

Building Sovereignty in Palestine – A New Paradigm for the Gaza-Egypt Frontier

A Paper Prepared by Geoffrey Aronson for Canada's International Development Research Center (IDRC)

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I. Executive Summary

The challenge of creating a framework for economic, security, and political relations along the Gaza-Egypt frontier that will promote Palestinian economic revival and political independence has not been met. Decades of direct occupation by Israel failed in this task. So too did the Oslo era. Israel's "disengagement" from the Gaza Strip, undertaken in September 2005, signaled a wide-ranging change in Israel's strategic vision of the Gaza Strip, a change that for the first time since 1967 held out the broad promise of an end to Israel's occupation of territory captured in June 1967, including an end to direct Israeli control over the Gaza-Egypt frontier. This potential has not been realized. The post-disengagement period – with its signature creation of "hard borders" along the Israel-Gaza border governing Palestinian movement and access of both people and goods and continuing effective Israeli control over the Gaza-Egypt frontier, the airport, and nascent sea port – has failed to establish a reliable, efficient, or transparent foundation for Palestinian economic revival and independence. These shortcomings are not incidental or transitory, but rather reflect the inherent limitations of advancing Palestinian economic growth, freedom, and political independence under onerous conditions that give primacy to an autonomous Israeli determination of its security requirements. Current conditions preserve Israel's effective control of Palestinian territory, and thus undermine the complementary objectives of ending Israel's status as the occupying power in Palestinian territory and creating the conditions for the exercise of Palestinian sovereignty and economic well-being.

The advance of Palestinian political and economic independence and vitality can not be found in devising solely technical solutions to border management, however enlightened, or in attempting to realize past agreements that were not implemented even when the basis for their relevance to overall policy was far greater. Tinkering with a status quo that has produced unprecedented misery and instability will not end the crisis. A new paradigm for building Palestinian economic well-being and political sovereignty is required.

Key elements of this new paradigm include:

The land boundary between the Gaza Strip and Egypt, the airport, and the seaport, all share a decisive practical and conceptual characteristic – they do not share a border with Israel. Israel's security interests inherent in the disengagement plan and the Palestinian interest in sovereignty and economic revival intersect in the creation of a framework for the sovereign operation by Palestinians of these outlets.

A new/revised economic protocol governing relations between Israel and the Palestinians needs to reflect the loss of effective Israeli control on that portion of the Gaza envelop not territorially contiguous with Israel and the expansion of Palestinian trade into new markets in Europe and the Arab world.

The amendment of existing treaty instruments between Israel and Egypt and the negotiation of new bilateral and multi-lateral agreements to reflect the formal change in Israel's status *vis a vis* the Gaza Strip and the assumption of sovereign Palestinian control over the Gaza Strip.

This paper will address political, security, and economic policy options to advance Palestinian sovereignty and economic life, and thereby establish a more solid foundation for enhancing Israeli security. It will focus on frontiers of the Gaza Strip not territorially contiguous with Israel – the Gaza-Egypt land border, and Gaza's nascent sea and airport facilities. The political implications of the defined options will be examined, along with the economic impact on the Palestinian population, and upon the status of Palestinian relations with Israel, the West Bank, Egypt, and the international community.

II. Israel and the Failed Promise of Disengagement

Key Recommendation

In order to realize the strategic potential of the disengagement plan – to end Israel's occupation of the Gaza Strip and to create a better foundation for realizing Israeli security – Israel must cede effective control over borders not contiguous with its own territory. In the Gaza Strip, this includes the land border between Gaza and Egypt. Gaza's non-functioning airport and nascent seaport must also be permitted to operate. The treaty relationship with Egypt must be amended to accomodate this change in the nature of Israel's responsibilities along the Gaza-Egypt frontier.

As with most issues facing Palestinians, an inquiry into options to advance Palestinian sovereignty and economic well-being must begin with Israel and the new strategic context in which the current crisis has emerged.

The Disengagement Plan promoted by Israeli prime minister Ariel Sharon was conceptually sympathetic to the goal of ending Israel's status as Occupying Power in Gaza and thus removing Israel from effective control of those parts of Gaza's perimeter not territorially contiguous to Israel. This promise, however, has not been met.

Israel's current strategic concept for the occupied territories was first defined by PM Ariel Sharon in a speech marking the death of David ben Gurion, Israel's first prime minister. Sharon, in a speech read by deputy prime minister Ehud Olmert, noted, "Ben Gurion's greatness was not only in his visionary rhetoric but to limit it to what was possible under the circumstances of the day. Ben Gurion said, 'Let us assume that with military means we could conquer all of

Western Eretz Israel (the West Bank). Then what? We'll be one state. But that state will want to be democratic. There will be general elections. And we'll be a minority....when it was a question of all the land without a Jewish state or a Jewish state without all the land we chose a Jewish state without all the land.”¹ Sharon was compelled by the costs of direct occupation of the Gaza Strip to circumscribe his, and Israel's, longstanding appetite for territory. Disengagement was the product of this rethinking. The new policy required Israel's complete evacuation of the Gaza Strip, sacrificed in the face of Palestinian resistance, in order to create the minimal territorial conditions for the creation of a weak Palestinian state subject to Israeli power.

