

Trade Impediments

Karni Monitoring Report – September, 2005

As part of the World Bank project "Private Sector Participation in Gaza Withdrawal Coordination Process", PalTrade has maintained a physical presence at Al Montar/ Karni since August 24th, 2005 until present, PalTrade's scope is to monitor and collect statistics on Al Montar border terminal performance, traffic through the terminal, queuing times, destinations, and cargo volumes.



PalTrade has accordingly prepared daily performance reports as well as other special reports that document movement of goods through the terminal. The performance data collected has been used by the PalTrade team to analyze the extent of unused capacity and potential improvement at the terminal if there were better management and capacity utilization. This data and analysis have been used by World Bank experts to discuss potential improvements with the Israeli side.



Al Montar is considered the major commercial terminal in Gaza Strip, where it connects Gaza strip with the West Bank, Israel and the rest of the world.

In the last month, 10,587 trucks have crossed the terminal on both ways; 9675 trucks of imports and 912 trucks of exports, such data reveals that import volumes at the terminal represented 91% of the total trade volumes, while exports contribution did not exceed 9%.

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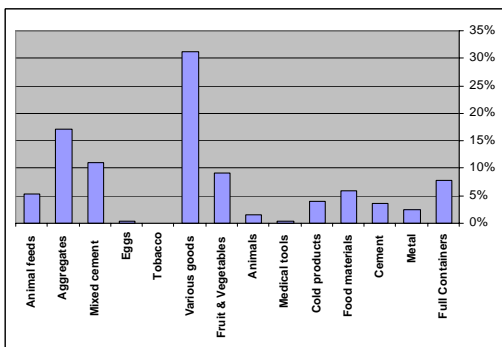


Figure 01: Imported trucks through Al Montar Terminal: classified by cargo type.

The highest volumes of exported trucks were garment products, which had 199 trucks that represented 22% of total exports, followed by furniture (160 trucks) and scrap metal (107 trucks). The highest volumes of imported trucks were aggregates, which had 1654 trucks that represented 17% of total imports, followed by mixed cement (1067 trucks) and fruits and vegetables (880 trucks).

Total actual working hours of pallet scanners were calculated at 1180.9 hours, while planned working hours were estimated at 1839.5 hours. The capacity utilization of all scanners was accordingly calculated as 64%, and the average daily trucks exported through pallet scanners were calculated as 24.25 trucks.

Total actual working hours of cells were calculated at 306.24 hours, while planned working hours were estimated at 1147.8 hours. The capacity utilization of all cells was accordingly calculated as 26.5%, and the average daily trucks exported through cells were calculated as 2.5 trucks.

The optimal and actual crossing time of each cargo category were additionally measured by random sampling; a garment truck for instance needs only 24 minutes to pass through the scanner while the actual crossing time was 47 minutes, and a pottery truck needs 73 minutes to pass, while the actual crossing time was 108 minutes.

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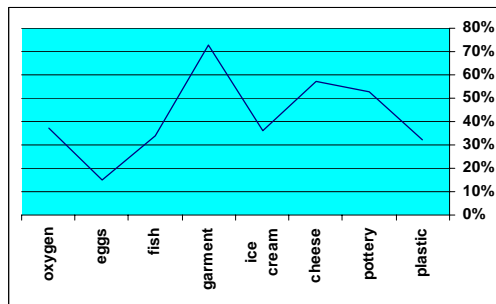
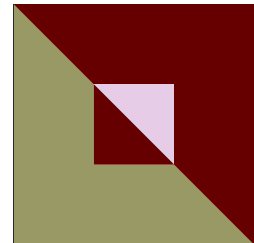


Figure 03: Unaccounted (waste) time for exported trucks.

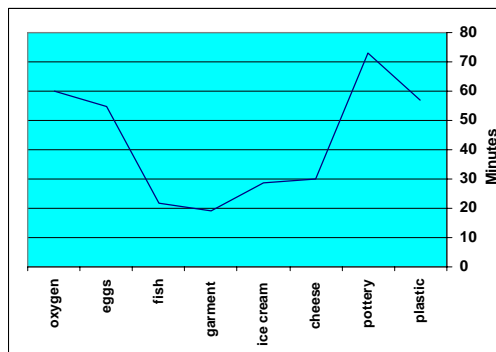


Figure 04: Optimal time for exported trucks.

Against All Odds: The Way Towards Palestinian Economic Sovereignty and Statehood

By Saeb Bamyā**

Limping Negotiations and Deteriorating Conditions

Despite the clear historical imperative to work towards normalization and statehood as enshrined in United Nations resolutions, despite the Roadmap's unequivocal target of a "viable, independent Palestinian state," despite the official acceptance of the same by Palestinians and Israelis, and despite clear demands from the international community embodied *inter alia* in the December 2004 World Bank Report, and despite all (Palestinian) attempts at conducting good-faith negotiations under the chairmanship of the Quartet Special Envoy and his team over the past few months, there is until today virtually nothing to show for.

The negotiations have produced no tangible result on any of the core issues. The Israeli side does not appear to negotiate in good faith. It protracts negotiations even on banal, technical matters as a means to gain time, extract concessions and create facts on the ground. Israel does not appear to recognize Palestinian statehood and economic normalization as the target, contrary to its public acceptance of the Roadmap. More broadly, it does not appear to accept reasonableness, equality and normality as key elements of its relationship with Palestinians and Palestine. After several years of Israel claiming there is no Palestinian partner for peace, today it would appear that it is the Israeli partner that is absent.

