However, from the perspective of international law, the move would be defined as illegal and legally invalid. Accordingly, a unilateral move by Israel to annex and apply sovereignty will not alter the territories' legal status, which will continue to be considered occupied; it will not absolve Israel of its obligations as an occupying power toward the Palestinian population, nor from its duty to guarantee their human rights in the territories where sovereignty will be applied.

In the political and international legitimacy sphere, a move to annex and apply sovereignty will not gain broad recognition from the international community and is even expected to intensify criticism against Israel. Except for a few individual states, most countries and other international entities will continue to regard the territory as occupied, where Palestinians are entitled to various protections and may exercise their rights, including their right to self-determination.

Moreover, this move will serve Israel's opponents and further strengthen the Palestinian narrative, portraying Israel as a colonialist state, a lawbreaker committing serious international crimes. It is also expected to cement Israel's status as an apartheid state, a determination avoided by the ICJ in its advisory opinion. It is expected that the move will motivate various entities within the international community to promote additional legal measures against Israel in the international courts in The Hague. These measures may include, for instance, charging with crimes against humanity of apartheid at the International Criminal Court (ICC) under the ongoing investigation by the court

regarding Palestine, pursuant to which arrest warrants were issued against the Prime Minister and the former Minister of Defense in November 2024.

In addition to severe condemnations, the move may also lead to sanctions against Israel and further moves to isolate it internationally. These will further undermine its international standing and jeopardize its membership in the alliance of liberal democratic nations—a strategic asset for Israel. Therefore, although the concern about international ramifications has significantly diminished since Trump’s return to the White House, Israel must not succumb to complacency regarding the legal and political implications that may accompany an annexation and sovereignty move.

The International Community’s Position

The international community generally supports the two-state solution to the Israeli–Palestinian conflict. The first resolution that explicitly mentions two states is UN Security Council Resolution 1397 from March 2002, which addressed the Second Intifada. The council demanded the cessation of violence between the Israeli and Palestinian sides that had occurred since September 2000. Subsequently, Resolutions 1515 and 2334 emphasized the importance of preserving and advancing the two-state solution, with the latter focusing primarily on halting Israeli settlement policies in the West Bank. The UN General Assembly approved an ICJ advisory opinion in September 2024, stating that Israel’s continued presence in the occupied Palestinian territories is illegal and that it must withdraw from the area as soon as possible, no later than July 2025.

Over the past thirty years, the United States has adhered to the two-state solution. “The Deal of the Century” proposed by President Donald Trump in 2020, also outlines a two-state solution. The policy of the current Trump 2.0 administration on the issue remains unclear.

On the other hand, in recent years, there are voices in the international arena arguing that the ability to separate into two states is diminishing. It

can be assumed that an Israeli decision to annex Judea and Samaria and grant Palestinians full citizenship and equal rights would be accepted by most members of the international community. However, concerns were also expressed that annexation would not be accompanied by equal rights for Palestinians, resulting in Israel becoming an apartheid state. In this situation, relations between many countries and Israel are expected to deteriorate, and sanctions may be imposed on Israel. This also pertains to countries with which Israel maintains extensive relationships and mutual trade connections, and which are interested in nurturing this relationship. However, entities advocating for a boycott and isolation of Israel (the BDS movement) are conducting campaigns against them, as well as against companies and corporations, with the objective of undermining Israel's status and demonstrating that it is already an apartheid state violating human rights. Moreover, from time to time, human rights organizations publish reports stating that signs of apartheid are evident in the West Bank. Although no comprehensive and significant sanctions have been imposed against Israel to date, it is important to note that criticism of it is mounting, and this is evident, among other things, in international legal forums—the International Criminal Court and the International Court of Justice. The war following October 7, 2023 only intensified the criticism and calls for a boycott.

Although key states in the international community have not yet marked the point of no return, namely recognizing the reality in the conflict arena as a single state, the official positions of both the State of Israel and the Palestinian Authority are critically important in this context: If either declares publicly that it is no longer interested in a two-state solution and seeks to promote a one-state solution, the international community will strive to establish a state for all its citizens—granting full equality of rights to the Palestinian population within its territory.

Alongside the positions of both Israel and the Palestinians, there is a concern that if key forces in the international arena lose hope in the prospects

of implementing the two-state solution—whether due to a lack of willingness on both sides to make historic decisions enabling an agreed separation, or developments on the ground, including the intermingling of Jewish and Palestinian populations in the West Bank—they will demand equal rights for the two communities between the Jordan River and the Mediterranean Sea. Israel will then have to contend with a significant diplomatic and legal challenge, which will undoubtedly have economic and security implications as well.