As devised by his national security team, the goals of Sharon's disengagement plan were to:

“Improve the security situation over the long term; prevent a big split among the [Israeli] people;

Engage international support; maintain the Palestinian commitment to implement the first phase of the Road Map;

Impress upon the Palestinian leadership a sense of the loss suffered in relation to the alternative of an agreement; engage the cooperation (at least passive) of Jordan and Egypt; and

Reduce the image of a withdrawal under fire; and all this at a reasonable economic price(over the long term).”²

Under the terms of its disengagement, Israel replaced its permanent deployment of civilian settlement and military forces in Gaza with a new framework. This new framework established a multi-lateral, consensual basis for Israel remaining in effective control over the territory – the international standard for maintaining Israel's status as Occupying Power. The Agreed Arrangements Regarding the Deployment of a Designated Force of Border Guards along the Border in the Rafah Area (the “Agreed Arrangements”) signed by Israel and Egypt in September 2005, and the Agreement on Movement and Access (AMA), signed by the Palestinian Authority (PA) and Israel in November 2005, documented this understanding. The international community through the EU Border Assistance Mission for the Rafah Crossing Point (EU BAM Rafah) monitoring force, created a framework for Israeli military forces to retain indirect and reduced but nonetheless effective control of Gaza's border with Egypt – and thus met the international standard defining belligerent occupation. Israel's authority over air and sea lanes, as well as the associated airport and nascent sea port, continued to be effectively asserted.³

Even though it removed its permanent civilian and military presence from the Gaza Strip, Israel remained the sovereign address for the Gaza Strip, and its interests remain paramount, but, in so doing, a principal objective of Sharon's policy was undermined.

The costs associated with Israel's failure to put an end to Gaza's occupation, and the inability or reluctance of other parties – the international community, Egypt, and the Palestinians in particular – to offer a compelling rationale for it to do so – were not unanticipated.

The disposition of the Philadelphia corridor is one of the critical defining elements of Israel's disengagement. Removing an Israeli presence from the Gaza-Egypt border, including the crossing point at Rafah, will have a profound impact on the future character of the Gaza Strip and the ease with which it interacts with the world, and establish a heretofore absent basis for an expanding Egyptian role – economic and security – in the area. An Israeli decision to remain in control of the corridor and maintain

its existing supervision of Gaza's border with Egypt will significantly lessen the impact and import of other elements of the disengagement plan, effectively render stillborn a larger Egyptian role in Gaza's security and economy, and lessen third party confidence in the efficacy of committing resources to the area.⁴

The failure to end Israel's status as occupying power proceeded in tandem with an Israeli policy of estrangement along the Israel-Gaza frontier aimed at maintaining Israeli security by minimizing the transit of Palestinians, Palestinian labor, and economic trade across the Gaza Strip-Israel border. This latter policy represents a reversal of Israeli policies pursued from the inception of occupation in June 1967, and it enjoys broad popular support in Israel. Draconian restrictions on the entry of Palestinian labor to Israel, the failure to establish a reliable export/import regime through Karni and other crossings, and the stillborn safe passage route linking Gaza with the West Bank are the product of a strategic reevaluation of Israeli interests. As such they are not incidental but rather integral elements of Israeli policy, derivative of a policy determination rather than unintended byproducts that can be solved by technical fixes. This system has resulted in the creation of a "soft quarantine" around Gaza that has reduced incentives for Palestinian cooperation on security issues, complicated the rationale for engaging Egypt in an effective post-evacuation security regime, retarded the strategic intent of moving the dynamic of Gaza's economic development toward Egypt, and inhibited the impact of third party involvement.

III. Egypt Bears the Burden of Disengagement

Key Recommendation

The economic advantages of a reliable and competitive trade and transit regime along the Gaza-Egypt border can be maximized by freeing the frontier from limitations on trade and access imposed by continuing Israeli control. Egypt, a main beneficiary of this reform, has an interest in participating in a process by which the PA becomes the sovereign address for economic and security policy along their shared frontier, and a partner in regional economic development of the Sinai-Gaza corridor assisted by the international community.

The prism through which Egypt views the Gaza Strip and Israel's policy towards it is conditioned by a long history in which security considerations have predominated. Not surprisingly, given this orientation, the prevailing Egyptian view is that Israel's disengagement is a threat to Egyptian interests whose untoward implications are to be minimized rather than an opportunity. This attitude has proven especially relevant in an international environment that, until it was only recently forced by Gaza's growing misery to consider options for Gaza's economic well-being other than those offered by its linkage to Israel, refrained from considering options that might re-balance Egypt's own calculations more favourably. Added to the reluctance to engage Egypt in a solution to Gaza's current economic straightjacket is the preoccupation of the Egyptian elite with the question of succession and the internal challenges to the regime. Together they create a conservative, security-based orientation that has prejudiced Egypt's ability to exploit whatever economic opportunities Israel's decision to isolate itself from

Gaza creates for Egypt.

