

## THE DEMAND FOR MACRO PROJECTS AND THE ISRAELI-PALESTINIAN CONFLICT

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“If you talk to Palestinians and Israelis – and I talk to them all the time – government officials, private citizens – there is a vast consensus among both sides about how it’s going to end.”

Former US Senator George Mitchell, Chairman,  
Sharm El-Sheikh Fact-Finding Committee<sup>1</sup>

Once again, the Israeli-Palestinian conflict is at a turning point. Prime Minister Ariel Sharon’s plan unilaterally to withdraw from the Gaza Strip and part of the West Bank, while on the surface an act of frustration born of the perceived absence of a genuine negotiating partner, is effectively breaking the stalemate that has existed between the parties since January 2001. At that time, Israeli and Palestinian negotiators, meeting at Taba, Egypt, came closer than ever before to a settlement. Yes, there were still some substantial disagreements, including legitimate reasons for the Palestinians to turn down the proposed “deal.”<sup>2</sup> However, the main lines of an agreement were plain to see. They are:

- Security for Israel;
- Complete Israeli withdrawal from the Gaza Strip;
- Israeli withdrawal from most of the West Bank, probably with some pre-war 1967 Israeli land given to the Palestinians;
- Making Palestine a contiguous state: Connecting the West Bank and Gaza;
- Economic development for Israel and Palestine;
- Some acknowledgement of a “right of return” for Palestinians, perhaps in the form of compensation;
- Sharing Jerusalem.

Of course, the Sharon government is *not* advocating new negotiations. It is publicly set on a unilateral course to put in place a weak Palestinian homeland, walled-off from and dominated by Israel. Sharon, himself, in a recent interview with *Haaretz*, described his policy as “a blow to the Palestinians, in that it will force them to give up on their aspirations for many years to come, until a new leadership emerges on their side that is ready to fight terror.”<sup>3</sup> However, in going forward with it, Sharon, *intentionally or not*, once again puts the Taba negotiations front and center. The main problem since 2001, from the perspective of those in favor of a settlement, has been getting the negotiations restarted – and, in effect, Sharon’s new policy does exactly that. (See the end of this paper for more on this point.)

This conference, therefore, comes at a timely moment. The demand for outside help—for “macro projects” in particular—is great. Both sides acknowledge this. Palestinian Authority (PA) Foreign Minister Sha'ath, who is due in Washington on April 21st, a week after Sharon's visit, will take the opportunity to request “massive economic support” through the World Bank and other donors.<sup>4</sup> Sharon, for his part, had Simon Peres “promote the idea of international aid for the rehabilitation of Gaza and the development of the Negev” at a meeting with World Bank President James Wolfensohn during a visit to the US the week of March 28<sup>th</sup>.<sup>5</sup> The question is how might macro projects help facilitate movement toward a settlement? Or, given that we generally know how it will end, what is the demand for *specific* projects?

We see the demand as follows:

- Projects facilitating the relocation of Israeli settlers from Gaza and the West Bank, including economic development;
- A project connecting the West Bank and Gaza;
- Projects promoting economic development of Palestinian areas;
- Projects providing new housing for Palestinians, potentially including Palestinian returnees;
- Projects facilitating the shared use of Jerusalem.

### **Relocation of Israeli Settlers**

Israel is poised to withdraw from all of Gaza and a large part of the West Bank. Some 7,500 Israeli settlers live in Gaza and some 187,000 live in the West Bank. (*See: Study group paper #3: “Who are the Settlers?”*) This means that housing—and incentives—need to be found to facilitate the relocation of all the settlers from the Gaza immediately and, potentially, a large number from the West Bank as well. Under the Clinton plan, which was “accepted” by both parties *with major reservations* at Taba, some 59,089 Israeli settlers in the West Bank would need to be relocated. In contrast, the controversial security “fence” currently being built by the Israeli Ministry of Defense, if continued as recently modified<sup>6</sup>--and transformed into an actual border--would leave some 53,724 Israelis otherwise situated on the Palestinian side.<sup>7</sup>

Clearly, providing Israeli settlers with attractive alternatives to their current living conditions in Gaza and the West Bank would go a long way toward facilitating a positive end to the conflict.

