

Analysis: A tunnel-free future for Gaza?

GAZA CITY, 23 August 2012 (IRIN) - This month's border attack in the Sinai Peninsula, which killed 16 Egyptian soldiers, has bolstered calls to shut down a network of underground tunnels between Egypt and the isolated Gaza Strip. The tunnels have been used for years to smuggle goods into Gaza and, Egypt alleges, fighters into the Sinai. But Hamas, which rules the Gaza Strip, sees this as an opportunity.

Publicly and in discussions with Egyptian officials, Hamas has been pushing to use the Rafah border crossing between Egypt and Gaza for commercial trade. Ghazi Hamad, deputy minister of foreign affairs, has said a free trade zone might soon "[liberate Gaza](#)". "Once the Rafah crossing operates as a hub for goods, the tunnels will become history," Azzam Shawwa, a former Minister of Energy in the Palestinian Authority (PA), told IRIN.

The tunnels are the main commercial trade routes in and out of the Gaza Strip, part of the occupied Palestinian territories.

Israel has kept its borders with Gaza closed except for the Kerem Shalom crossing, where the passage of goods is heavily restricted. The Agreed Principles for Rafah Crossing, signed by the Palestinian Authority and Israel in 2005, included plans for formal trade, but the deal was frozen when Hamas came to power in the Gaza Strip in 2006.

Gaza-Egypt relations have also been strained over the blockade of Gaza, though they have improved since former Egyptian President Hosni Mubarak was ousted from power last year. The recent attacks - and their humanitarian impact - have made the calls for change all the more urgent.

"In the end, what happened in Sinai might turn out to have a positive impact on the future relations between Egypt and Gaza," Mustafa Sawaf, former chief editor of the Hamas-affiliated Filistin newspaper, told IRIN.

Since 5 August, when Egypt closed the crossing and started shutting down some of the tunnels, the import of fuel and construction material has reportedly declined by 30 and 70 percent, respectively, and power cuts have reached up to 16 hours a day, according to the UN Office for Coordination of Humanitarian Affairs ([OCHA](#)).

A free trade zone would provide Gaza with more facilities, energy and access to goods, Hamad, who is also the chairman of the border crossings authority in the Gaza Strip, told IRIN, "but it wouldn't turn Gaza into some kind of Taiwan. We have to remain realistic. It should bring people back to a normal life".

Prospects for free-trade zone

With a free-trade zone, Gaza could potentially import and export goods and raw materials through the Egyptian seaport of Al-Arish without paying custom duties to Egyptian authorities.

Another option would be an industrial free zone allowing Palestinians from Gaza to pass freely into industrial areas in Egypt for work, said Shawwa.

Asked whether a free-trade zone would be in Israel's interest, Ilana Stein, deputy spokesperson of the Israeli Ministry of Foreign Affairs, told IRIN, "We have to wait until there are serious suggestions by the parties, Palestinians and Egyptians. Once something clear is there, we are ready to discuss it."

But analysts said that the Rafah crossing is not designed for any of these possibilities and would have to be upgraded. In addition, Egypt, struggling to provide its 90 million people with the fruits of its recent revolution, is unlikely to want Palestinian workers vying for scarce jobs amid rising poverty.

Tunnel profiteers

There is likely to be internal opposition too. While Fatah, the political party ruling the West Bank, has supported Egypt's move to shut down the tunnels, saying they "serve a small category of stakeholder and private interests", analysts say there could be significant resistance to attempts to permanently shut them down.

Some US\$500-700 million in goods are estimated to pass through the tunnels every year, charged by the Hamas government with duties of at least 14.5 percent since early 2012, according to a new [report](#) by the International Crisis Group (ICG).

Several influential families in control of the tunnels profit from every item that passes through them. It costs \$25 to smuggle a person through and around \$500 for a car; in 2011, 13,000 cars are believed to have come into Gaza through the tunnels.

"Eight hundred millionaires and 1,600 near-millionaires control the tunnels at the expense of both Egyptian and Palestinian national interests," Palestinian President Mahmoud Abbas was [quoted as saying](#) in The Economist.

The tunnels have recently contributed to a construction boom, with apartments, parks and mosques being built with help from investors like the Saudi-led Islamic Development Bank. The transition to a tunnel-free future will have to address these interests.

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But Hamas can solve that by involving them in legitimate trade."

"It is true that there is a class of people benefitting from the tunnels," Nathan Thrall, senior analyst at ICG, told IRIN. "But Hamas can solve that by involving them in legitimate trade."

Hamas would also earn more money in customs than it does in the current situation, where middlemen profit too. "I don't think that this is as large an obstacle as others," Thrall said.

Complex politics

One of the other main obstacles is how Israel will react.

Calls for improved trade relations with Egypt have sparked fears that Israel would use the opportunity to rid itself of all responsibility for Gaza: Once Rafah is opened to commercial goods, Israel could argue it no longer has to keep open the Kerem Shalom crossing - the only official entry point for imported goods.

"That would be the end of Israeli responsibility for Gaza," said Thrall.

Such a move could undermine efforts to reach Palestinian unity by further disconnecting Gaza from the West Bank. For this reason, even Hamas is careful not to push too hard for imports into Gaza.

"We don't want to see Israel closing Kerem Shalom," Hamad said. "Israel just wants to push us towards Egypt. But we do consider Gaza as part of the Palestinian homeland."

"It's a serious discussion," added Shawwa, the former PA minister. "Do we want an independent economy of Gaza? That might take us into a new era of Palestinian separation."

Kerem Shalom is the only crossing point where commercial and humanitarian goods are allowed to enter Gaza from Israel, and even when open, aid agencies have struggled to consistently import enough supplies to meet operational needs.

Some analysts speculate the newly elected president in Egypt, Islamist Mohamed Morsi, will make a trade zone conditional on the success of Palestinian reconciliation, while others say that he could also move forward in the absence of Palestinian unity.

"The relationship between Egypt, Israel and Hamas is complex," said Abdel Monem Said, director of the Al-Ahram Center for Political and Strategic Studies in Cairo. "Morsi knows he can't really allow Palestinians in Gaza to starve. And there is pressure from inside the [Muslim] Brotherhood to support Hamas." On the other hand, Egypt is constrained by close security cooperation with Israel in Sinai, he told IRIN.

"By allowing people to pass, Morsi would do enough to meet his humanitarian obligations," said a European diplomat in Jerusalem who requested anonymity.

"The security issue with Israel is more pressing at the moment."

Mkheimar Abu Saada, a political scientist at Gaza's Al-Azhar University, says Egypt is in a very delicate situation: "On one hand, they don't want to be seen as cooperating with Israel by imposing a siege on the Gaza Strip like Mubarak did. In the meantime, they don't want to be blamed for terminating the relationship with Israel."

As such, Hamas acknowledges its hopes for a free trade zone are unlikely to be realized in the near future.

For now, it is focused on "more realistic options", like allowing more people to cross Rafah and exporting from Gaza - with some success. After Egypt gradually eased restrictions at Rafah in May, Morsi agreed with Hamas leader Ismail Haniyeh last month on increasing the number of crossing travelers to 1,500 per day and increasing the amount Qatari fuel allowed to pass.

"I do think there are some chances that Rafah will be used for commercial purposes and not only exports," Hamad said, "but maybe it is still too early for

Egyptians to give an answer right now.”

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