

Forgotten Issues:

The Gaza Airport and Qarni Industrial Estate

May 21, 1998



Brief Analysis

With headlines both here and in the Middle East focused on the U.S.-Israel confrontation over "further redeployments," little attention has been paid in recent weeks to the lost opportunity to close the file on two items left from Oslo's interim agenda: the Gaza Airport and the Gaza Industrial Estate at Qarni (GIE). Reaching "closure" on these items should be much easier than resolving larger political issues that have stymied the negotiators; that is why American and British leaders, with concurrence from Jordan's King Hussein, have urged the parties to move ahead with the airport and Qarni without waiting for agreement on all areas of dispute.

The Airport: Even before Yasser Arafat arrived in Gaza, Palestinians stressed the importance of having an airport of their own. Palestinian plans envision that the airport will handle 500,000 passengers a year, facilitating both international trade and tourism. No less significant would be the symbolic importance of an airport, which would relieve the embarrassment of PA officials, including Arafat, being forced to drive to el-Arish in the Sinai before departing for air travel.

Agreement-in-principle to build the airport was reached within the negotiations for the Interim Agreement (Oslo II) signed in September 1995 and the airport itself was originally scheduled to open in May 1996. When the original timetable was not met, the airport was then included in the January 1997 Hebron "Note for the Record" as an item under the list of "Israeli items for negotiation," and Israel has negotiated with the Palestinian Authority ever since regarding the arrangements for the opening of the airport. Even without agreement, construction proceeded, thanks to generous European donor support, and by October 1997, the joint Israel-PA committee reported that it was approaching "closure" on the issue.

> So far, however, that hasn't happened. While there have been disputes over symbolic or sovereignty issues (e.g., the official name and international air traffic coding for the airport), negotiations focused mostly on security matters. Israel has feared that without extensive Israeli security control over the airport's operation, the facility could serve as a conduit for weapons and illegal entrants; recent disclosures about the use of Yasser Arafat's helicopter for these purposes only add to Israel's anxieties on the airport. Palestinians worried that the Israeli security demands were so stringent that they would strangle the airport and relegate it to being, in the words of Palestinian official Yasir Abd Rabbuh, "a mere decoration." For a long time, each side rejected many of the other side's proposals about security and administration. In recent months, however, it seems that virtually all of the substantive matters have been resolved, using some high-tech solutions as well as the type of artful compromises reached in governing the Allenby Bridge land passages. It has now become apparent that the impasse in the airport's opening is due to political factors, not disagreements over security concerns.

The Gaza Industrial Estate at Qarni, near the Gaza-Israel border, was the product of a U.S.-Israel-Palestinian agreement in January 1996. It was designed as a prototype for a series of industrial estates that would be investor-friendly and generally immune to the periodic "security closures" Israel implements following terrorist attacks. The idea was to attract capital and jobs to the Palestinian areas and encourage cooperation between Israelis and

Palestinians without the importation of Palestinian labor into Israel. Overall, the planners estimated that Qarni would provide up to 20,000 jobs directly and an additional 40,000 indirectly over the long term. On a symbolic level, they wanted to send the world a message that the West Bank and Gaza are "open for business." The two sides designated land for the Gaza estate and PADICO (the Palestine Development and Investment Corporation), which has leased the GIE land from the Palestinian Authority for fifty years, began raising the necessary \$65.5 million for its construction. The United States allocated \$6 million for infrastructure and technical assistance, and Israel pledged \$7.5 million toward construction.

> At a meeting of donor nations in June 1997, Israel and the PA committed themselves to expedite Qarni. International donors volunteered to develop off-site infrastructure that would enhance the appeal of the GIE to private investors. Additional draws were to include the relatively low cost of labor and operations and the favorable terms under which products exported from the site could be sold in the U.S. and European markets. Further, PADICO announced plans to attract investors by assisting with labor recruitment, training services, registration and licensing.

The current status of the industrial park at Qarni is, like the airport, that of a project ready to go on all practical matters, but being delayed by political stalling. Most of the substantive disagreements over security issues (including the question of whether Qarni would be subject to "closures") have been resolved. Delays are particularly damaging since so many enterprises have already reserved space in the GIE. As of February 1998, half of the space available for 22 factories in the first phase of Qarni had already been contracted by Palestinians and by joint Israeli-Palestinian ventures. There is a limit to how long investors can be held in limbo before they back out.

What Now? The Israeli government has stressed the benefits of moving ahead with agreements on the airport and on Qarni as ways to help the Palestinian economy and create momentum in the peace process. For its part, the PA has argued that the Israelis are eager to separate those interim issues from the more sensitive and high-profile issues of "further redeployments" (FRDs) so that they can ease the sense of urgency and crisis surrounding the current negotiations. In response, Israeli officials have charged the PA with deliberately delaying these agreements in order to present Israel as the obstacle to progress.

Viewed against the backdrop of recent events, the PA's fears seem misplaced. Even if Israel's eagerness to settle Qarni and the airport had some political motivations, the PA's concern about losing the sense of urgency in the peace process hardly seems warranted. Qarni is not Hebron; none of the regional or international sponsors of the peace process are likely to confuse resolution of these relatively minor issues with solutions to the larger political disputes over security cooperation and FRDs. Indeed, the political disagreement between Washington and Jerusalem in recent days is itself a sort of guarantee to Palestinians that these interim issues can be pursued on their own merit, without prejudicing larger issues.

>As a result, any reluctance Arafat may have to conclude agreements on these interim measures should not discourage U.S. officials from pushing for resolution of these matters, just as they should not suspend efforts to resolve disputes on more significant matters. Finalizing details and finally opening the Gaza airport and the Gaza Industrial Estate will serve the vital purpose of facilitating development of the Palestinian economy. For both Palestinians and Israelis, that remains a win-win proposition.

Policy #167

RECOMMENDED

BRIEF ANALYSIS

Libya's Renewed Legitimacy Crisis

Feb 14, 2022

◆
Ben Fishman

[\(/policy-analysis/libyas-renewed-legitimacy-crisis\)](/policy-analysis/libyas-renewed-legitimacy-crisis)



BRIEF ANALYSIS

The UAE Formally Ceases to be a Tax-Free Haven

Feb 14, 2022

◆
Sana Quadri,
Hamdullah Baycar

[\(/policy-analysis/uae-formally-ceases-be-tax-free-haven\)](/policy-analysis/uae-formally-ceases-be-tax-free-haven)



BRIEF ANALYSIS

Facing Syria's Food Crisis

Feb 14, 2022

◆
Ishtar Al Shami

[\(/policy-analysis/facing-syrias-food-crisis\)](/policy-analysis/facing-syrias-food-crisis)

TOPICS

[Energy & Economics \(/policy-analysis/energy-economics\)](/policy-analysis/energy-economics)

[Gulf & Energy Policy \(/policy-analysis/gulf-energy-policy\)](/policy-analysis/gulf-energy-policy)

[Peace Process \(/policy-analysis/peace-process\)](/policy-analysis/peace-process)

REGIONS & COUNTRIES

[Israel \(/policy-analysis/israel\)](/policy-analysis/israel)

[Palestinians \(/policy-analysis/palestinians\)](/policy-analysis/palestinians)