“We see Israel trying to squeeze Gaza,” noted one Egyptian diplomat, “and to transfer Gaza’s problems to Egypt.”

A Strategic Opportunity

In one important respect however, Egypt remains determined to reap strategic benefit from Israel’s desire to enlist Egypt in the effort to secure the Egypt-Gaza frontier -- a change in the Israel-Egypt peace treaty that modifies the existing prohibition on the introduction of more than token Egyptian military forces to Sinai as a whole and to the border region in particular.

When the disengagement plan was introduced Egypt initially suggested the introduction of thousands of Egyptian troops along the entire frontier between Rafah and Taba, noting correctly that border insecurity and smuggling characterized the entire border line, not only the 12 km border with Gaza. Israel, as determined to prevent a dilution of the treaty prohibition on Sinai’s militarization as Egypt is to enable it, rejected the Egyptian demarche.

The agreed upon compromise, initialed on September 1, 2005, was to formulate new, security-related understandings achieved in the context of disengagement. The Agreed Arrangements represent a procedural refinement of the existing peace treaty rather than a new diplomatic-security framework.⁵ In part through this mechanism, continuing effective Israeli control of the border area⁶ was achieved through a variegated system featuring:

A strengthened but still limited Egyptian security force – re-christened the Border Guard Force, a complement of 750, supported by a small support team of naval and ariel personnel, monitored by the Multinational Force and Observers in Sinai (MFO) with the primary mission to interdict smuggling of arms into Gaza;

Palestinian security forces to regulate the entry of authorized entrants into and out of Gaza at Rafah and to police smuggling;

The creation of a third party “substitute” for a direct Israeli presence – EU BAM – with circumscribed power to act independently of Israel, charged with monitoring Palestinian performance regulating exit and entry of eligible persons across the border at Rafah.

The Agreed Arrangements detail permitted Egyptian forces and equipment, keeping them light in nature; specify prohibitions on anything that may serve military purposes; and involve the existing (MFO) as monitors of implementation. The agreement also grants Israel a veto over any further Egyptian deployment along the joint border. It should be noted that Cairo has always been careful not to fundamentally breach the military annex of the peace treaty.⁷

The Agreed Arrangements, which detail an Israeli-Egyptian understanding about management along a frontier on which Israel is no longer physically present, and prohibit the transfer of arms to the PA without Israeli consent, demonstrate the power Israel retains despite disengagement and attests to Israel’s continuing status as the sovereign address for Gaza Strip. When asked about this seeming anomaly Egyptian officials note simply, if accurately, “Palestine is not a state” and therefore, in Egyptian eyes, the Palestinian Authority lacks the standing to be the principal party to bilateral agreements of this nature. (Contrast this with the AMA, signed by

the PA (not the PLO) and Israel.) In the post-disengagement period, Egypt, the PA, and the international community became parties to the perpetuation of a controlling Israeli presence along the Egypt-Gaza border and the creation of a security and access system that, since September 2005, has failed to provide security or reliable access.

IV. A Failed Security Framework

Key Recommendation

There is no panacea for the chronic instability on the Gaza-Egypt frontier – a situation which awaits the consensual creation of a successor regime to Israel’s occupation of the West Bank and Gaza Strip. This goal is best served by a fundamental change in the status of the border itself. Palestinians need to assert sovereign responsibility for security on the Gaza side of the Gaza-Egypt frontier as part of a strategic re-orientation that will remove Israel as the sovereign address for the Gaza Strip, as originally conceived in the disengagement plan, and create a substantial Palestinian national interest in asserting exclusive control over a range of security and economic issues. This is the only solution that is consistent with Israeli aspirations to end its occupation of the Gaza Strip and Palestinian and Egyptian interests in managing their frontier according to internationally acceptable security and transit standards.

The principal security-related concerns along the Gaza frontier not territorially contiguous with Israel – the smuggling of weapons from Egypt into Gaza – has not been adequately addressed by the system put in place in the wake of Israel’s withdrawal from the Philadelphi corridor separating Egypt from Gaza. Nor has operation of the Rafah transit terminal for eligible parties operated satisfactorily, particularly since Israeli restrictions imposed in the wake of the capture and detention of one of its soldiers by Palestinian elements in June 2006. The trade in goods across the border as outlined in the AMA has been all but stillborn.

Recent discussions between US, Israel, Egyptian, and Palestinian officials reviewed shortcomings in the security realm. Palestinian representatives suggested technical improvements aimed at increasing their security effectiveness – deployment of Palestinian forces east of the Rafah Crossing, more barbed wire and observation towers, better lighting and communication equipment.

Egyptian officials noted that all of these changes require Israel’s approval. The head of the Israeli delegation promised to study the Palestinian proposal with “good will.”