The Palestinian side, in stark contrast, is fully ready to act as a normal state actor in economic matters such as customs administration. Verified by international agencies, the Palestinian side has prepared itself for its role and is ready "to go." The Palestinian side has been no less than a model party in the negotiations, has prepared the meetings meticulously, has put clear proposals and straightforward demands on the table, has been accommodating to Israeli concerns to the utmost – all to no avail. The basic, if not banal, demand for normality remains as elusive as ever.

The situation with respect to key trade-related issues can be summarized as follows below. It must be understood that these issues are not "mere" attributes of future Palestinian statehood, but in turn essential requirements for economic recovery, as identified by international observers

Palestinian-Israeli Border Crossings

- **Service Standards.** Confirmed by a host of international observers, the past performance of Israeli terminal operations – in particular at the Gaza-Israel Karni crossing point – has been erratic and inefficient, resulting in massive delays, rotten produce, damaged goods and massive corruption on both sides of the border. The Palestinian side in the negotiations has therefore suggested that both sides agree on a set of minimum service standards, expressed in maximum processing and waiting times per truck. Such standards have been negotiated, for example, by some Balkan countries for their border administrations. It therefore should be possible for Israelis and Palestinians (the standards would equally apply on the Palestinian side) to agree on this point. However, this simple proposal for normality has been under Israeli consideration for almost three months now, with not even a counter-proposal in sight.
- **Management and coordination.** The Palestinian side has presented the concept of coordination between the two sides on the management of the border crossings. This coordination was to take the form of general daily consultations, discussions and information sharing between the management of these crossings on both sides. Joint monitoring and direct on-line communications in real time were also placed on the agenda by the Palestinian side. The concept of management and coordination was based on the existence of a risk management system for Israeli security, for which the Palestinian side could provide portions of the information, prior to the arrival of the vehicle into the border crossing, in order to reduce the time required by the Israeli side to perform risk assessment and management. Unfortunately, the Palestinian side was met with only a refusal by the Israeli side to share information, stating that the components of the Israeli risk management system were a matter of Israeli concern, could neither be shared nor coordinated with the Palestinian side, and hence

the potential for management and coordination was reduced to nothing.

- **Back-to-back, door-to-door and the use of technology.** The 2004 WB Report demands that the inefficient, costly and unnecessary back-to-back system at border crossings be abolished. Over the past three months Israelis and Palestinians have, under the chairmanship of the Special Envoy and his team, engaged in what Palestinian's and internationals believed were good faith negotiations on ways towards the abolition of back-to-back and towards the establishment of door-to-door (meaning: through-traffic of goods, containers, trucks and drivers). So far these have produced no tangible result, plainly due to Israeli intransigence on every single point, pitting ideology against reason. The Israeli side has dragged its feet to the utmost when called to cooperate with a USAID border security expert, even more so when asked to accept his careful and restrained findings. These findings confirm plainly that with appropriate scanner technology, complemented in some cases by limited manual inspection, security risks can be effectively contained while allowing Palestinian trade flows to continue. The Israeli side, however, to this day rejects the conclusion, fully reserves its own, unsupervised judgment and discretion, and – even though its representatives have officially accepted door-to-door as a matter of principle – rejects any commitment to this effect.
- **Location of border terminals on Green Line.** The 2004 WB Report, in line with the 2004 Advisory Opinion of the International Court of Justice, demands that all border terminals must be located on the 1949 Armistice Line ("Green Line"). Israel has consistently ignored this. Instead it has – notably at the very same time when intensive negotiations on border crossings were under way (August 2005) – established a system of six exclusive crossing points between the West Bank and Israel, out of which three (Abu Ghneim/Har Homa, Beitunia and Jalameh) are not located on the Green Line. Not only are they therefore illegal and unacceptable as border crossings, but they also hinder internal movement within the West Bank.
- **Convoys and Effective Passage between regions of the Palestinian Territory and between them and Israeli Ports, Airports and Packing Houses.** Given Israeli security concerns, recognized by the Palestinian side, proposals have been made to find effective solutions for transport that would offer economically reasonable mechanisms short of the uncontrolled flow of goods, vehicles and people. A straightforward, uncomplicated way would be to establish effective convoy systems for all such passages (WB-GS, WBG-Israeli Ports (Ashdod), WBG-Israeli Airport (Ben Gurion), WBG-key Israeli packing houses). The Israeli side has so far given only the most scant attention to the issue, which was already under effective and efficient operation before 2000. No movement on this easy, uncomplicated and purely technical matter has been achieved.
- **Monitoring and Dispute Settlement.** It is a simple matter of good governance and the rule of law to subject state measures affecting the life and economic activity of people to transparency and accountability. This is all the more crucial in circumstances where the concerns and stakes are high, and goodwill and trust are low. The Palestinian side has consequently proposed to create effective mechanisms of monitoring and dispute settlement, including measures to compensate unjustly affected private parties, covering the management of borders and crossings, applicable procedures and service standards, both on the Palestinian and the Israeli sides. Trust and confidence being a major problem, the proposal includes the concept of including an international – private or public – third party role in both monitoring and dispute settlement. The Israeli side, in turn, outright rejects any but the weakest, diluted and negotiation-type, committee-based mechanisms, effectively reducing any chance for accountability to nil.
- **Positive Exception: Information Sharing in Customs Matters.** In marked contrast to the rather discouraging developments on almost all other issues, negotiations on customs cooperation have led to

