

Trade Impediments



June, 2005

Volume I, Issue 4

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In starting the Trade Impediments Bulletin, it was the intention of the Trade Policy Department of PalTrade to highlight the problems which are being faced by Palestinian importers and exporters in conducting trade. These problems emanate from the closure, curfew and movement restrictions which are placed by the Israeli occupation forces in the West Bank and the Gaza Strip.

At first glance, it seemed that issues of movement were the result of the decentralized behavior of Israeli soldiers on the different checkpoints (preventing movement from one part of the West Bank or Gaza Strip to another, i.e. internal barriers to movement *see Closure: Trade Impediments Issue No. 1 February, 2005 for further detail*), crossing points (commercial crossing points from the West Bank or Gaza Strip to and through Israel) and border crossings (commercial crossings from the West Bank and Gaza Strip to neighboring countries such as Jordan and Egypt).

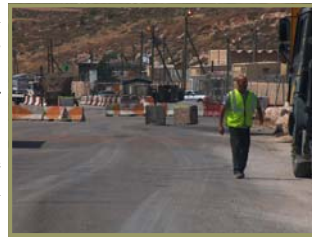


After in depth investigation of the tremendous number of checkpoints, movement barriers, crossing points and border crossings (*part of which were highlighted in the various issues of Trade Impediments*) have resulted in a clearer view of a systematic closure regime being implemented by the Israeli Authorities. The implementation of this regime has had three major bearings on the Palestinian economy:

1. The creation of a schism between various areas of the Palestinian internal market through the dramatic increase of transaction costs for internal trade and the provision of higher mobility facilities for Israeli products and services than for local products within the Palestinian market(s).
2. The shifting of Palestinian vehicular traffic away from routes used by Israeli settlers and from the Separation Wall (or its planned route).
3. The creation of commercial crossing points (such as Beituniya, Jalameh, Tarqumia and Karni) between Palestine and Israel, all dependent on the back to back system, which has been proven ineffective and cost inefficient.



After this investigation only one clear conclusion can be drawn: The closure regime, with all the suffering and damage it has caused to the Palestinian economy aims first and foremost at changing the movement patterns of the Palestinian Population in the West Bank in order to forcibly accommodate the illegal settlements and to prevent Palestinians from using the trade and transport routes which have been dedicated to settlers, thereby eliminating any potential for the creation of an economically viable Palestinian state.



To put these issues into perspective, we need to explore step by step the actions of the Israeli authorities and their de-facto impact on Palestinian economy.

First of all, in 1997, Israel started to isolate the Gaza Strip from Israel and the West Bank through the process of closure, which included the construction of a complete wall around it, and the creation of the infamous Karni crossing point (*see Trade Impediments April 2005*), which formulates one of the most detrimental barriers to Palestinian trade with Israel and the rest of the world, as well as the creates an insurmountable obstacle to the maintenance of a single Palestinian market in the West Bank (WB) and Gaza Strip (GS). To add insult to injury, Israel never implemented the safe passage between the WB and the GS, thereby instituting the schism between the two markets.

Then, starting September 2000, Israel started to build THE WALL around the West Bank under the guise of security. THE WALL was not built at the green line which indicates the internationally recognized 1949 truce line, as well as the border of the West Bank as indicated in United Nations Resolution 242. A total of 9.5% of the West Bank has been trapped between the Green Line and THE WALL, all of which is either inaccessible or restricted and which faces the direct threat of annexation. The Israeli separation wall tends to closely hug Palestinian built-up areas, preventing not only future expansion of cities and towns but also restricting the access of farmers to agricultural lands surrounding built-up areas. An estimated 8.9% of the



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BEITOUNYA**



The Wall in Perspective



Karni Back to Back

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Road to Economic Recovery: Getting Serious

Any attempts at economic recovery immediately translate into addressing trade impediments caused by the checkpoints, closures and restrictions in the West Bank and Gaza and restricted border access. The proposed disengagement plan, with its limited withdrawal from Gaza, will not provide an adequate impetus for economic recovery and has broader economic implications. On the other hand, a removal of internal closures within the West Bank and Gaza, the establishment of a territorial link between the West Bank and Gaza, and the establishment of a reformed border regime would provide an impetus for immediate recovery of the Palestinian economy in the short-term.

Such actions can be expected to result in rapid expansion of both local and export economic activity towards pre-Intifada levels within a few years. However, this will also require a targeted development package to address internal impediments caused by deterioration of production and trade assets as a result of the economic crisis, as well as a focused reform agenda to enhance the business and trade environment.

Immediate recovery, while critical, is not an end unto itself. Policy-makers must tackle the challenge of economic stability and sustained development, which in light of a limited local market capacity should be geared towards developing an export-based economy linked to diverse markets. The special challenges facing Palestinian export development are compounded by trade liberalization and globalization trends and the increased competitiveness and sophistication of export markets, which impose stringent technical, quality, packaging and labeling requirements, along with strict conditions regarding production and processing practices. Palestinian export performance is also dependent on enterprises' success in integrating into global supply chains, which are increasingly dominated by trans-national corporations, making access to international markets difficult, particularly for small and medium enterprises that dominate the Palestinian private sector.