Officials offered technical and operational solutions to the continuing failure to interdict arms transfers in the 8km Mark 3 to Mark 6 zone (The 212 km Mediterranean Sea to Gulf of Aqaba border measures Mark 1 to Mark 46), principally through underground tunnels. Egypt noted that it has uncovered 116 tunnel openings since its deployment in 2005. Practical Egyptian measures to restrict smuggling include: a decree preventing construction within 50 meters of the border within Rafah city; an increased security presence and a stronger mandate to search for tunnels; increased criminal penalties for tunneling and smuggling; and increased coordination and liaison with Israel on tunnel intelligence.

The Egyptian delegation sought to exploit evident shortcomings of the existing system to support Cairo's longstanding strategic objective – an increase in the deployment of Egyptian forces across the entire border region between Rafah and Taba and the associated diminution of Egypt-Israel treaty provisions restricting such a deployment. Officials noted that their actions and effectiveness in the anti-smuggling effort were impaired by treaty restrictions on force deployments. It was suggested that a more “holistic” approach to the entire Rafah-Taba border region, requiring a doubling of the Border Guard to 1,500, is required together with expanded powers and equipment.

These issues, particularly those associated with increasing costs, have been discussed bilaterally with the Bush administration. Egypt is looking for US funding in addition to its existing aid, while US officials talk of re-programming existing monies.

Israeli representatives opposed the Egyptian suggestions on both operational and diplomatic grounds. It was noted that better intelligence, not an increase in troop strength, is the key to successful interdiction of tunnel smuggling. The Border Guard were described as “soldiers” whose capabilities “already contradict the spirit of the [peace] agreement.”

Egypt however remains adamant that the treaty is constraining its security effectiveness. “We are already giving 100 percent effort,” remarked an Egyptian diplomat. “If you want 120 percent effort we need more Egyptian forces along the border.”

Effective Egyptian action is also dependent upon its assessment that the burdens of policing the border are not its alone. Burden sharing in this context is understood to include revitalized and effective forces of the PA, principally the Presidential Guard and the National Security Force, operating effectively on the Palestinian side of the border and throughout the Gaza Strip under the control of a coalition government. To the extent that there is no Palestinian consensus supporting the interdiction of arms, the effectiveness of Palestinian ability to secure the border is compromised.

V. The Failure of the AMA

Key Recommendation

The AMA has failed in its goal of insuring regular, timely access for eligible individuals and transparent management of the Gaza-Egypt border under autonomous Palestinian management. Prospects for achieving this goal are possible only if the removal of Israel's effective control over border management on this frontier is effected. Management according to recognized international standards can best be attained, and the security interests of all parties most effectively accommodated, in part through support of Palestinian border management along this border as well as associated sea and air facilities by competent third parties.

On November 15, 2005 the AMA was signed by Israel and the PA. The choice of the PA rather than the PLO as the Palestinian signatory is noteworthy, insofar as it attests to the administrative rather than diplomatic nature of the agreement, reinforcing the fact that Israel remains the sovereign address along the Gaza-Egypt frontier, and contradicting the spirit of an

agreement meant to expand Palestinian control over its destiny.

For much of its first year of operation under the AMA, the Rafah border regime for transit of eligible persons provided reliable, timely, efficient access across the Gaza-Egypt border.⁸ The intention of the AMA was “to facilitate the movement of goods and people within the Palestinian Territories and to open “an international crossing on the Gaza-Egypt border that will put the Palestinians in control of the entry and exit of people”thereby promot[ing] peaceful economic development and improv[ing] the humanitarian situation on the ground.”⁹ In the wake of the capture of an Israeli soldier by Palestinian elements on June 25, 2006, however, Israel was able to effectively assert its continuing ability to unilaterally restrict the efficient, timely, and transparent operation of the Rafah transit terminal. EU BAM monitors are based in Israel and travel to Rafah via the crossing at Kerem Shalom when Israeli security concerns allow for both Rafah and Kerem Shalom to be open.¹⁰ The presence of EU BAM observers has proved superfluous in the context of an Israeli decision to restrict operation of the border crossing.

“If the border is not open, the [EU BAM] mission is not useful,”observed General Pietro Pistolese, EU BAM head. ¹¹ EU BAM’s initial twelve month mandate was renewed in November 2006. Its current mandate expires on May 24, 2007.

Israel maintains its ability to control Gaza’s export/import trade, which is centered at the Karni (Al-Muntar) crossing. “From a trade perspective, notes a March 21, 2007 World Bank report, “the operation of Karni is unacceptable. It was closed for the majority of the time in 2006 and even when open, operates haphazardly with varying operating hours, inefficient and unpredictable screening procedures, and lack of transparency.”¹²

As one prominent Gaza industrialist observed , “There is no system” at Karni. ¹³ And that, of course, is the point. Israel has embarked upon a strategic revision of its relationship to the Gaza Strip, one defined by arbitrary and opaque management of hard borders, the almost complete exclusion of Gaza exports and labor from israel, and by extension, to the West bank as well.¹⁴ In such a policy environment, the evident shortcomings at Karni, however provoked by legitimate Israeli security concerns, do not contradict but serve this policy objective. Nevertheless the prevailing approach to “fixing” Karni has been to concentrate on technical and operational reforms to mend a system whose dysfunctional characteristics are the consequence of political decisions.