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some success. In the future, Israeli and Palestinian customs have agreed to share customs-related information in real time, connecting their respective systems (MALAM and ASYCUDA) – a rather obvious thing to do in a customs union and a long-standing Palestinian demand. A piece of normalization has thus been achieved. While this is very positive, it appears to be so far the exception that confirms the rule. In this instance, Israel's realization that it will benefit from information sharing with Palestinians as the "risk" increases that they may, actually, at some point in the future administer import trade may have tilted the balance. In other words: Where there is a tangible, specific Israeli interest at stake, there is the chance for reasonable results.

- **Territorial Link between Gaza and the West Bank.** The Roadmap, underlined by the December 2004 World Bank Report, clearly states not only the political expectation but also the economic necessity of the unity of the Palestinian territory in Gaza and the West Bank. Needless to say, this is in line with established UN resolutions that refer to Gaza and the West Bank, including Jerusalem, as the occupied Palestinian territory. It is also one of the first of the principles declared between Israel and Palestine in September 1993, namely that the two sides view the West Bank and the Gaza Strip as a single territorial unit. The task remains to create the instruments to provide full, seamless continuity for goods, people and services between the two parts of the Palestinian economy.
- **Safe passage, convoys etc. between the West Bank and Gaza.** As indicated above, the Palestinian side has asked the reinstatement of the instruments used before 2000, namely simple, monitored passage of vehicles and accompanied convoys of trucks, cars and buses. This is in line with principles agreed a decade ago in the 1994 Paris Protocol on Economic Relations and the 1995 Interim Agreement, as elaborated by subsequent agreements. Even though these measures could be instituted almost immediately – if need be, in a phased implementation – the Israeli side has so far not taken any action.
- **Physical territorial link.** From the beginning of the Oslo process, the erection of some form of physical territorial link between Gaza and the West Bank, allowing the passage of people and goods to entirely bypass Israeli security concerns and hence the need for control, has been understood to be a common goal. For many months the World Bank has been proposing to study the matter in detail, in particular the idea of a sunken road/rail combination. The Israeli side has for a long while refused to agree even to the study being undertaken, pushing instead its own agenda of a pure link based on separate trains using for the most part the currently ambitiously developed Israeli rail system. In view of the fact that all Palestinian internal transport of goods is based on trucks, a pure rail link would be clearly suboptimal and create significant bottlenecks and delays. Israel has now very recently, and very reluctantly, agreed to the undertaking of the study. It appears odd that something as straightforward as a donor-initiated study of a key matter for Palestinian economic normalization should at all be subject to any Israeli opposition.

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Palestinian External Borders

- **Rafah, Allenby, Damiah.** The intensive negotiations over the future Palestinian-Egyptian border crossing at Rafah have been a showcase of, as well as a test case for, Palestinian-Israeli negotiations and relations

now and in the future. The straightforward, normal solution would have been to have Palestinians and Egyptians administer the border as a crossing for people and goods alike. The Palestinians would have done so also on behalf of the customs union with Israel – a normal situation in successful customs unions where imported goods are administered by the party through whose territory they enter the union. Palestinians, aware of Israeli concerns, have offered to agree to a multitude of monitoring and control mechanisms, from the presence of Israeli customs officers (as foreseen in the Paris Protocol) over the presence of (public or private) third party monitoring to technological surveillance solutions. While the normal thing for any state, or future state, is to control its own borders, and while the normal thing in a customs union is to share responsibilities, Israel has refused to accept these moralities. Instead it has pushed hard against all historical logic for an inherently unhealthy, provisional solution in the form of a trilateral crossing point at Kerem Shalom – an unnecessary, immensely costly and irritating detour.

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- **Seaport.** The WB Report proposes the establishment of a seaport in Gaza, starting with a RoRo terminal. Israel has agreed to the start of construction, but keeps full control over Gaza's access to the sea, and thereby reserves its decision on the port's actual operation. It is unclear how such a position can be reconciled with a vision of an "independent, viable Palestinian state." Establishing a seaport and controlling its access to the high seas are the normal prerogatives of a coastal state. Israel's continued insistence of control simply perpetuates occupation and Palestine status as a least developed, land-locked country. If Palestinian statehood were the accepted target, such insistence would be unwarranted.
- **Airport.** The same applies to the Gaza airport, with the difference that Israel has not even agreed to the necessary rehabilitation work necessitated by the airport's wanton destruction by the Israeli army. Again, it is inconceivable how one state – Israel – can insist on denying its neighboring (emerging) state the right to operate fixed-wing aircraft flights into and out of its territory.

