

# A Roadmap for Economic-Political Stability in Gaza, within A Wider Framework

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**November 2023**

As with many major crises, the catastrophic Oct. 7 Hamas onslaught on Israel and ensuing war in Gaza offer an opportunity for change. This policy paper proposes guidelines for a post-war roadmap to long-term economic, security, and political stability in Gaza.

The approach proposed in this paper combines an "economic leap" plan with a political arrangement within the framework of regional economic cooperation, according to the following principles: (1) ending the war in Gaza with **the collapse of the Hamas regime** and its replacement with a stable governmental system that combines the legitimacy of the Palestinian Authority and deep international and regional involvement, (2) **a comprehensive two-stage economic plan for Gaza**, consisting of an "immediate response and reconstruction plan" and concurrently, implementing an "economic leap" plan that will place the Gaza Strip on a path of rapid and stable long-term economic growth, (3) **the Gaza Strip's economic boost plan will form part of a broader blueprint for the Palestinian Authority's economic boost**. The economic plan will integrate and support the political arrangement and stabilization of the Israeli-Palestinian system.

***Jumpstarting Gaza's economy, and the Palestinian economy in general, will be achieved through a combination of several elements, chief among them: (1)*** a series of "game-changing" projects in the Gaza Strip and West Bank, (2) continue the deep ties of Gaza with the Israeli economy and West Bank, (3) develop economic ties with the Gulf bloc as another strong economic partner, along with Israel, (4) integrate Gaza and the West Bank into the economic cooperation processes taking place in the region and into major regional projects, (5) The elements mentioned above would be reflected in a quantum leap in the scope of investments in the Palestinian economy.

**An economic boost is vital to ensure the success of the the political goals, and vice versa. Ending the war without implementing the guidelines proposed here would abandon Gaza again to radical Palestinian forces and take Gaza and Israel back to where they were on the eve of Oct. 7. Namely, instability in Gaza and an Israeli policy of "managing" the conflict at varying levels of violence. The terrible cost of this policy is tragically clear.**

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‡ This document is part of a series of policy papers which is a product of a joint project by the Mitvim Institute and the Berl Katzenelson Foundation to reflect on the post-war era with the support of the new Israel Fund.

## **A. The concept**

As with many major disasters, the cataclysmic events of Oct. 7 and ensuing war in Gaza create an opportunity for change, stemming from: (1) recognition by all rational players of the unbearable toll taken by the Israeli policy of "conflict management", combined with acceptance and bolstering of the Hamas regime to serve a strategy of separation between Gaza and the West Bank, (2) attention among decision makers and the public to new and different paradigms, and (3) international and regional readiness for significant intervention and a large investment of resources to achieve stability in the Gaza Strip, in a context of progress toward resolving the Israeli-Palestinian conflict.

This policy paper proposes guidelines for an economic plan integrated with a political process, according to the following principles:

**The collapse of the Hamas regime and its replacement with a stable governmental system that combines the legitimacy of the Palestinian Authority (PA) and deep international and regional involvement.** In order to achieve this goal, Israel's military efforts in Gaza must be accompanied by two complementary measures: (1) launch of a vigorous political process, (2) blocking [Hamas's funding pipelines](#) (almost all of which are under Israeli control), and preventing Hamas from taking control (through UNRWA-Gaza) over the massive international humanitarian aid expected to flow into Gaza in the coming years. **Only these combined military, political, and economic efforts can generate a fundamental change making it possible to uproot the Hamas regime and replace it with a new system of government.** These measures must be undertaken in conjunction with strengthening and empowering moderate elements in the Palestinian arena.

**A comprehensive two-phase economic plan for Gaza: (1) an "immediate humanitarian response and rehabilitation plan", and (2) a concurrent "economic leap" plan** placing the Gaza Strip on a path of rapid and stable long-term economic growth.

**Integration of the Gaza Strip economic boost plan into a broader PA "economic leap" plan**, based on the strategy detailed below. **The economic plan will underpin the political process and stabilization of the Israeli-Palestinian system.**

An economic leap plan for the Gaza Strip (and the PA) must be based on the following central pillars: **(1) an economic connection between Gaza and the West Bank** (an end to the separation policy), **(2) continued and deepened economic ties between Gaza and Israel**, and **(3) the integration of Gaza and the West Bank into broader processes of regional cooperation.**

**At the same time, Israel would do well to examine options for leveraging international willingness to invest in stabilizing Gaza for the development of Israel's western Negev region, as.** This could be achieved by taking advantage of the economic opportunity created by the Saudi plan to develop the northern Red Sea region. This plan includes massive investments in the Saudi NEOM mega-project and other measures aimed at turning the northern Red Sea and its adjacent areas into a major international center of economic activity, tourism and habitation (see below).