The Regional Position—The Peace States and the Abraham Accords

The Palestinian issue has, in recent years until October 7, 2023 and the outbreak of the Swords of Iron War, remained on the periphery of the regional agenda. However, while the concept of a one-state solution is not prevalent in discourse, the two-state solution still serves as the foundation for resolving the Israeli–Palestinian conflict. The position of the moderate Arab states, primarily Saudi Arabia, Egypt, Jordan, the United Arab Emirates, and Bahrain, regarding the resolution of the Israeli–Palestinian conflict has historically been based on the Arab Peace Initiative of 2002. This initiative proposed full normalization with Israel in exchange for a complete withdrawal from the territories occupied in 1967, the establishment of an independent Palestinian state with East Jerusalem as its capital, and an agreed-upon solution to the refugee issue.

During 2023, due to the effort led by the United States to expand the Abraham Accords, which include the United Arab Emirates, Bahrain, Sudan, and Morocco, and to establish normalization between Israel and Saudi Arabia, the discourse on the Arab Peace Initiative was renewed,²⁵ focusing

25 The Arab Peace Initiative is a political plan proposed by the Arab League to resolve the Israeli–Arab conflict. According to this initiative, all Arab states would normalize their relations with Israel in exchange for a complete Israeli withdrawal from the territories of the Golan Heights, Gaza Strip, and the West Bank (including East Jerusalem), and the establishment of an independent Palestinian state with East Jerusalem as its capital.

on the establishment of an independent Palestinian state within the 1967 borders, with East Jerusalem as its capital. Israel—both the public and the leadership—aspires to establish relations with Saudi Arabia, albeit while relegating the Palestinian issue to the margins of the discussion. However, Saudi Arabia, especially after October 7, is attentive to the sentiments and positions within the Kingdom, particularly in the Arab world and the Muslim world in general, and refrains from rapprochement with Israel as long as the Palestinian issue remains unresolved. In a speech delivered by Saudi Crown Prince Mohammed bin Salman at the Arab League summit in May 2023 in Riyadh, he emphasized that “the Palestinian issue is at the top of the Kingdom’s agenda,”²⁶ referencing the Arab Initiative and other relevant international resolutions on the matter. One of the conditions Saudi Arabia set for advancing normalization with Israel is the initiation of a political process between Israel and the Palestinian Authority, based on the Arab Initiative and Israel’s commitment to the two-state solution.

Over the years, and especially after the Abraham Accords were signed in 2020, a certain flexibility has developed in the Arab stance, as some countries have begun to promote relations with Israel even without a complete resolution to the Palestinian issue. As a result of the war, moderate Arab states expressed criticism of Israel’s actions in Gaza, emphasizing the need for a political resolution to the conflict. Saudi Arabia, which was close to establishing normalization with Israel before the war, has suspended the process and

Regarding the refugee issue, the peace initiative proposes “finding a just and agreed-upon solution” in accordance with UN General Assembly Resolution 194 (the resolution states that “refugees wishing to return to their homes and live in peace with their neighbors shall be permitted to do so at the earliest practicable date”—a phrasing that, according to Arab interpretation, requires the refugees to return to their homeland). In exchange for these measures, the Arab states would consider the Israeli–Arab conflict to have reached its conclusion and would normalize relations with Israel “in the context of peace.”

26 Jacob Magid, “MBS Says Palestinians the ‘Central Issue’ for Arabs as US Pushes Israel-Saudi Peace,” *Times of Israel*, May 19, 2023, <https://tinyurl.com/3n3udemz>

has renewed its support for the Palestinians' rights to their own state and opposition to the ideas of annexation and the establishment of a one-state reality. In the annual royal speech on September 18, 2024, the Saudi Crown Prince Mohammed bin Salman condemned the "Israeli crimes against the Palestinian people." According to him, "The Kingdom will not stop its tireless work toward the establishment of a Palestinian state." He added: "We will not establish relations with Israel unless it fulfills the requirements regarding the establishment of a Palestinian state."

Egypt and Jordan—the long-standing peace states—repeatedly emphasize their support for the two-state solution, which is essential to them for the following reasons: Historical considerations—the peace agreements are based on United Nations Security Council Resolution 242, which implies recognition of Israel within its pre-1967 borders; pragmatic-realistic considerations—the two-state solution is perceived as the best foundation for a stable regional order, within which Palestinian rights are also realized, enabling regional states to allocate more resources to development, welfare, and prosperity. For Jordan in particular, the establishment of an independent Palestinian state is an existential matter in the sense of preserving Jordan's identity as the Hashemite Kingdom. This is due to concerns about the "Watan al-Badil"—the concept of an alternative homeland, which implies that Jordan would become the Palestinian nation-state.

Under what circumstances might the peace states and the nations signatory to the Abraham Accords alter their stance and support a one-state solution? This change is expected to occur when the Palestinians themselves abandon the two-state notion and adopt the idea of one state as a state for all its citizens; if international recognition of the one-state reality develops and pressure mounts on Israel to grant full rights to all its citizens; if the Muslim Brotherhood or other Islamist elements come to power in the peace states, and reject the two-state idea and advocate for a Greater Palestine.