Suitable housing in Israel proper is problematic, particularly given its scarcity and because most settlers are accustomed to owning their own homes – as well as receiving special government benefits reserved for settlers. A better option is to create new housing (and employment) opportunities either by further development of the Negev desert or by one or more of several schemes for creating new land from the sea. For more on the Negev idea, and a possible marriage between new settlements in the Negev and the sea-based schemes, see: *Study group paper #2: “The Negev Desert: A Viable Israeli Resettlement Option?”*<sup>8</sup>

As noted, foreign support for new development projects in the Negev is currently being sought by the Sharon Government as a high priority, with Simon Peres making just this case recently to the president of the World Bank at Sharon’s request.

### **Making Palestine a Contiguous State: Connecting the West Bank and Gaza**

Safe passage between Gaza and the West Bank was accepted by both sides in the Oslo Accords – and again at Taba. The issue is extremely important to the Palestinians, who seek a united state. When safe passage was made available in 1999 via a land corridor, it was reportedly greeted with genuine enthusiasm by many Palestinians.<sup>9</sup> Most importantly, a macro project connecting Gaza and the West Bank would facilitate much needed economic development in the territories (*See: Study group paper #5 “Economic Transformation and Development in Palestine”*) – in particular, it would directly contribute to the economic success of a seaport macro project in Gaza.

From Israel’s perspective, the key question is one of security. Under current proposals, including under Taba, Israel would provide security. Moreover, Israel has been steadfast about refusing to yield sovereignty, although Israeli negotiators did propose that Palestinian use of the safe passage route count as one of the territorial swaps for Israeli annexation of West Bank land.<sup>10</sup>

These concerns suggest that a bridge or a tunnel would be preferable to surface schemes. A bridge plan was proposed in 1999 by then Israeli Prime Minister-elect Ehud Barak, but it fell through for lack of financing. Given heightened security concerns today, a rapid rail link (via bridge or tunnel) would perhaps make the most sense. It would need to have the capability, however, to move real freight; specifically, to move secure shipping containers.

The distance involved, if based on the lower route accepted at Taba, is not prohibitive: Roughly 25 miles, or 47 kilometers.<sup>11</sup> For more information, see: *Study group paper # 4: "Connecting the West Bank and Gaza Strip: Questions of 'Safe Passage.'*"

### **Economic Development in Palestine**

The importance of projects in this category is indicated by the emphasis which Sharon places on economic development in the Gaza specifically, as being necessary to the success of the planned withdrawal. As noted, "rehabilitation of Gaza," together with economic development of the Negev, were the two major investment areas which Sharon asked Simon Peres specifically to promote with the president of the World Bank two weeks ago. It therefore deserves treatment by itself.

The prospect of a major international commitment to economic development in the territories has been on the table since at least the Clinton Administration when Secretary of Commerce Ron Brown led a major investment mission there. It is a key incentive for Palestinians to make peace with Israel. To the extent that such efforts promote Palestinian moderation, it is also very much in Israel's interest to have them.

The demand is made greater by the steady deterioration of Palestinian economic conditions since the onset of the al-Aqsa intifada in September 2000—and Israel's severing of work permits since then *by some seventy-five percent*. (See: **Study group paper #5: "Economic Transformation and Development in Palestine."**) The effect has been a collapse of the Palestinian economy, increased unemployment and a generally deteriorating quality-of-life for most Palestinians. Among other things, this has had the especially negative effect of retargeting foreign assistance away from infrastructure projects and toward humanitarian aid. In part because of the restrictive Israeli closure policies brought on by the intifada, "between October 2000 and July 2001, only 8 percent of international donor aid was spent on projects to build medium-term capacity or infrastructure. By year-end 2001, 70 percent of foreign aid disbursements went toward PA budgetary support and emergency funding for humanitarian aid."<sup>12</sup> The situation has only worsened since then.