Realities: Moving in the Opposite Direction

- **Internal Movement and the West Bank Wall.** The 2004 World Bank Report, the Roadmap and all international parties and observers without exception have been calling on Israel to ease and eliminate the myriad of restrictions on internal Palestinian movement, which not only make the banalities of everyday life a challenging experience but also make economic recovery an impossible task, adding prohibitive transaction costs to all but the most localized economic activities. Israel, in turn has consistently not reduced but increased these obstacles. The West Bank Wall, fast moving towards completion, is only the latest, but clearly the most obstructive, move in a long and ongoing history. The Wall, built mainly not on the Green Line but right through the West Bank, cuts Palestinian life, and Palestinian economic activity, into bits and pieces. Once the Wall is completed and operational, a viable and territorially contiguous Palestinian economy, and thereby a viable Palestinian state, will have become impossible. Instead, creative Israeli negotiators devise hitherto unheard of concepts such as transport contiguity, to mask the occupation's permanence while creating a façade of normality for Palestinian commuters.
- **More instead of less back-to-back.** At the very same moment when the abolishment of the immensely costly and trade-disrupting back-to-back system (see above) is under negotiation, Israel is almost daily creating more of the same. In late August 2005 Israel, by military order, not only established six exclusive crossing points for Palestinian goods trade

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(against 31 for settlement goods trade) between the West Bank and Israel; it also imposed back-to-back operations at this crossing points. This not only means that now all Palestinian goods have to go through the procedure, a marked step backwards from previous practice (where at least Israeli trucks could move directly from the West Bank to Israel); it also means that internal Palestinian trade between parts of the West Bank separated by the Wall now are subject to the same.

- **Unilateralism in inherently bilateral matters.** The new crossing regulations, the corresponding building of terminal infrastructure, the establishment of a new border crossing at the "trilateral" border (Kerem Shalom, actually Karm Al-Salam in southern Gaza) are only examples of unilateral, uncoordinated Israeli actions in genuinely bilateral matters calling under any standards of reasonableness for a coordinated, negotiated solution. In fact, there would be nothing "trilateral" about this terminal, which Israel has so far insisted it will operate unilaterally.
- **Lack of goodwill in practice.** The stalling negotiations and the developments on the ground are accompanied by an incomprehensible lack of Israeli goodwill in practice, from big issues down to petty details. A striking example is the non-use of available technological capacity at the Gaza-Israel crossing point in Karni. While a careful World Bank study has concluded that *without any additional investment* the throughput of trucks could be increased from the current rate of 40-50 trucks a day to 160 trucks a day simply by using the existing capacity, Israel refuses to do so, with dire consequences for export-oriented economic activity in Gaza. In recent weeks, the ceiling for daily passage of trucks has been set by Israel at 27.
- **Non-implementation of existing agreements, in particular the Paris Protocol on Economic Relations.** Another piece of the same jigsaw puzzle is Israel's selective implementation of key parts of the Paris Protocol, the only valid economic agreement in force between the parties. At the same time, when Israel uses the proclaimed aim of preserving the quasi-customs union established by the Protocol to argue against the establishment of a Palestinian-Egyptian border crossing for goods in Rafah, it negates its effective implementation. An example in point is the phenomenon of indirect imports via Israel into the West Bank and Gaza, resulting in losses of several hundred million USD for the Palestinian – and corresponding gain for the Israeli – treasury. Israel, which controls all imports, could easily put a hold on this leakage, for example by using the same pledge requirement on Israeli importers which it imposes vice-versa on Palestinian importers. Other examples from a long list of Protocol implementation failings include the absence of a safe passage between West Bank and Gaza (in fact, there has been virtually no passage for Palestinians at all since August 2000), the practical discrimination of Palestinian goods at Israeli ports and airports (e.g., Palestinian goods, unlike Israeli goods, are not allowed to travel on passenger aircraft) and the absence of a Palestinian role at the West Bank-Jordan border at Allenby, not to mention the moribund Joint Economic Committee that is supposed to regulate the implementation of the Protocol.
- **Political blockages.** In addition to issues directly affecting Palestinian-Israeli matters, Israel also actively works against Palestinian economic normalization on the international stage by erecting political roadblocks as plentiful as the physical ones in the West Bank. An example in point is Israel's non-recognition of the Interim Association Agreements between the PLO, on behalf of the PA, and the EU and EFTA, respectively. This purely political stance, a rather obvious move to retain yet another bargaining chip, holds important parts of Palestinian export and import activity hostage to Israeli trade interests and effectively hampers necessary developments in Palestinian-European trade relations, including more broadly the move towards the Euro-Mediterranean Free Trade Area to which Israel itself has signed up.

Against this background, in the face of adversity, it is a difficult but nonetheless necessary task to attempt to formulate positively the requirements for realizing the simple vision of economic sovereignty for Palestine.

Key Considerations for the Way Forward

- **Achieving normality: Towards a normal, viable Palestinian**

state – the Roadmap's stated purpose. The goal of the Roadmap, and hence of all work performed in its context is the creation of a viable Palestinian state, living side-by-side with Israel. The goal is nothing other than normality.

