Could a North Gaza Industrial Zone Help Economic Revival?
In this report, we examine whether a new industrial zone in the northern Gaza Strip would be a politically and economically feasible solution that could start the economic revival of Gaza, and serve as a private sector-led growth and employment promoting solution.

The solution is designed to create an enabling eco-system, in a designated economically-strategic geographical area. Being confined to a relatively small, easily controlled, geographical area, this solution will enable administrative and security arrangements, which (a) will satisfy the security concerns of Israel; and at the same time (b) will be politically acceptable to the Palestinian and other concerned parties.

Successful application and performance of such a solution would encourage the parties to advance a new political envelope, and application of wider economically enabling measures, which will open the way for further advancement in the economic revival of Gaza.

Successful application and performance of such a solution would encourage the parties to advance a new political envelope.
At the core of the suggested solution is the North Gaza Industrial Zone (NGIZ), which would be assigned a large area of about 5,000 dunams (5 square km.). NGIZ would be administered by a special, autonomous authority – the North Gaza Industrial Zone Municipal Authority (NGIZMA) – that would govern economic and other affairs of this region.

NGIZ would be given free-trade status, and other wide-ranging investment and export benefits. The UAE’s free trade and industrial zone system, and Jordan’s ASEZA (Aqaba Special Economic Zone Authority), could be used as models, with necessary adaptations. The legal and administrative practices developed in these two countries may serve as guidelines for the specific regulatory framework, and the enabling eco-system of NGIZ.

NGIZMA would include international and Arab representation, and given strong international guarantees, which will enable it to function effectively vis-a-vis the various concerned political parties.

NGIZMA would be assigned with the operation of the Palestinian side of the Gaza-Israel Erez Crossing compound on the eastern boundary of NGIZ; where NGIZMA develops a major land transportation centre, in cooperation with the Israeli authorities. The NGIZMA could also develop and operate a new Gaza Sea Port compound, to be built on an offshore site, on the western boundary of NGIZ.

Under this scenario, the NGIZ will serve as focal point of employment for the northern and central parts of the Gaza Strip. It could generate a total of some 200,000 new jobs, in 5 years. Close to 100,000 direct jobs inside its industrial, agricultural and other compounds; and more than 100,000 additional indirect jobs in the Gaza Strip – with service providers, related infrastructures, suppliers, sub-contractors, etc. The NGIZ could triple the present rate of new job creation in Gaza, which would bring unemployment in Gaza down, from close to 45% in 2016, to around 16%, in 5 years.

Overall contribution of the NGIZ to the GDP of Gaza can be expected to be at the magnitude of USD 2 Billion, in 5 years – about two thirds of the GDP of Gaza in 2015. In GDP growth terms, this would be translated to real GDP growth of 15%-20% per year, for a period of 5 years.
Nonetheless, even after 5 years of such fast growth, the GDP per capita in Gaza will still be 35%-40% lower than the present (2015) GDP per capita of the West Bank.

As for exports, the overall contribution of the NGIZ (including export of services) can be expected to be USD 1.2-1.5 Billion, in 5 years (compared to negligible exports at present). Even at that rate, the exports of Gaza will still be 40%-50% lower than the present export level of the West Bank.

The research finds that given sufficient evidence, from neighbouring economies and from Palestinian economic history, of similarly fast growth, that such ambitious figures would be realistic.

The research finds that given sufficient evidence, from neighbouring economies and from Palestinian economic history, of similarly fast growth – in the first years from shifting towards economic revival, or from introduction of fundamental economic changes – such ambitious figures would be realistic.

Other issues examined in this report is the importance of enabling restoration of Gaza’s normal trade relations with Israel, the West Bank and the rest of the world. This scenario combines a set of trade-facilitating and growth-and-employment enabling measures, in the designated area; under special economic arrangements which can be agreed by Israel and the Palestinians, and gain the support and cooperation of Arab parties and the international community. Successful application and performance of this would encourage the parties to advance towards wider economically enabling measures, which will open the way for further advancement in the economic revival and political stabilization of Gaza.

Given the multifaceted geopolitical complexities of Gaza, the private sector seems to be the only force that can lead and sustain a long-term economic revival and development process. This process of private-sector-led economic development, in the designated area of the NGIZ, would spearhead a more comprehensive process of fast, sustainable economic growth of the Gaza Strip as a whole. As such, the NGIZ should viewed as a first step of a comprehensive strategy for private-sector-driven, export-driven economic
revitalization and sustainable growth of Gaza - under a strategy based on the strengths presented below.

In this report, we examine whether a new industrial zone in the northern Gaza Strip would be a politically and economically feasible solution that could start the economic revival of Gaza, and serve as a private sector-led growth and employment promoting solution.