Obviously, the need for economic development becomes even greater the longer Israel cuts itself off economically from Gaza and the West Bank. Ironically, such economic development becomes

more and more in Israel's interest too, the more its policies lead to a formally separated divorce, rather than a settlement.

Hence, the demand for such macro projects as being proposed at this conference for the development of an industrial park in Egypt near its border with Gaza and for the longer-term development of a port facility for Gaza is clearly great – from the perspective of *both* Palestinian and Israeli interests. So too is the related demand – in economic terms – for a project connecting Gaza with the West Bank.

### **Providing New Housing for Palestinians, Potentially Including:**

Palestinian Returnees: There is great need for housing in Gaza in particular. Some 450,000 Palestinians, out of a total of 1.1 million in Gaza, currently live in camps; this, within a relatively small area.<sup>13</sup> Suitable macro projects would be likely, therefore, to promote Palestinian positive feelings toward a long-term solution with Israel – as well as, significantly, the political establishment of a younger, pragmatic, still secular, although unacceptably violence-prone, generation of Palestinian leaders. (See: **Study group paper #8: “Who Speaks for Palestine? The Political Struggle for Gaza”**)

One way such housing could be provided would be through a macro-project which develops portions of the desert lying along the Gaza Strip for Palestinian use as part of one or more land swaps for territory in the West Bank. Indeed, the Barak government specifically offered the Halutza sand region along the southern border of Gaza to the Palestinians in 2000. The Halutza is a part of the Negev desert, some 78 square miles in size. It is about half the size of the Gaza Strip. The Palestinians turned down the Halutza in 2000 as being not as valuable as the land they were being asked to give up in the West Bank – and also because they were being asked to give up much more territory than Halutza contained. The Israelis reportedly broke ground for a settlement there in August, 2003. But this does not mean that some part of it – or other desert land contiguous to Gaza – could not still be developed for Palestinian use. (See: **Study paper # 6: “Home, Home Again: Palestinian Refugees and a Halutza-like Swap.”**)

The desert communities being proposed at this conference would obviously be suitable either as part of a land swap or simply located within Palestinian territory. Providing such housing would

also help address the Palestinian insistence on the right of return for the roughly 3.8 million Palestinian refugees in the region. This is a central issue for the Palestinians – and one on which the Israelis can not fully yield. However, both sides agreed at Taba “that a comprehensive and just solution is essential to creating a lasting and morally scrupulous peace.”<sup>14</sup> For its part, Israel in 2000 stated it was prepared to accept at least some refugees as part of family reunification program. The Palestinians stated that the right of return “should be implemented in a manner that protected Israel’s demographic and security interests by limiting the number of returnees.”<sup>15</sup> The possibility of providing compensation was also a part of these negotiations. Both sides, in other words, have demonstrated some flexibility in addressing “right of return” in the past, although Sharon today is steadfast against it.<sup>16</sup> Clearly, suitable macro projects, perhaps providing housing in Halutza-like settings or otherwise creating economic activity which could be used for compensation (for example, offering shares in some new enterprise) could play a positive role. It is highly unlikely there will ever be a long-term settlement without this issue being addressed.

### **Sharing Jerusalem**

While the parties came closer to resolving Jerusalem in 2000, serious issues remained unsettled, including final disposition of the Haram al-Sharif/Temple Mount. We believe that creative macro projects could make a difference here as well, particularly with respect to sharing sites that are sacred to many. In this regard, both sides noted at Taba that progress was being made on “practical arrangements” relating to management of the Haram al-Sharif/Temple Mount, including “evacuations, building and public order in the area of the compound.”<sup>17</sup> This suggests that such macro projects would not be unrealistic.