### **B. The political envelope**

**The starting point of the reconstruction process and of the Gaza (and Palestinian) "economic leap" plan is replacement of the Hamas regime with an interim system of government that enjoys the legitimacy of the Palestinian Authority. This will also require significant upgrading of PA capabilities and the help of a strong international-regional framework.** The interim government system will administer the Gaza Strip for a limited period. It will be tasked with stabilizing the governmental system, achieving security vis-à-vis Israel, establishing law and order in Gaza and ensuring the security of its inhabitants, implementing the immediate rehabilitation program and starting up the economic leap plan. The interim governmental system will gradually transfer the Gaza Strip to full rule by recognized Palestinian institutions in accordance with defined and agreed milestones.

### **C. The rehabilitation and economic leap strategy**

A series of in-depth economic studies and analyses conducted over the past two decades have predicted rapid growth of the Palestinian economy, particularly Gaza's economy, once political stability achieved, and an ecosystem conducive to economic development put in place. According to these studies, Gaza would show double-digit GDP growth rates over an extended period, which would boost Gazan GDP per capita fourfold over a ten-year period (compared to 2022), compared to a twofold growth of the West Bank's GDP per capita under that scenario. This fast growth would bring the standard of living in Gaza close to that of the West Bank (as it was on the eve of the 2006 Hamas takeover of the Gaza Strip), and provide the PA as a whole (Gaza + West Bank) with one of the highest living standards in the Arab world, after the Gulf states.

***The strengthening of the Gaza and Palestinian economy in general will be achieved by a combination of growth engines, described below. Each of these components will create tens of thousands of jobs within Gaza and the West Bank (some even more):***

An immediate response and rapid reconstruction plan for Gaza, estimated at \$15 billion, will serve as a powerful and fast-moving growth engine.

A series of game-changing projects in the Gaza Strip and West Bank will significantly reduce the Palestinian economy's dependence on Israel, and provide a solid base for long-term, sustainable development of the Gazan and West Bank's economies.

Economic integration between Gaza and the West Bank will offer significant advantages, given the strong synergies between the economies of the two regions.

Continuation of economic relations with the relatively huge, dynamic and advanced Israeli economy is a most important pillar of the Palestinian economy. The "economic leap" plan envisages deepening of these relations, while gradually shifting from the present pattern of Palestinian "export" of labor, to developing production capabilities inside the Gazan and the West Bank's economies – mainly for export to third markets, based on cooperation in advanced industries, benefiting from the highly-educated Palestinian labor force. Such a deep connection would have great advantages for the Palestinian economy compared to other economies in the region.

Development of new economic ties with the Gulf countries as a second strong economic partner alongside Israel. The Gulf countries boast significant capabilities in areas where Israel is weaker. These include proven capabilities in executing and managing very large projects (sea and land transportation infrastructure, renewable energy and other large "green" projects, large industrial zones, etc.). The combination of these strengths of the Gulf countries with the economic strengths of Israel will make a major contribution to the economic leap plan of Gaza and the West Bank.

Integration of Gaza and the West Bank into the economic cooperation taking place in the region, including large regional projects (in cooperation with Israel and Jordan), would make the PA one of the main beneficiaries of these processes.

The above developments will also be reflected in a quantum leap in investments – in Palestinian infrastructures (mainly by international aid bodies), and in the various branches of the economy (industry, tourism, agriculture, etc. – by the Palestinian private sector, large Gulf companies, as well as other Arab and international investors).

## ***1. Immediate Response and rapid Rehabilitation Plan***

The war in Gaza is expected to displace as many as 1.5 million people, most of them concentrated in the southern part of the Gaza Strip. It will also require the reconstruction of more than 250,000 destroyed or heavily damaged housing units, infrastructure, public buildings, industrial agricultural and other business assets. The scale of destruction is unprecedented, more than five times higher than in the 2014 Israel-Gaza war.

Based on damage and rehabilitation assessments from 2014, the budget required for the immediate response and rehabilitation plan (food support, health needs, etc., as well as reconstruction and rehabilitation of destroyed residential buildings, infrastructure, etc.) is expected to reach \$15 billion.

The immediate response and reconstruction plan should not be designed to just rebuild what was destroyed. Instead, it will constitute the first stage of Gaza's "economic leap" plan. In other words, it will serve the construction of residential areas and infrastructure within the framework of new physical and economic planning for the Gaza Strip, while addressing aspects of sustainability, resilience, as well as economic and social stability.