Hence, the need for a balanced approach that addresses both immediate and long-term development objectives, while creating synergies between relief and development efforts. The keystone to this approach is a sector-based development strategy that prioritizes and targets selected technology-intensive sectors as well as labor-intensive industries in the context of their target export markets. This must be accompanied by specific policy measures for addressing the economy's structural problems and trade regimes at the micro-, meso and macro-levels. Such policy measures must be expressed within the framework of a National Export Strategy conceived and endorsed by public and private sector stakeholders.

While the elimination of internal closure, an improved trade regime, and a targeted recovery program can be expected to result in small levels of economic growth, significant growth in exports

will require greater efforts to develop competitiveness of Palestinian products and improve the business enabling and trade environment. Trade promotion activities will increase potentials in the short term, and some key exporting sectors can be expected to expand rapidly. Reaching the dual goals of immediate recovery with a view to medium-long term sustainable development, however, requires a structured action plan that aims at the development of the competitiveness of Palestinian products and exports through the following objectives:

1. Develop capacity of productive sectors through actions focused on reconstruction and rehabilitation of destroyed and deteriorated assets and targeted capacity development in the areas of standards, packaging and labeling.
2. Develop and diversify markets by developing trade relations with the Israeli market and supporting market entries made into international markets by way of intensified trade promotion efforts.
3. Realize cost-effective, efficient, and systemized trade transaction and facilitation system which entails the removal of internal closures within West Bank and Gaza and establishment of a territorial link; full implementation and addressing deficiencies of the Paris Protocol; improvement of border regime with Israel and border countries of Jordan and Egypt.
4. Improve business enabling environment and infrastructure by targeting legislative and regulatory reforms on trade and business related laws, restructuring of distressed loans, providing trade financing facilities, essential business services (testing, certification, marketing, etc.), and developing trade infrastructure at borders.
5. Utilize and improve trade agreements by securing Israeli recognition of Palestinian-third party trade agreements; expanding preferential trade agreements; concluding mutual recognition agreements in testing and health certification.

In Disengagement and Palestinian Economic Prospects, issued in December 2004, and endorsed by the Donor Community represented at the Ad-Hoc Liaison Committee (AHLC) The World Bank clearly indicates that the only prospects for potential economic recovery in Palestine lie in the possibility of "moving from an economy based on labor exports to Israeli to an economy exporting goods and services to Israel and the rest of the world. Six months have passed since this report was approved by the AHLC with no real movement from the donor community on the required prospects for achieving export growth potential. The fear is that with the reluctance of the international community to act immediately and the intent of the Israeli government to speedily disengage "a-la-Sharon", Palestine will be disengaged from potentials for economic development .

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Checkpoint Watch

OCHA Weekly Briefing Notes 1 to 7 June 2005

Tulkarm Qalqiliya/Salfit

- **Taybeh**
The checkpoint has been open for commercial trucks using the back-to-back system between 5.30 am and 5pm. The checkpoint remains closed every Saturday.
- **Qalqiliya DCO**
The checkpoint has been un-manned. The back-to-back system has not been in use since all trucks have had full access to Qalqiliya City.

Nablus: Opening hours: 6am to 6pm.

- **Awarta checkpoint**
Main commercial checkpoint into Nablus since July 2003. Open from 6:00am to 5:00pm, based on the back-to-back system.
- **Beit Iba**
Open for humanitarian organisations and Palestinians. Israeli citizens, Palestinian holders of Jerusalem IDs and holders of international passports are subjected to prior liaison with IDF before access can be granted. Incoming movement is allowed from 6am until 11pm. Outgoing movement is allowed from 6am until 6pm.
- **Hamra**
East, before closure regime main road to Jordan, Tubas, Jenin Closed for Palestinians unless having permits, or coming from these villages: Frush Beit Dajjan, Al Jiftlik, Bardala, Kardala, Ein Shibli, Al Nassaria and Al Aqrabania (from which villagers occasionally are let through). Major delays.
- **Zaatara (Tappouah)**
South, main road to Ramallah Permanently manned. Major delays.

Jenin

- **Al Jalameh**
Main Northern entrance to Israel Open 24 hours for permit holders. Open from 8am to 4pm Sunday through Thursday for Back to Back only. Transit of trucks need liaison with Palestinian DCL..

Tubas

- **Bisan**
Main entrance to Israel Open 24 hours for permit holders.
- **Tayasir Gate**
Gate to the Tubas eastern agricultural lands in the Jordan Valley Closed for Palestinians, except for those residing in these villages: Bardala, Kardala, 'Ein el Beida, Al Farisiya, Al Malih and Khirbet Tell el Himma. No agricultural permits have been issued for Palestinian farmers from Tayasir, Al 'Aqaba and Ath Thaghra to reach their land on the eastern side of the checkpoint since 18 December 2004. Lengthy delays were again experienced throughout the week. Open only for permit holders from 5 AM to 10 PM.

