

# COUNCIL *on* FOREIGN RELATIONS

## *POLICY INNOVATION MEMORANDUM NO. #35*

*Date:* July 16, 2013  
*From:* Robert M. Danin  
*Re:* Ending Gaza's Isolation

The United States treats Gaza as a pariah, supporting its isolation in an effort to undermine Hamas. This approach is counterproductive. Isolating Gaza only strengthens Hamas' grip, perpetuates Palestinian political stagnation, and helps preclude the creation of a Palestinian state and peace with Israel. Reconnecting Gaza with the West Bank politically and economically, and reestablishing legitimate nationwide institutions, is necessary for an enduring Israeli-Palestinian diplomatic agreement. The Obama administration should encourage an end to Gaza's economic isolation, national elections, and the formation of a regional contact group to promote Palestinian reconciliation. This does not mean ending Hamas' diplomatic isolation, but instead creating conditions to empower Palestinian leaders looking to make peace.

### *THE PROBLEM*

Current U.S. policy supports Gaza's de facto economic and political isolation, which was imposed originally to delegitimize and undermine Hamas' leadership. It was believed that cutting Gaza off while producing positive economic and political change in the West Bank would lead Gazans to overturn Hamas rule. Instead, Hamas' control grew tighter and Israel effectively abandoned the objective of regime change after it invaded Gaza in 2009, fearing ensuing chaos if Hamas was ousted. However, the United States endeavors to broker peace between Israel and the Palestine Liberation Organization (PLO) as if Gaza and Hamas do not exist.

Ignoring Gaza while pursuing peace with Palestinian president Mahmoud Abbas further incentivizes Hamas to oppose peace with Israel and any deal its Palestinian adversaries conclude. Hamas will likely increase violence the closer Israel and the PLO get to any agreement, making the U.S. goal of comprehensive Israeli-Palestinian peace more difficult.

Meanwhile, the absence of links between Gaza and the West Bank pushes them economically and socially apart, further challenging the viability of a unitary Palestinian state. Both Israel and Egypt, even under the former Morsi government, have kept their borders largely closed to trade with Gaza because each would like the other party to assume

responsibility. Though Israel allows limited imports into Gaza, the economy of Gaza largely relies on illicit trade that flourishes via an alternative “tunnel economy.” Hamas enriches itself at the expense of the Palestinian Authority (PA) by collecting tolls from tunnel operators and import taxes on goods brought into Gaza. This second economy increases ordinary Gazans’ reliance on Hamas rule, which most would prefer to see end. Gaza’s isolation from the West Bank has also undermined the PA by rendering impossible the agreements on long-overdue presidential and parliamentary elections or convocation of the Palestinian parliament. This weakens the PA’s popular mandate and ability to make concessions in negotiations with Israel.

The U.S. approach to Gaza’s rulers has further unintended consequences. Washington, along with the other members of the Quartet (the United Nations, European Union, and Russia), rightly calls on Hamas to recognize Israel, renounce violence, and adopt the PLO’s previous agreements as conditions to be met before there can be diplomatic contact. Yet this effectively subcontracts Washington’s Hamas diplomacy to countries that support Hamas’ Islamist agenda, such as Turkey and Qatar. These parties impede the U.S. goals of Palestinian state-building and peacemaking, not to mention combating Islamist extremism.

#### A GAZA REINTEGRATION STRATEGY

The United States should recognize the self-defeating nature of isolating Gaza and shift to a strategy that reconnects Gaza with the West Bank socially, economically, and politically to lessen Hamas’ grip on Gaza and thereby prepare Palestinian institutions for elections. Such a reintegration strategy would require taking the following four steps:

*Together with Israel and other regional partners, U.S. secretary of state John Kerry should encourage Israel and the PA to reestablish trade links with Gaza.* Israel should expand the amount of trade allowed from its territory, and also reopen trade from the West Bank. Moreover, Gazans should be allowed to open an export corridor through Israel, subject to the same security measures already in place for imports. Allowing goods to flow between Gaza and the West Bank will reorient Gaza’s economy away from illicit trade with Egypt and strengthen the moderate middle class. It would also help most Palestinian economic sectors, thereby reducing the PA’s need for U.S. economic aid.