## ***2. Game-Changing Projects in Gaza and the West Bank***

A series of game-changing projects that will transform Gaza's economy (and the Palestinian economy as a whole) will serve as the cornerstone of the "economic leap" plan and enable strong long-term economic growth. These projects will create a strong economic infrastructure for Gaza and the West Bank that (1) will greatly reduce the Palestinian economy's dependence on Israel, and (2) will be structured in such a way as to create economic integration of the Gaza Strip (and the West Bank) into the regional economic system.

The projects listed below have been examined in several in-depth studies, and found to be technically and economically feasible. They are presented here for illustrative purposes but will obviously require comprehensive examination once work begins on formulating the detailed "economic leap" plan, including possible alternatives.

Implementation of these projects could begin soon after security and stability are established under the interim governing body, and the Gaza Strip returns to a measure of normalcy. Initial implementation of the projects could be carried out concurrently with implementation of the immediate response and rehabilitation plan. The planning and construction of these projects will have an immediate effect, as it will directly create tens of thousands of jobs. Most projects will be implemented in stages. Their contribution to economic growth, employment and household income will be tangible as soon as their first phase is completed – within 2-3 years in some cases.

### **Transportation**

**A Palestinian seaport on an "infrastructure island"** on the northern border of the Gaza Strip with Israel (see below)

**Rail connections:**

- ❖ A rail line connecting Gaza to the West Bank, from Tarqumiya (west of Hebron) to the northern main transportation junction of the Gaza Strip at the Erez Crossing.
- ❖ A main north-south railway line along the eastern border of the Gaza Strip with Israel.
- ❖ An extension connecting the Erez transportation junction to the Israeli rail system (similar connections will be constructed from the West Bank). This will allow the connection of the Palestinian railway system, via Israel and Jordan to the regional railway system and the regional land corridor, which will connect – the Israeli ports on the Mediterranean (Haifa and Ashdod), as well as the planned Gaza port, to the Gulf and Iraq.

The Gaza and West Bank rail transportation network, and its connection to the regional railway system, will dramatically reduce transportation costs for Palestinian exporters and importers, lifting one of the most severe barriers to Palestinian trade and a major obstacle to the development of the Palestinian economy in general.

**Development of the Erez Crossing into a cargo terminal and major transportation hub.**

The Erez Terminal will serve both train and car passenger traffic between Israel and Gaza and between the West Bank and Gaza, as well as large freight traffic (by truck and train). The significant goods' traffic to and from the West Bank and through it to Jordan and the Gulf, along with an expected increase in the movement of goods and passengers to Israel, **will require the development of the Erez Crossing into a large overland port.**

As the "economic leap" plan progresses, the fast increase of the volume of goods passing to and from Gaza will also require significant scale-up of the **Kerem Shalom and Rafah crossings** as additional large passenger and goods terminals.

**Infrastructure island on the northern border of the Gaza Strip with Israel**

Given the small land area and population density of the Gaza Strip, an artificial island would offer the best solution for facilities and activities that require large land areas or distance from population centres. Such facilities include a large seaport, large-scale seawater desalination plants and gas power plant, waste treatment facilities, as well as polluting industries such as a refinery, a cement plant, chemical industries, etc.). The location of these facilities on an island offers advantages in terms of security, monitoring of entry and exit, etc.

A preliminary feasibility study found high technical and economic feasibility for this solution (based on successful precedents in other places around the world, including the Middle East). According to that study, the first stage would consist of 2,000-3,000 dunams built in relatively shallow waters off the coast of Gaza's northern border with Israel. The island would be expanded in several stages, using construction and other solid waste from Gaza, to eventually cover 10,000 dunams.

### **Energy: Gas and Renewable Energy**

Development of the Gaza Marine Palestinian gas field, and its linkage to the Israeli or Egyptian gas transmission infrastructure. This field will be integrated into the regional natural gas distribution and marketing system, which is already operating under Israeli-Egyptian-Jordanian cooperation.

A large gas-powered power plant on the infrastructure island.

Solar fields generating large amounts of electricity to be built on the buffer zone that Israel is expected to demand along its border with the Gaza Strip.

Extensive utilization of the rooftops of new homes and infrastructure built in Gaza for the production of solar-powered electricity.

This combination of power sources is expected to enable full energy self-sufficiency in the Gaza Strip and even the supply of all or most of the West Bank electricity needs.

### **Water**

A cluster of large desalination plants on the infrastructure island will meet the drinking water and other household and urban needs of Gaza and the West Bank.