- **Independent of disengagement, Palestinian economic sovereignty is the only possible option for the future.** While all minds are set on managing disengagement – an agenda set unilaterally by Israel –, it must be clear to all that ultimately Palestinian economic sovereignty is simply without alternative, with or without disengagement.
- **There is no reason to wait, and no time to lose.** The downward spiral of the Palestinian economy, the illegal West Bank wall, the disengagement and many other, including geopolitical, factors are now coming together. Disengagement and the wall in particular have started a logic of separation that rationally will have to be counterbalanced, and complemented, by concrete steps towards Palestinian economic sovereignty as a prerequisite for long-term recovery. This will have to happen in the short if not immediate term, if potentially disastrous economic consequences on the Palestinian side, with all political and security implications, are to be avoided. If Gaza and the entire Palestinian economy is not put on a sustainable path towards long-term viability now, if that path is not clear to stakeholders, the risks may become overwhelming in the very near future. There is no reason to wait, either. All parameters have been discussed at length over the past 12 years. The Palestinian side is ready to take professional responsibility of all relevant management issues. The infrastructure is being built and will be ready in time. There is simply no need for half-baked provisional solutions that do not work directly towards Palestinian statehood, such as current considerations for a tripartite Egyptian-Israeli-Palestinian crossing point instead of the obvious and natural solution of a Palestinian-Egyptian crossing point at Rafah. All such solutions amount to unnecessary costs at best, obstacles to peace at worst.
- **Israel is just one of Palestine's future partners.** While the Palestinian and Israeli economies are currently closely intertwined, dependency will have to decline not only as a result of specific difficulties, out of which security measures are just one, but also as a result of necessary Palestinian economic diversification. Israel and Palestine will be important trading partners for each other, but the current (one way) quasi-exclusivity will be replaced by a much more diversified, and healthier, network of Palestinian foreign trade relations. It is therefore important to broaden the scope of *all* work, including work done on Israeli-Palestinian relations, to encompass a vision where Palestine is a normal, diversified economy trading with the world.

Key elements of the future autonomous Palestinian foreign trade policy regime

- **Enabling environment for a solid, export oriented development of Palestinian businesses.** The Palestinian Authority will have to – and already has started to – provide a comprehensive legal and institutional environment for the development of Palestinian businesses in a framework of economic statehood. The functioning of this environment will, however, depend to a good extent on the effective end of economic occupation.
- **Specifically: A functional foreign trade regime.** The legal and institutional environment will include a comprehensive, modern foreign trade regime, including legislation on import and export administration, tariffs, and customs. Both a comprehensive Foreign Trade Act and a Customs Act, both drawing on the latest international best practice, have been prepared with great care and are ready for introduction into the legislative process. The Palestinian Customs Department is ready to take on its role at economic borders with Egypt, Jordan and eventually

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Israel.

- **Access (1): Autonomous Palestinian exit/entry points.** It is not conceivable in a normalized relation that Israel will continue to manage trade borders between Palestine and the rest of the world. It must be understood that this is true irrespective of the security situation, legitimate security concerns and security measures. Rafah, the Gaza airport and the Gaza seaport will be the immediate cases in point, Allenby and Damia will have to follow the same model.
- **Access (2): Free transit routes through neighbouring countries (Egypt, Jordan, Israel).** A condition *sine qua non* for a normal Palestine trading with the rest of the world on an equal footing, based on comparative advantage, are free, functional and reliable transit routes through neighbouring countries, based on corresponding international agreements. These will be in addition, and complementary, to direct exit and entry points for people and goods, such as the Gaza seaport and airport.
- **Normal, preferential trade relations with immediate neighbours (Egypt, Israel, Jordan).** Palestine will strive to establish, maintain and nurture preferential trade relations with its three immediate neighbours. These trade relations will eventually be based on normal international relations, i.e., full Palestinian autonomy in the conduct of trade relations.
- **Normal, preferential trade relations with key trade partners (existing and potential/future), including EC, US and Arab states.** It will be important for a viable and independent Palestine to maintain, and expand, preferential trade relations with the United States, the European Union and other key partners, including in particular the Arab states. Building on existing agreements, Palestine will seek their full implementation, consolidation and expansion to cover fully areas of importance for the Palestinian economy, including in particular agriculture and services, as well as improved institutional frameworks.
- **Active participation in regional arrangements.** Palestine will be an active, and pro-active, player in regional trade initiatives such as the Euro-Mediterranean process, MEFTA and AFTA.
- **Towards full membership in the WTO, the WCO and other international fora.** Palestine, seeking nothing less than full membership in the international community, will move towards full membership in relevant economic organizations, including in particular the World Trade Organization, the World Customs Organization and relevant trade agreements such as the TIR Convention. Decoupled from developments with respect to the Paris Protocol, Palestine will in particular seek WTO observership as soon as possible.
- **Fully benefiting from special and differential treatment accorded to least developed countries:** in designing its future trade policy, Palestine will seek maximum possible advantage within the context of existing WTO and other rules and principles to ensure that its war-torn economy, hard hit by widespread unemployment and deep poverty, is protected from further shocks and decline. In other words, trade can best serve as a vehicle for poverty alleviation when the economy matures. The implication for Palestine is to restructure the economy, but within the context of a sector-focused strategy that seeks to strike a balance between immediate and long-term objectives through linking relief and reconstruction to development efforts. This requires setting sectoral priorities to achieve time-bound, quantitative development objectives, and supporting sectors that meet certain criteria for survival and show greater potential for job creation to reduce poverty.
- **Towards development, liberalization and facilitation of services trade.** On its way towards a modern, open economy, Palestine will work in all international fora – bilateral, regional and multilateral – as well as domestically towards the development, liberalization and facilitation of trade in services, both outbound and inbound. It is expected that services will form a cornerstone of Palestine's economic relations in the future.