Although the AMA cited Rafah as an approved corridor for exports from Gaza, no mechanism was created to facilitate this process. “Rafah needs commercial infrastructure,” noted Khaled Abdel Shafi, heads the UNDP Gaza office that is working on a U.S.-funded master plan for the terminal at Karni. “Egypt has not facilitated trade, and in any case Rafah is closed.”¹⁵ In its most recent report on implementation of the AMA, the UN’s OCHA notes that “to date there has been no movement of commercial goods through Rafah. Existing understandings aimed at facilitating Gaza’s international trade though Egypt have not been realized, due to concerns raised by Egyptian security officials.

The UN office also notes that “The Palestinian Authority have also refused to accept Kerem Shalom as an alternative crossing point as it is located in Israel.”¹⁶ Kerem Shalom was established as an option in the AMA precisely to accomodate Israel’s demand to remain in effective control over the import of goods into Gaza and the Palestinian refusal to accept the political and economic implications of an end to the Paris Protocols’ application in the Gaza

Strip. In the period since the AMA's signing, Kerem Shalom has not functioned as envisaged even as Israeli actions progressively exclude Gaza from the beneficial effects of the common economic envelop established by the Protocols, leaving Palestinians without an independently controlled border or the benefits of the customs envelope. Israeli commitments regarding the airport and construction of the seaport remain unfulfilled. In the Israeli view, the land, sea, and air corridors out of the Gaza Strip are one conceptual package. To the extent that disengagement suggested an end to effective control over the Gaza-Egypt frontier, the prospect for autonomous Palestinian operation of its sea and air corridors was enhanced. This opportunity was, however, lost in the critical months leading up to Israel's redeployment in September 2005.

Notwithstanding Israel's commitments in the AMA regarding the construction of a seaport and airport discussions, to the extent that such discussions were to take place in the context of continuing Israeli authority over their operation, the prospects for success are minimized.

Israel's operation of the Gaza trade and transit perimeter enjoys broad support in Israel. In rejecting the suit against the frequent closure of the Gaza crossing points because of security alerts, Israel's High Court of Justice, headed by Supreme Court President Dorit Beinisch, ruled that the policy is "balanced and reasonable and concords with Israeli and international law."¹⁷

Palestinians with the resources are not waiting for leaders to fix this system. Skilled individuals are leaving Gaza in unprecedented numbers.¹⁸ More broadly, Gaza's manufacturing and export base – the economic foundation for any recovery – is also moving, to Egypt, in pursuit of the stability, security, and reliability of transport that Gaza lacks.¹⁹ Even firms in Gaza that are primarily producing for the Israeli market are moving to Egypt in order to maintain cost efficient and reliable access to their Israeli customers!

"The closure regime has never been so harsh as it is today," explained al Shafi. "Shipping a container from Ashdod to Gaza costs more than shipping one from China to Ashdod. Exporting from the Gaza Strip is almost impossible." The combination of closure and the growing sense of personal insecurity throughout Gaza is proving lethal to the basic underpinnings of the Gaza economy. "More than 40 businesses have applied to the Ministry of the Economy to leave Gaza," noted al Shafi. "Several large businessmen have already established themselves in Egypt. Two of our largest furniture makers have re-located to Port Said. Two of Gaza's largest garment manufacturers have also left. We are not losing only business people but intellectuals as well. In my own [UNDP] office, ten of fifty employees are in the process of emigrating or have already left. There are tens of thousands of applications to emigrate to Canada, Sweden, and Norway."²⁰

The Future of the Paris Protocols

Israel's preeminent role along the Gaza-Egypt boundary has been sustained, in part, by Palestinian opposition to removing the Gaza Strip from the customs envelop created in the Paris Protocol. Palestinians have come to view the Protocols as a key factor linking the destinies of the West Bank and Gaza Strip. The international community has supported them as the most efficient mechanism for sustained economic growth in the Palestinian areas.

Until recently, neither the Palestinians nor the international community were ready to acknowledge the degree to which disengagement, and the associated Israeli policy of making Gaza into a foreign country would be reflected in the collapse of Israel's interest in supporting key foundations of the common economic envelop and trade regime outlined in the Paris

Protocol. They remain a key element of the Oslo era, and both parties hoped for the day when the assumptions underlying these and other agreements of that period would be restored.

Disengagement, and the boycott of the PA after March 2006 when Hamas' parliamentary majority was seated, have left all but the most partisan supporters of the Oslo era little choice but to face the new reality. "The Customs Union arrangements between Israel and the WBG have been under jeopardy since the Gaza Disengagement, [and] a breakdown of the single payment system between Israel and the WBG, coupled with the withholding of tax revenue collected by Israel, may result in the collapse of the customs union, the last vestige of the Oslo Agreements."²¹

Just as it was Israeli interest in the first instance that established the rationale for the adoption of the Protocols in 1994, with Palestinians and the international community following in its wake, so too are the latter being forced to confront the fact that an economic policy established to fit one set of circumstances — soft borders and free movement of labor, capital, services, and goods — is increasingly irrelevant, if not counterproductive in an era when these defining principles are no longer supported by Israel.²²

The future economic fortunes of the Palestinian territories can no longer to be found in solely or even principally in their relationship with Israel. This fact is driving Palestinian business people to reconsider the value of the Paris Protocols.