### **A Propitious Moment for Macro Projects**

Sharon’s unilateral withdrawal plan restarts the negotiations because it breaks the stalemate created by the insistence on reciprocity made under the so-called “road map” peace plan backed by the US.<sup>18</sup> It does so, secondly, because core elements of the unfinished Taba “deal” are reflected in Sharon’s policy, especially as the security fence being built by Israel adheres more closely to the pre-war 1967 “Green Line” between Israel and the West Bank; this under recent US pressure;<sup>19</sup> and, thirdly, because, as Sharon, himself, publicly states, a final agreement with the Palestinians is preferable to unilateral actions alone,<sup>20</sup> suggesting that, Israel is ready for negotiations, if only a genuine negotiating partner can be found – *something that will also take a*

*new governing coalition in Israel.* (Not an unlikely prospect: **See: Study group paper #7 “Israeli Politics – What’s Ahead?”** and below.) In other words, Sharon’s new policy may be better conceived of as a new Israeli negotiating gambit – albeit one with real and immediate consequences-- rather than an abandonment of negotiations. Indeed, the PA appears to be treating it this way. The PA, and other important players, such as Mohammad Dahlan, the man most likely to be the key player in Gaza after Israel withdraws (*See: Study group paper #8 “Who Speaks for Palestine? The Political Struggle for Gaza”*), are welcoming the withdrawal provided that no concessions are made that would compromise their position at future talks.<sup>21</sup>

Then there is the United States: It is now using some of its considerable leverage on Israel to get expanded withdrawal from the West Bank, as well as Gaza and otherwise bring the parties closer to Taba. In return, Washington will reportedly accept a permanent Israeli presence in at least a part of the West Bank, a move that is consistent with previous negotiations. This month, Washington or, alternatively, the President’s ranch in Crawford, Texas, will be visited by: Sharon, PA Foreign Minister Nabil Sha’ath, Egyptian President Hosni Mubarak, Jordan’s King Abdullah, and British Prime Minister Tony Blair. This looks like a “negotiation,”<sup>22</sup> even if the PA wants it known that Sha’ath’s meetings with US government officials will be part of a “private visit.”<sup>23</sup>

Sharon’s new policy is also likely to shake up politics in the region in a way that could be favorable to a long-term settlement along the lines of Taba. In particular, the announced withdrawal from Gaza: (1) Has already accelerated a critical power struggle within the Palestinian leadership, especially in Gaza, which, while risky, seems likely to favor younger, more pragmatic and still mostly secular Palestinians, such as Mohammad Dahlan (*See: Study group paper #8 “Who Speaks for Palestine: The Political Struggle for Gaza”*) – the downside is that the younger generation itself is violence-prone and that it may also lead to some governing role for Hamas and other terrorists (*See: Study group paper #9: “Palestinian Terrorist Organizations”*); and (2) Is likely to lead to the withdrawal of hardliners from Sharon’s government, the collapse of the current coalition, and a return to a Likud-Labor coalition (*See: Study group paper #7 “Israeli Politics – What’s Ahead?”*) – indeed, there are already contacts on this between Sharon’s representatives and Labor<sup>24</sup> – and Sharon and Peres, in the past few weeks, keep telling people both publicly and privately that they have deep and abiding respect for one another. Note the following exchange:

Haaretz: Do you miss Peres in the government?

Prime Minister Sharon: Political life is not a matter of [personal] longings.

. . . if there are parties that want to leave the coalition, I will not leave the country without a government, and I will not take the people to elections. I will set up another government.<sup>25</sup>

For these reasons, we see the timing of this conference as propitious. We believe there is a specific demand, right now, for macro projects such as those identified in this paper. Please see the other study group papers for more information.