Creating Key Elements on the Ground

- **Removal of obstacles to trade within the West Bank and Gaza and full use of existing infrastructure.** It is obvious that a normalized Palestinian economy will, first and foremost, have to rely on normalized internal economic conditions. Checkpoints, roadblocks, barriers and earth mounds are not part of a normal internal trade infrastructure, nor are walls within a continuous economic territory. Palestinian internal trade – movement of goods, service providers, business people and workers – will have to be free of physical or administrative encumbrances. This includes full and free access to, and use of, all roads and other infrastructure as well as natural resources within the Palestinian Territory. It also includes the removal of, or pending that: the free passage of economic traffic (goods, people) through, the West Bank wall with the pre-1967 armistice lines.
- **Territorial Link between West Bank and Gaza.** The physical territorial link between West Bank and Gaza should be established without delay to create full, unhindered territorial continuity for the Palestinian economy. It must be understood at all times that the physical link will at all times in the future co-exist and work in tandem with, a fully normalized transit system between the West bank and Gaza via normal Israeli road and rail infrastructure (safe passage).
- **Institutions and infrastructure.** Palestine will reform and complement its institutional framework for a viable, functional economy. Past and present efforts have yielded significant progress. Examples in point are the Ministry of Finance, Customs Department, Standards Institute and the Palestine Monetary Authority. The Palestinian Authority will also continue with high priority its work towards a marked improvement of physical infrastructure.
- **Modern, integrated customs and security management and infrastructure.** All Palestinian borders – with Israel, Jordan and Egypt, as well as the seaport and airport – will have to rely on modern and integrated customs and security management (procedures, standards) and infrastructure (technology, physical infrastructure). This requires both individual upgrade work by the respective parties on their respective sides of borders and close cooperation between the respective parties. The Palestinian side is ready to perform its share without delay.
- **Terminal infrastructure at Gaza seaport, airport and Rafah, as well as Allenby and Damia.** The physical infrastructure for processing goods traffic at the level of market needs will be put in place at the three first direct entry/exit points between Palestine and the outside world, namely Rafah, the Gaza seaport and the airport. Donor support is sought for related investments that should bring these Palestinian border crossings up to the latest standards to ensure the best possible service to all users. The same applies to crocking points between the West Bank and Jordan, starting with the Allenby and Damia bridges.
- **Transit infrastructure through neighbors (including West Bank-Aqaba, West Bank-Amman Airport, Gaza-El Arish, Gaza-Alexandria, Gaza-Cairo).** Palestine and its neighbors, with donor support where possible and appropriate, will have to work together to establish the physical and institutional/administrative infrastructure for seamless, modern, best practice transit trade with minimal encumbrances on all relevant transit routes.
- **Working with stakeholders.** In tandem with any legislative and administrative measures to establish a fully optimized enabling environment, the Palestinian private sector and the government will liaise at all



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times to optimize the private sector response to the prospect and practice of economic statehood, with a particular focus on eliminating pro-actively all distorted perspectives and practices developed under the unnatural conditions of occupation that will cease to exist. This includes in particular looking beyond the current dependence on Israeli trade, without denying or jeopardizing future economic coexistence between Palestine and Israel on the basis of normal business relations, based on undistorted comparative advantage.

- **Guiding principle: Realizing existing potential, developing further potential.** Palestinian business should work, and be assisted in this endeavor by the PA and donors, to realize the existing potential for production and trade. Currently the Gaza agricultural exports potential, for example, is realized to no more than 30%. Simultaneously, Palestinian businesses must actively develop further productive potential that has been left unexplored as a result of the lack of reliability and predictability, and hence practical business perspective, under the Israeli occupation. It is crucial that not only Gaza but also West Bank based businesses start now preparing for a business environment without Israeli encum-



brances.

- **Diversification, orientation towards markets other than Israel.** The Palestinian economy currently suffers from a concentration on a few, not necessarily internationally competitive products, and a stark orientation towards the Israeli market. Both are the result of unnatural business conditions created by occupation. Both diversification and a re-orientation towards other export markets will become a logical business conclusion once unnecessary obstacles to trade with neighbors and beyond are lifted. Market access conditions in neighboring Arab countries have never been as favorable to Palestinian exports as they are today. Even under, and maybe because of, the harsh conditions of the past five years, new market niches have been established for certain Palestinian manufactured and other exports in several Arab markets, where Palestinian products can easily meet consumer tastes and standards. Palestinian businesses must build on these openings now.
- **Open-eyed analysis – Thinking outside the box/wall: Where will Business Palestine be in 5/10 years? Where does it want to be?** Palestinian businesspeople have grown used to a bottom-up approach, conditioned in its conception by artificial external factors affecting feasibility and market demand. The result is a very conservative approach to business decisions, which hampers innovation. Palestinian businesses must mentally start the new era of economic independence by thinking outside the wall in their business minds, which tends to mirror the Israeli wall on the ground. New products, services, sectors must be explored, with a regional and global perspective. This is particularly true for the broad area of services, where Palestinians are yet to start developing their international role, in particular in the Arab markets. Similarly, high-end export-focused agriculture appears to represent significant opportunities for the Palestinian agri-business community, while unexpected market openings are still to be found for other products.