*Secretary Kerry should encourage Israel to work with the PA to reestablish the suspended transit corridor for Palestinians to travel between the West Bank and Gaza.* Allowing Gazans to visit the West Bank and vice versa will allow for the exchange of ideas and help restore the social bonds of a single national consciousness required for statehood.

*Secretary Kerry should quietly promote an exclusively regional contact group to help steer a Palestinian election process. This would require some political reconciliation and strengthen the Palestinians for negotiations.* An ad hoc group would be composed of those countries already friendly with Hamas (Turkey, Qatar, and Egypt), plus countries (Jordan, the United Arab Emirates, and Saudi Arabia) more likely to take into account the Fatah-dominated PA’s views and help advance reconciliation on more moderate terms. This approach would offer Hamas future participation in Palestinian politics and regional diplomacy as a result of moderation and reconciliation without providing greater political stature or violating the Quartet’s conditions for negotiation. It would allow Palestinian leaders to negotiate peace with Israel while maintaining a dialogue that could temper Hamas’ active opposition.

*The State Department should lead a concerted effort with European diplomatic partners and appropriate nongovernmental organizations to help the PA prepare for Palestinian national elections.* The Palestinians have not held national elections since 2006, and governing institutions required for statehood are losing legitimacy as a result. Both Fatah and Hamas claim to want elections, though neither is acting to promote them. The contact group would help generate momentum and help prepare for an active election campaign. The first step would be to encourage both sides to make their

existing agreement on elections more precise and establish a period for a campaign cycle and a specific date for a vote. Any new PA elections would need to be rooted in firm understandings that the participants subscribe to the principles that established those institutions, namely, those of the 1993 Israeli-Palestinian joint recognition agreements.

### *POTENTIAL OBJECTIONS*

The Israeli government and some in the United States will object that these proposals unjustifiably reward or open the door to even greater interaction with Hamas. Yet these measures provide a way to break a Gaza stalemate that benefits Hamas, not a means to legitimize the terrorist group. While changing current policies poses risk, the greater and more certain danger is in perpetuating a status quo that benefits Hamas. The new approach will weaken Hamas by reducing its control over Gaza's economic life. While Hamas could try to exploit these policy changes to take over the West Bank, the opposite is much more likely: exposure to Hamas has proven the best antidote to its popularity. Hamas has also demonstrated limited capacity to govern, and dissatisfaction with the group in Gaza only grows. It is unlikely to be effective or popular in the West Bank. The Obama administration would need to come to an understanding with Israel and with Congress, but the fact that these proposals reflect policies already adopted de facto by Israel should make this effort easier. Israel quietly acknowledges that blocking imports to Gaza is counterproductive. As part of an agreement reached with Hamas that was negotiated by Egypt, Israel has loosened some import restrictions on Gaza, further legitimizing the practice of dealing with Hamas via third parties, as proposed with the contact group.

The Obama administration will need to root these policy changes in a larger private understanding with Israel that the goal is to strengthen moderate Palestinians, who would then be better positioned to make peace. It will be critical to stress that there would be no dilution of the conditions blocking direct contact between the United States and Hamas. Hamas will not like any effort that undermines its control of Gaza, but it cannot openly object to renewed economic ties. The contact group may be able to convince Hamas otherwise, as Hamas' continued refusal to participate would likely result in further loss of domestic support and increased isolation from the organization's few regional allies.

### *CONCLUSIONS*

If the status quo endures, Gaza and the West Bank will continue to drift apart, making it harder to realize the U.S. goal of peace between Israel and a unified Palestinian state in the territories occupied in 1967. The proposed measures alone will not produce an Israeli-Palestinian peace agreement or a democratic Palestinian state, nor will they end internal Palestinian divisions. But without these steps, realization of U.S. objectives is impossible. Implementing these new policy steps would infuse a sense of dynamism into Palestinian national life, renew moribund national institutions, and produce demonstrable movement toward Palestinian national goals. This would in turn lay the groundwork for the Palestinians to negotiate a durable peace with Israel. A resolution of the Gaza issue would also remove one flashpoint in a region that is already boiling as a result of the Arab uprisings.

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