### Notes and References:

1. Senator Mitchell interviewed by Jamie Rubin, "Soul of India," Wide Angle documentary series (Thirteen/WNET: New York, 2003).
2. See: "Taba Negotiations: The Moratinos Non-Paper," (January 2001): [www.mideastweb.org](http://www.mideastweb.org), among other sources. Miguel Moratinos, the EU Special Representative to the Middle East Process, was present at the talks. His description is accepted by both sides as a reasonably fair description of what happened. See also: Jeremy Pressman, "Visions in Collision: What Happened at Camp David and Taba?" International Security (Fall 2003). Pressman argues that the "deal" offered to the Palestinians at Taba was not as generous as conventional wisdom would have it. See also: Robert Malley, "Fictions About the Failure At Camp David," New York Times (July 8, 2001).
3. "PM: My plan will force Palestinians to give up dreams for years," (April 5, 2004): [www.haaretzdaily.com](http://www.haaretzdaily.com).
4. Cited in: Aluf Benn, "Erekat: Sha'ath trip to US not at invitation of White House," Haaretz (April 10, 2004).
5. Commentary by Aluf Benn, "PM: My plan will force Palestinians to give up dreams for years," (April 5, 2004): [www.haaretzdaily.com](http://www.haaretzdaily.com).
6. Sharon has apparently given up on schemes that would cantonize many Palestinian villages, as well as on the idea of an "eastern fence" in the Jordan Valley. See: Steven R. Weisman, "U.S. Urges Israel to Work With Arabs in Any Pullout" (Washington Post, February 26, 2004) and "PM: My plan will force Palestinians to give up dreams for years."
7. The numbers are from David Makovsky, "How to Build a Fence" Foreign Affairs (March/April 2004). The Clinton Plan would have allowed Israel to annex 4-6% of the West Bank, with certain areas "swapped" or leased. The Palestinians tabled a proposal that would have effectively conceded 2% of the West Bank; this, based on the Israeli view as to how the West Bank should be defined territorially. See: Pressman, "Visions in Collision: What Happened at Camp David and Taba?" The IDF's "fence" would give Israel 15% of the West Bank. Makovsky, "How to Build a Fence." Note: Much of it is actually made of reinforced concrete.
8. Another option—publicly raised by Simon Peres among others—would be for at least some settlers in the West Bank to live under Palestinian rule.

9. See: Tracy Wilkinson, "Israel Opens Safe-Passageway Between Gaza and West Bank," Los Angeles Times (October 26, 1999).
10. See: "Taba Negotiations: The Moratinos Non-Paper."
11. This would have been the length of the bridge proposed by Barak. David Sharrock, "Barak floats Gaza-West Bank 'bridge' plan," The Guardian (June 19, 1999).
12. Judy Barsalou, "Missing the Mark: Foreign Aid to the Palestinians," Middle East Policy (Winter 2003), 50.
13. We are struck by comparisons which equate the Gaza territorially with Aquidneck Island, consisting of the towns of Newport, Middletown, and Portsmouth across the bridge from Roger Williams University in the State of Rhode Island. Indeed, Aquidneck Island is "Rhode Island" without the "Providence Plantations," i.e., there is not much to it territorially. (At the same time, Rhode Islanders are said to think of themselves proudly as the "biggest, littlest state in the Union" – which may be, somehow, instructive.)
14. "Taba Negotiations: The Moratinos Non-Paper."
15. Malley, "Fictions About the Failure At Camp David." Malley was a member of the US negotiating team at Camp David in July 2000.
16. Sharon has evidently given up hope of getting the US formally to negate the "right of return" at his meetings in Washington this week. See: "PM: My plan will force Palestinians to give up dreams for years."
17. "Taba Negotiations: The Moratinos Non-Paper."
18. The road map calls for a specific series of ordered actions.
19. Israel is reportedly meeting US demands to move the concrete barrier "closer to the Green Line" and to "make it straighter and to diminish the impact on Palestinians." Weisman, "U.S. Urges Israel to Work With Arabs in Any Pullout." Note: Sharon explicitly rejects certain central parts of Taba such as acknowledgement of a Palestinian "right of return."
20. "PM: My plan will force Palestinians to give up dreams for years."
21. Such as moving Israeli settler in Gaza to new settlements in the West Bank. The Palestinians, specifically, Mohammad Dahlan, are also worried about possible new US guarantees to Israel. Khaled Abu Toameh, "Palestinian national unity talks called off," Jersulalem Post (April 10, 2004).
22. It might be better described at this point as a "mediation."
23. Benn, "Erekat: Sha'ath trip to US not at invitation of White House."
24. See: "PM: My plan will force Palestinians to give up dreams for years."
25. Ibid.