From Here to There: The Way Ahead

- **Immediate start of good-faith economic final status negotiations under the chairmanship of the Special Envoy.** Economic final status negotiations based on the goal of a viable and independent Palestinian economy should be started immediately. Reflecting positive experiences with recent practice, these negotiations should be conducted under the chairmanship of the Quartet Special Envoy, whose mandate should be extended accordingly. Given the wealth of preparatory work already performed, and tentative agreements reached, by the parties in a long line of previous rounds of talks, it appears – in principle – realistic to conclude negotiations by 30 June 2006.
- **Agreement on, and implementation of, a Memorandum of Understanding on border crossings, door-to-door and agriculture with a view to economic sovereignty in 2007.** As an immediate result of the current negotiations in the context of disengagement, a comprehensive MoU on border crossings, the door-to-door (through traffic) movement of goods, trucks and people as well as special arrangements for agricultural trade must be agreed, and faithfully implemented. It is crucial, however, that the MoU is designed, understood and implemented as step towards full normalization and Palestinian economic sovereignty, not as another Oslo-type provisional arrangement with the inherent tendency to create permanent facts on the ground.
- **Agreement on Rafah and other autonomous Palestinian entry/exit points.** An agreement on Palestinian-managed exit and entry points both for people and for goods – both in principle and specifically with respect to Rafah – could and should be concluded and implemented as soon as possible.
- **Implementation of the Paris Protocol.** Irrespective of the future trade regime between Palestine and Israel, an immediate return to a faithful implementation of the Paris Protocol is necessary. The Protocol, while fraught with deficiencies, not only represents the only current legal basis but also offers a number of reasonable principles and arrangements as starting points for a normalization process. These include, for example, the operation of exit and entry points with Jordan (Allenby, Damia) and Egypt (Rafah) under Palestinian authority, the effective treatment of Gaza and the West Bank as a single territorial unit (safe passage, free internal movement), non-discriminatory use of Israeli exit/entry points for imports and exports, effective transit of goods through Israel, fair and effective sharing of customs revenues and VAT cooperation.
- **Working under the Paris Protocol on ad hoc improvements (revision of lists A1, A2 and B).** While working under the Paris Protocol for the transitional time until 1 January 2007, the Protocol's built-in flexibilities should be used to move towards economic independence. In particular, the possibility to revise the goods lists should be used to reflect market opportunities and needs. If there is still a chance to save the Palestinian-Israeli customs union, this will only be possible if Israel begins to implement it in good faith and allow for its selective modification in the short-term.
- **Internal Palestinian reforms – creating an enabling environment, working with stakeholders.** The Palestinian Authority, the Palestinian business community as well as all other stakeholders must start immediately to envision, imagine, internalize and pro-actively work towards full economic independence. This includes the need to conclude the circle of necessary legislative, institutional and administrative reforms relevant to the economy. It also includes a bold, courageous and visionary approach to doing business in Palestine. All stakeholders must work together in creating the conditions for, and proactively approach the reality of, a viable, independent Palestinian economy by 1 January 2007, a *sine qua non* of the independent state of Palestine as envisioned by the international community and long sought by the Palestinian people.

** Saeb Bamyia is the Assistant Under Secretary of the Ministry of National

Checkpoint Watch

OCHA Weekly Briefing Notes 19 - 25 October 2005

Tulkarm Qalqiliya/Salfit

- **Taybeh**
Open from 5.30am to 5pm for UN and international organisations and Palestinians with permits. Since 24 September Palestinians with permits were denied access to Israel due to total closure on the West Bank and the Gaza Strip. The closure intensified during the Jewish holidays.
- **Qalqiliya DCO**
Unmanned
- **Anabta**
Re-established 14 July 2005. Closed but Palestinians are allowed to use the back to back system to cross in and out of Tulkarm.



Nablus: Opening hours: 6am to 6pm.

- **Awarta checkpoint**
Open from 6am to 6pm. Sunday to Friday. On 24 October IDF Main commercial checkpoint in closed the checkpoint at 2pm for Jewish holidays until reportedly Nablus since Juluntil 26 October.
- **Beit Iba**
Open for humanitarian organisations and Palestinians. Israeli citizens, Western entrance, mainly Palestinian holders of Jerusalem IDs and hoers of international for trade passports are subject to prior liaison with IDF before access can be granted. The checkpoint is open from 5 am to 11 pm.
- **Hamra**
Closed for Palestinians unless having permits Palestinians from Frush East, before closure regime Beit Dajjan and Al Jiftlik villages are allowed to pass the checkpoint main road to Jordan, Tubas, without permit. On 19 October IDF closed the checkpoint for all Jenin Palestinians non residence of the Jordan valley. Doctors and teachers are allowed through.
- **Zaatara (Tappouah)**
Movement southwards is controlled by the checkpoint. South, main road to Ramallah.

Jenin

- **Al Jalama**
Open between 7:00 am to 4:00 pm Sunday to Friday with 24 hours Northern entrance/ main prior coordination through Palestinian DCL. On 24 October IDF commercial check point. closed the checkpoint at 2pm for Jewish holidays until reportedly until 26 October.

Tubas

- **Bisan**
Open 24 hours for permit holders. Main entrance to Israel.
- **Tayasir Gate**
Closed for all Palestinians holders of permits for Jericho area. The Gate to the Tubas eastern checkpoint is open only for residence of Kardala and Bardala villages agricultural lands in the Jordan (Tubas) and holders of permits for the West Bank Area. Since 19 Valley October IDF closed the checkpoint for all Palestinians non residence.