A network of sewage treatment plants, based on Israeli advanced know-how and successful experience, will treat the wastewater of all urban and rural communities in Gaza (and the West Bank). The high-quality treated product-water of these facilities will provide a large part of irrigation-water requirements of the Palestinian agriculture (as it is the case in Israel). That will enable the revival of agriculture as an important economic sector and a key generator of employment and exports, especially in Gaza.

### **Industrial parks**

A number of large industrial zones will be developed in Gaza based on the successful model of large industrial parks in the UAE and elsewhere in the Middle East. These parks will serve as focal points of economic development and employment for their surrounding areas. These parks will be endowed with special economic status enabling them to attract large international and Gulf companies.

The most important special economic status area is proposed to be established in the northern border area of the Gaza Strip. It will include Gaza's infrastructure island and seaport, the Erez transportation center, and a large industrial zone to be built between them, along the border with Israel. All these areas will be defined as a special economic zone and serve as a center of development and employment for the northern and central Gaza Strip. According to a preliminary feasibility study, it could create over 150,000 jobs (in and around the region).

### **3. Integration of the Gazan and Palestinian economy into regional projects**

The projects detailed above will be planned in a way that will facilitate their integration into the broader framework of regional cooperation initiatives already developing in the region. These initiatives are led by Saudi Arabia and the UAE (with international involvement). Following are key projects relevant to the Palestinian context.

**India-Middle East-Europe Economic Corridor (IMEC).** The backbone of this ambitious undertaking is a rail connection running from the Mediterranean Sea, through Jordan to the major ports of Saudi Arabia and the United Arab Emirates along the Arabian Gulf. Nearly 90% of this railway line is already built and in operation (the Saudi and the UAE parts, as well as the Israeli line). Completion of the Jordanian part, and its connections to the Israeli and Palestinian railway networks, will create fast and economically competitive connectivity between Gaza and the West Bank (and Israel) and the large economies of the Gulf and eastern Asia, as a part of fundamental change of the regional transportation and trade system at large.

**A network of large solar power plants to be built in desert areas of Jordan and Egypt.** These plants will produce substantial amounts of electricity at low cost, for export to neighbouring countries. It will be an extension of the successful model of the UAE and Saudi Arabia in this area. Palestinian integration into this system (including the above-mentioned project on the Gaza Strip's border with Israel) will generate a stable long-term power supply, while dramatically reducing electricity tariffs. That, in turn, will remove another major barrier to Palestinian economic growth.



**Large clusters of seawater desalination plants and sewage treatment plants.** The above-mentioned desalination plants on the proposed Gaza infrastructure island are based on Saudi and Emirati models, and on the execution capabilities of Saudi and Emirati companies. Gaza can be part of this regional network, as a supplier of desalinated water for the West Bank (and maybe Jordan as well).

**Natural gas:** Palestinian integration into the Israeli-Egyptian-Jordanian cooperation already developing in this field.

**Development of the northern Red Sea region,** around the Saudi flagship project of NEOM. This project, with a total investment of a half a trillion dollars, creates unprecedented opportunities for development in the surrounding regions: Sinai in Egypt and southern Jordan, and the Negev and Arava regions of Israel. Gaza's "economic leap" plan will also connect to this powerful engine of regional development. We also suggest considering linking the rehabilitation and development plan of Israel's Western Negev area (the area engulfing Gaza) to this strong regional development engine.

#### **D. Concluding Remarks**

Many plans and proposals have been drawn up over the years to rehabilitate the Gaza Strip, whether in the aftermath of previous wars and/or attempts to achieve cross-border stability. They all ultimately failed because they did not deal simultaneously and jointly with the economic aspects and political roots of the problem. A sustainable economy cannot be built and maintained in Gaza in the absence of an effective governing and management body to replace the Hamas regime.

Therefore, **to ensure long-term economic, security, and political stability after the war, the required approach is one that combines a plan for sustainable economic boost in Gaza and the West Bank with a political arrangement for the post-Hamas government of Gaza, within a framework of regional economic cooperation.** Such a stable governmental system for Gaza would combine the legitimacy of the Palestinian Authority and deep international and regional involvement. **The economic component is essential for the success of the political one, and vice versa. An effective economic plan is not feasible without a supportive political framework.**

**Ending the war in Gaza without implementing these guidelines will yield Gaza, again, to the hands of radical Palestinian forces, and back to the vicious cycle of instability and violent conflict. The horrible implications of such a scenario have been demonstrated on Oct. 7, and the following months. A repetition of that scenario must be avoided.**