Ramallah/AI Bireh

- **Beituniya**
Back-to-back checkpoint is now in operation. Officially open

7am to 5pm Sunday to Thursday, 7am to 1pm on Fridays and closed Saturdays. Open for commercial goods and a back-to-back system is in operation. Only Palestinians from Kafr 'Aqab and Sameeramees holding Jerusalem IDs and driving Israeli yellow-plated trucks are allowed to pass through this checkpoint without using the back-to back system. This checkpoint is not open for private cars or pedestrians.

- **Qalandiya**
Open daily 24 hours for vehicles and pedestrians. Ramallah/AI Bireh residents, Jerusalem ID holders, and foreign passport holders have access without permits. Israelis citizens and Arabs from the Golan are prohibited from crossing into Ramallah. Vehicles with West Bank registrations cannot pass unless they have a special permit. Ambulances and trucks with food products are permitted to cross.
- **Atara Bridge (partial)**
Open. Lengthy delays were reported.

Bethlehem

- **Beit Jala DCO**
Entrance to Beit Jala Open from 6am to 12PM for all traffic. Palestinian public and private vehicles are allowed to pass. All commercial traffic is re-routed to Eastern side of Bethlehem.

Hebron

- **Tarqumiya**
The checkpoint is open for workers and traders from 6am to 5 pm everyday except Saturday and Jewish holidays.

Gaza

- **Karni**
The crossing was partially open from 7am to 11pm for commercial traffic.
- **Sufa**
Sufa crossing remained closed for laborers, but was open for construction materials 7am to 5pm.
- **Erez**
Since 13 February, the crossing has generally been open

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In an attempt to identify the ongoing impediments to Palestinian Trade, the Palestine Trade Center-PALTRADE has embarked on a pilot 6 month project to produce a monthly bulletin which highlights these impediments. The bulletin will attempt to inform traders, the Palestinian government and the International community of the impact of impediments caused by closures, checkpoints and security procedures on Palestinian trade.

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population has been separated from their cultivated lands by THE WALL. Groundwater resources in these areas are also at risk. The separation wall has also nearly halted all border area trade between Palestinians on either side of the Green Line. The services and retail sector has been particularly impacted due to the elimination of Palestinian-Israelis' access to border towns such as Qalqila, Tulkarem, and Jenin who were highly dependent on business from across the Green Line.

THE WALL has also increased transportation and transaction costs for all incoming and outgoing trade with Israel, particularly in areas where it has been completed (northern and central sections). All trade in the Jenin area, for example, must be processed through the Jalameh gate which has been designated as a back-to-back crossing point into Israel and en-route to the GS, whereby in the past goods and customers passed relatively unrestricted in and out of the Jenin area, as agreed upon in the Oslo Agreement and particularly the Paris Protocol. The Jalameh model has been transferred to other parts of the West Bank, such as Beitounya and Qalandia (Ramallah), Taybeh (Tulkarem – also know as She'ar Ephrayem) Khillet Al-Nu'man (Bethlehem – Beit Sahour area), Tarqoumia (Hebron Area). Israel is also in the process of creating a commercial crossing point from the Jordan Valley Area towards Bet She'an through the Bardallah crossing point, which is mainly for the movement of agricultural goods from the occupied Jordan Valley area into Northern Israel.



Third, Israel has also closed and destroyed the runway for the Gaza Airport and halted the construction of the Gaza seaport, both of which are necessary infrastructure for any potential recovery and development of the Palestinian economy.

Fourth, within the same scenario, the construction of THE WALL coupled with the checkpoint and movement barrier regime when put together, create six fully enclosed "bantustans" within the WB, which are separated by gates and "settler-only" roads and which can be physically closed from each other anytime the occupation chooses. The fence between Nablus and Qalqilya which separates the Northern West Bank (disengagement area) from the rest of the West Bank, as well as the planned crossing point at Qalandia are cases in point of this separation.

From the aforementioned, it becomes clear that the West Bank, with the completion of THE WALL slated for the end of 2006, will become another (much larger) Gaza Strip, fully assembled with its own Karni type crossing points, thereby destroying any potential for economic development, and enforcing the de-development of the West Bank to the same levels of economic incapacitation which currently exists in Gaza, rendering it even more dependent on providing cheap labor to the coddled settlements and the Israeli labor market, with 70% poverty rate and an unemployment rate of 44% instead of the current 32%.

If any type of economic recovery is to be envisaged, it must clearly include a full halt to the implementation of the Israeli plans, which potentially transform the WB and GS into a grouping of low income, economically unviable "bantustans" which will formulate a fertile ground for political instability, as well as a constant burden on the international and donor community.