Ramallah/ Al Bireh

- **Beituniya**
Back-to-back checkpoint 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. ICRC and UN vehicles are permitted to cross. Qalqiliya DCO Unmanned
- **Qalandiya**
Open daily 24 hours for vehicles and pedestrians. Long delays now usual during rush hours due to new traffic arrangements because of ongoing construction for the new checkpoint. West Bank residents, Jerusalem ID holders, and foreign passport holders have access without permits. Jewish and Arab Israeli citizens and Arabs from the Golan are prohibited from crossing into Ramallah. Vehicles with West Bank registration cannot pass unless they have a special permit. Ambulances and trucks with food products are permitted to cross.
- **Atara**
Open

Bethlehem

- **Beit Jala DCO**
Re-opened and manned by the IDF on 20 October for yellow-plated Entrance to Beit Jala vehicles and trucks (including commercial) in both directions. Palestinian taxis and busses only allowed to enter Bethlehem, but not to exit. Palestinians can cross on foot.

Hebron

- **Tarqumiya**
Since 24 September Palestinians with permits were denied access to Entrance for commercial Israel due to total closure on the West Bank and the Gaza Strip. Goods (back-to-back), west of ICRC Prisoners' families' visit did not take place. Hebron on Road No. 35 for both Hebron and Bethlehem.

Gaza

- **Karni**
On 24 October, Karni commercial crossing was functioning for half day only. On 19 and 25 October, Karni was totally closed.
- **Erez**
Since 24 September; Erez has been closed for Palestinians, with a little exception for people with special humanitarian needs. On 24 October, around 6:00 pm Erez was announced closed for both Palestinians and internationals. On 25 October, Eez was reopened for internationals only.



Special thanks go to the UNITED NATIONS Office for the Coordination of Humanitarian Affairs OCHA in the Occupied Palestinian Territory.

Al-Watanieh Towers Building
5th floor, Al-Bireh
P.O. Box 883
Ramallah, Palestine

Phone: ++970-2-2408383

Fax: ++970-2-2408370

E-mail: info@paltrade.org



www.paltrade.org

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.

Editorial Staff:

Nabila Assaf, Acting CEO

Mohammad Jaber, Coordinator of Impediments Project, Trade Policy Department

Saad Khatib, Trade Policy Advisor

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The Territorial Link Between the West Bank and Gaza Strip

A fully functioning Territorial Link ("TL") is crucial to the development of a Palestinian state and economy in both the long term and the immediate term. In the long term, the TL should address key long-term interests including extensive infrastructure such as pipelines for water and gas, facilities for the transport of electricity, cables and other infrastructure/ resources, road system(s), a train, etc.

This infrastructure should be a fully sovereign linkage between the two geographic parts of Palestine, which should have full territorial sovereignty on it. This territorial link may take the shape of a road, elevated highway, a sunken highway or a secured road, but in all cases, it should guarantee long term connectivity without any interference from the Israeli side. Key to understanding the TL concept is to understand that traveling on the TL must be treated as internal Palestinian movement, and not as traveling through an international crossing point.

In the immediate term, a TL must be devised which will address the immediate economic (and other) needs of the Palestinians, without prejudicing any permanent status arrangements regarding the TL, and must safeguard the spirit of the safe passage arrangements in Oslo. The spirit of the safe passage arrangements in the Oslo Agreements provide for movement which is:

1. Guaranteed to all people at all times, irrespective of their security status
2. Safe from Israeli arrests/ attacks

3. For public and private Palestinian vehicles - For goods and people
4. By multiple routes

Three basic components, each of multiple variables, can be combined in order to design a system of transportation for either goods or people. Below are these variables, as well as a design which would be applicable in the short to long term progressively.

Movement Of Goods

Although the preference is not to have a security check for vehicles carrying goods within the TL, this would be more extensive than Oslo and is a highly unlikely option. Hence, Security checks should be significantly less restrictive than goods going into Israel proper. If this is not the case, then using a safe passage arrangement would be no more advantageous than transiting through Israel normally. A secured, designated road would allow for such movement, as the movement through Israeli territory would not pose a threat to Israel.

If a security check is to take place, it should be done at loading, as it is the least cumbersome and costly to the merchant. Checking could occur at designated loading points in the West Bank and Gaza until the fenced road/safe routes are completed, after which no security checks should be required for goods traveling on the link. Regardless of where the checks are done, there should be only one check. The principles of necessity, proportionality and reasonableness would all

apply in determining the nature and scope of check. Security checks at the border must be at the 1967 border, particularly in light of the ICJ opinion.

The Convoy system may be used, but again guaranteeing that a sufficient number of convoys is moved per day, accumulating no additional cost to that which would have been incurred by using the Oslo Model of the Safe Link.

It is preferable that any security check be done by a third party as Palestinians consider this internal movement and Israeli interference would be an imposition on sovereignty. Alternatively, checking at loading may be acceptable to Israel if this was done by Palestinians with a private firm or international party trusted and contracted by Israel as a monitor.

Means of Transportation:

The designated secured road would allow for door - to -door (i.e. from within Gaza to within the West Bank). Door - to - door also assists in the economic recovery, of the transportation sector and reduced transaction costs drastically, while also minimizing delays to the movement of cargo. In the door-to-door movement concept, Palestinian and Israeli vehicles would have equal status in terms of "being safe from a security perspective". The movement of Palestinian vehicles on the safe passage between the West Bank and Gaza Strip would contribute to the recovery of the transportation sector.