"The Paris Protocols were designed to be in place for 5 years, "explained Faisal Shawa, a prominent Palestinian industrialist with extensive operations in Gaza. "Today they are too confining for us. We ought to revise them or to eliminate them altogether. When Israel finishes constructing the Wall (separation barrier) we should be ready for this. We are also eager to develop our relations with other countries. Let us start from Gaza to stop the validity of the Paris Protocols. Live animals are no longer accepted for sale in Israel. Ninety per cent of Palestinian goods are excluded. The only thing working is the clearance mechanism."²³

VI. Palestinians Face the Future

Key Recommendation

Sovereignty itself will not solve Palestinian ills, but it remains a necessary prerequisite to the crafting of viable and stable solutions. Insofar as the Gaza Strip is concerned, the application of this principle to Gaza's boundary with Egypt and the associated implementation of a reliable and efficient land, sea, and air trade and transit regime is necessary, if only to stem the departure of Gaza's industrial and manufacturing base to Egypt.

"[Israel] is seeking to impose a very dangerous option," noted PA chairman Mahmoud Abbas (Abu Mazen) in a November 2005 speech marking the anniversary of a Palestinian declaration of independence in 1988, "and that is a long-term solution based upon setting up a state with provisional borders controlled by the Israelis and divided by settlements into isolated cantons."²⁴

Palestinians are not alone in seeing Israeli policy also determined to split the destinies of the West bank and Gaza Strip — the two territorially separate parts of the nascent state of

Palestine and to tie the West bank to Jordan and the Gaza Strip to Egypt.

“There is no trade between the West bank and Gaza. If you have a small shipment you have to work for a week to obtain permission [from israel]. If you wish to get a visa from an embassy located in Gaza you have to wait three days for DHL or Aramex. [This policy] is intended to impoverish Palestinians in order to weaken us. It makes it difficult for Palestinians to live here, it worsens the investment climate, and with no investment, no jobs are created. People are left with little choice but to seek their fortune outside Palestine.”²⁵

There is no investment, nothing, zilch,” noted Bassem Khoury, president of the Palestinian Federation of Industries. “You are creating a country that is not sustainable in the future.”²⁶

Palestinians viewed Israel’s retreat from the Gaza Strip as evidence of Israel’s malign intentions towards them. The PA under the leadership of Abu Mazen has viewed Israel’s disengagement as a problem to be managed, not an opportunity to be exploited – in part because evacuation was unilateral and not the result of negotiations (with the prominent exception of the AMA), in part because Israel’s withdrawal from Gaza is not absolute, and finally because the West Bank remains firmly in Israel’s grip. Abu Mazen does not see the Gaza evacuation in the context of liberation, and therefore he is reluctant to see in the Gaza Strip today a new kind of territorial asset requiring a revision of the PA’s traditional concepts, in both doctrine and operations. Indeed, were Abu Mazen to adopt such a view, as has Hamas in some important respects, PA efforts to police Palestinian violations of the border with Israel might be more effectively pursued as part of a security doctrine that defined the Gaza Strip as liberated land deserving of protection from internal anarchy and external threat alike. In this critical sense, however, Gaza’s status after Israel’s disengagement has not merited changing a concept rooted in the PA’s existing understanding of its ill-defined security objectives. So Gaza, like the West Bank, remains ineffectively defended by PA security forces from external or internal threats posed by Israel or militant Palestinians, and the PA continues to administer the border with Egypt according to priorities established by Israel, priorities that have resulted in unprecedented economic misery and the inability of Palestinian representative institutions to establish sovereign and independent control over its borders.

The creation of the National Unity Government in March 2007 offers an institutional foundation to chart a path out of this dilemma. The effective operation of the Gaza envelope – air, sea, and land – not territorially contiguous with Israel requires that the challenge of their effective operation be viewed as an opportunity for economic growth and political independence rather than a threat to outdated and increasingly irrelevant agreements. The PA has been hobbled from its inception by contradictory impulses. Though far less than a state in its ability to act independently, the PA has been expected to act like one in its suppression of security threats to Israel. The only way to establish an effective foundation for border management is to establish a sovereign Palestinian presence there, and to be prepared to viewed the necessary security and economic implications of that change as an opportunity to advance its interests and well-being.

As noted in the program of the National Unity Government:

The government affirms that the key to security and stability in the region depends on ending the Israeli occupation of the Palestinian territories and recognizing the right to self determination of the Palestinian people; the government will work with the international community for the sake of ending the

occupation and regaining the legitimate rights of the Palestinian people so that we can build a solid basis for peace, security and prosperity in the region. . . .

The government shall work on ending the siege imposed on our Palestinian people through the programs and relations and to activate the regional and international frameworks to alleviate the suffering of our Palestinian people.

The government shall give priority to upgrade and advance the national economy and encourage the economic and trade sectors with the Arab and Islamic world and encourage economic and trade relations with the European Union and the rest of the world.

To move to protect the consumer and encourage the private sector and provide the proper climate for its activities and lay down the sound rules for government work and its official institutions and the institutions of the private sector and end monopoly. The government shall work on providing the proper climate and protection and stability of investment projects.

The government shall work on respecting the principles of free economy in a manner that meets with our values and norms and in a manner that serves the Palestinian development and protect the private sector and encourage investment and fight unemployment and poverty and reinforce the productive economic sectors and reconstruct the infrastructure and develop the industrial zone and the housing and technology sectors.²⁷

VII. Signs of a New Economic Paradigm

There is little reason to believe that any one event or action will be a panacea for the myriad ills besetting Palestinians. The option for the operation of Rafah has reasserted itself only in the wake of the failure of other prescribed options and the manufactured crisis resulting from the Hamas victory. It is significant that the World Bank has recently concluded, however reluctantly, that alternatives via Egypt to the inadequate export system based upon Karni and associated outlets to Israel must be considered.

The World Bank reports that “using Rafah as a trade corridor to ship goods from Gaza to Egypt’s efficient and privately managed container terminal at the entrance to the Sues Canal and to Cairo International Airport can provide competitive trade logistics in terms of performance and at a cost generally equivalent to or less than Israel’s ports and airports.”²⁸

29. In summary, in terms of performance, the Rafah corridor offers a viable competitive option to the routes currently available to Palestinian exporters. By air, it has the additional attraction of providing direct services to the Gulf and other Middle East locations as well as offering greater frequency by permitting the use of cargo capacity on passenger aircraft. In terms of sea freight, the Rafah corridor offers comparable services in time and cost to Europe, faster times to Asia and less expensive and faster service to the Gulf. More importantly, it offers greater frequency of service to all destinations and greater choice in shipping lines and terminal operators. By land, the Rafah corridor offers the possibility of trucking goods directly to Gulf countries in 4-5 days. Finally, while the distance from Rafah to the Egyptian gateways is further than to Israel’s, in terms of cost and time it is expected to offer comparable and more reliable service when the border crossing and procedures at the gateways are taken into account. It is then a question of establishing an efficient transit route from the border to the gateways.²⁹

The Bank report focuses upon the operational and logistical aspects of this trade route option, compared to those offered (when permitted) by trade through Israel. Consistent with the institution's mandate, the report refrains from addressing the political context in which Rafah's rehabilitation and the strategic re-direction of Gaza's export and import trade would be conducted. When it does, however, the report asserts that the recommended use of the Rafah option can easily be accommodated by existing agreements, including the Paris Protocols and an expanded mandate for EU BAM. Highlighting the advantages of a trade/export route through Egypt is to be welcomed. It is important to note that Gaza needs to develop markets in the Arab world and Europe and to focus attention on the need to address the economic frameworks that support such trade. Less convincing is the report's assumption that "opening up alternative trading routes for the Palestinian economy *beyond those controlled by GoI*" (author's emphasis) can be accomplished without addressing Israel's continuing effective control of Gaza's border with Egypt and the associated Egyptian reluctance to reach bilateral trade facilitation understandings with the PA without Israeli approval.³⁰ As this paper demonstrates, there are today no trading routes for the Palestinian economy not controlled by Israel.

VIII. Conclusion

Israel's disengagement from the Gaza Strip reflects a wide-ranging Israeli reassessment about the place of the Gaza Strip in Israel's economic and security agenda. Nevertheless, it has been the considered view of all parties that Gaza's economic well-being, in particular, can be secured by the maintenance of a system rooted in assumptions that informed Israeli occupation policies after 1967, with the slight modifications of the Oslo era. In particular it has been assumed that Israel's effective control of the Gaza perimeter not territorially contiguous to Israel is not inconsistent with autonomous Palestinian operation of these areas (especially the land border with Egypt and the seaport). Both are enshrined in the AMA. Both floundered in the face of a reality dictated by the iron law of sovereign power. Israel remains the not so hidden hand behind the operation of the land border with Egypt. The airport remains mothballed because of an Israeli dictat. Construction of a seaport will not proceed because of concerns about Israel's commitment not to destroy it. In combination with the draconian restrictions on trade and the economy imposed by Israel, this system has produced unprecedented economic misery which, together with pervasive personal insecurity, threatens more than ever before the very fabric of Palestinian life.

Faced with such seemingly insurmountable problems, weak regimes and hesitant international institutions, aided by stronger powers that see value in the status quo, prefer a focus on technical and incremental reforms of existing arrangements. They seek technical solutions to problems that are fundamentally political in nature, a conceptual mismatch destined to fail. In this case, Israel's decision to end Gaza's dependancy while retaining effective control over its economic destiny has produced an arbitrarily enforced hodge podge of complex and unmanageable arrangements that have produced economic depression rather than growth, penury rather than prosperity, and hopelessness rather than hope.

This calamity is forcing a reluctant reconsideration of the basic ingredients of the status

quo. Gazans have been the first to respond to this new dynamic. Those with the means are moving with their feet, relocating offshore to Egypt and taking their productive enterprises with them, often in an effort to preserve long-term trading links with Israel that are no longer possible from Gaza itself and to explore new opportunities in Europe and the Middle East. These are the exceptions however. Most parties to this unfolding disaster are all but paralyzed by the transition forced upon them.

Halting efforts to chart a new course are beginning. The World Bank in particular is treading this path, as always with great caution, but with a vigor more evident than others. Circumstances are forcing the re-evaluation of the main elements of the status quo – continuing Israeli control, lack of Palestinian sovereignty, and a dysfunctional economic regime. Certain principles should frame the search for an integrated policy that marries elements of sovereign Palestinian power and authority to the creation of new avenues for economic well-being and the foundation for a system of *mutual* security.

The best foundation for Palestinian economic well-being is the exercise of sovereign Palestinian power. It is axiomatic that no party is more capable of maximizing Palestinian interests than Palestinians themselves.

The satisfaction of legitimate Palestinian demands for sovereignty is a core requirement for the maintenance of security for all concerned.

Trade and border management along the Gaza-Egyptian frontier should be the province of Palestinian-Egyptian cooperation.

Market forces, aided by an internationally supported development plan, should play a more important role in determining Egypt's relationship to border management and the facilitation of Palestinian trade through Egypt.

Palestinians should promote economic and trade agreements that reflect the dynamic movement of Gaza's economy out of Israel's orbit and anticipate a similar direction for the West Bank economy once the separation barrier is completed.

end

1. *Mid-East Mirror*, December 3, 2003.
2. *Ma'ariv*, March 12, 2004.
3. The penultimate draft of the AMA prepared by James Wolfensohn emphasized that the land (Rafah), sea, and air corridors were one package. The US secretary of state deleted these references at the last minute. Interview with Mazen Sinokrot.
4. "Issues Arising from Implementation of Disengagement and the End of Israeli Occupation in the Gaza Strip," Geoffrey Aronson, IDRC, March 29, 2004, p. 12.
5. For details of the Agreed Arrangements see Peacewatch #518, "A New Reality on the Egypt-Gaza Border (Part I), Contents of the New Israel-Egypt Agreement," Brooke Neuman, WINEP, September 19, 2005.
6. The World Bank report, "Potential Alternatives for Palestinian Trade" notes that "unlike the crossing between WBG and Israel, there are no provisions in the AMA for Israel to close the crossing between Gaza and Egypt. In practice, however, Israel since June 2006 dictated the opening and closing of Rafah. p.4.
7. PeaceWatch #520, "A New Reality on the Egypt-Gaza Border (Part II): Analysis of the New Israel-Egypt Agreement," Michael Herzog, WINEP, September 21, 2005.
8. EU BAM reports that an average of 1,318 people transited Rafah daily until June 5, 2006. In the subsequent period to April 2007, Israel has closed the crossing 89% of the time, or all but 57 days.
9. AMA, November 15, 2005.
10. "Implementation of the Agreement on Movement and Access (7-20 March 2007), Report No. 35, UN OCHA, March 29, 2007.
11. "An Open Border Will Promote Peace," *Jerusalem Post*, April 1, 2007.
12. "Potential Alternatives for Palestinian Trade: Developing the Rafah Trade Corridor," World Bank Technical Team, March 21, 2007, p.4.
13. Interview with Faisal Shawa.
14. Internal trade (\$300 million) between the West Bank and Gaza Strip is estimated by former minister of economy Mazen Sinokrot to have declined by 70 percent. Interview with the author.
15. Interview with the author.
16. OCHA, *op. cit.*

17. *Ha'aretz*, March 25, 2007.
18. Interview with K. Abdel Shafi.
19. Interview with F. Shawa.
20. Interview with author.
21. "Palestinian Finance Under Siege, (Draft Copy)" Karim Nashashibi, Al- Mustakbal Foundation for Strategic and Policy Studies, Ramallah, to be published by OCHA.
22. See for example, Herzog *op. cit.*, and "Corridor of Difficult decisions for the PA : Cancelling the Customs Envelope?", The Reut Institute, March 27, 2007.
23. Interview with F. Shawa.
24. *Reuters*, November 15, 2005.
25. Interview with Samir Abdulah, director of the Palestine Economic Policy Research Institute (MAS), Bitterlemons, March 5, 2007.
26. *Ha'aretz*, March 21, 2007.
27. The Programme of the National Unity Government, March 15, 2007 , translated by the Jerusalem Media and Communications Centre.
28. "Potential Alternatives," *op. cit.*, p.1.
29. *Ibid.*, p.12.
30. *Ibid.*