

Trade Impediments



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Karni Terminal Performance Brief September, October and November 2005

As part of the World Bank project "Private Sector Participation in Gaza Withdrawal Coordination Process", PalTrade has maintained a physical presence at Karni since August 24th, 2005 until present. PalTrade's scope is to monitor and collect statistics for Karni terminal operations, monitor queuing duration and exported cargo volumes. Karni terminal statistics have been collected in full collaboration with AlMontar authorities; mainly representative offices of Ministry of Interior, Ministry of Civil Affairs and Ministry of National Economy. PalTrade has accordingly prepared daily performance reports as well as other special reports to document cargo traffic flow through the terminal, collected data have been utilized by PalTrade to analyze the extent of unused capacity and potential improvement at the terminal. This data and analysis have been additionally used to discuss potential improvements with the Palestinian private sector and technical committees. The presented statistics in this report cover 41 operation days in the period from September 1st, 2005 to November 9th, 2005.

Technical Observations

Karni is considered a major commercial terminal in Gaza Strip, where it connects Gaza strip with the West Bank, Israel and the rest of the world. In the months of September, October and November (up to the 9th of November) 15,118 trucks have crossed the terminal on both ways; 14,030 trucks of imports and 1,088 trucks of exports, such data reveals that import volumes at the terminal represented 92.8% of the total trade volumes, while exports contribution did not exceed 7.2%. The highest volume of exports was garment, were 275 trucks have crossed out the terminal, representing 21% of total exports, followed by furniture (246 trucks) and scrap metal (152 trucks). On the other front, the highest volume of imports was aggregates, were 3,727 trucks have crossed in the terminal, representing 22% of total imports, followed by mixed cement (1,786 trucks) and fruits and vegetables (1,363 trucks). Total volume of crossed out empty boxes and crates was calculated at 431.5 trucks, and total volume of crossed out empty containers was calculated at 1,641 containers.

Pallet Scanners Performance

There are eight exporting pallet scanners in Karni terminal; the average daily actual working hours of pallet scanners were 32 hours during the study period, while the average daily planned working hours were 58 hours. The capacity utilization of all scanners was accordingly calculated as 55%, and the average daily trucks exported through pallet scanners were calculated as 18 trucks.

Cells Performance

There are five exporting cells in Karni terminal; the average daily actual working hours of cells were 25.5 hours during the study period, while the average daily planned working hours were 38 hours. The capacity utilization of all cells was accordingly calculated as 25.5%, and the average daily trucks exported through cells were calculated as 2 trucks.

Crossing Duration through Pallet Scanners

The shortest recorded and ordinary crossing duration of each cargo category was 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 observed as 47 minutes, and a pottery truck needs 73 minutes to pass, while the actual crossing time was observed as 108 minutes.



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Waiting to Unload



Closed Lanes



Reducing Pallet Height

Important Indicators	Days				
Number of calendar days in the study period	59				
Number of operating days	41				
Days of closure in September (security reasons)	6				
Days of closure in October (security reasons)	5				
Imports	Trucks				
Average trucks per day imported pre-disengagement	358				
Average trucks per day imported post-disengagement	375				
Average trucks per day imported during Ramadan	304				
Average trucks per day imported post Ramadan	429				
Exports	Trucks	Capacity utilization (%)			
		Pallet Scanners	Cells		
		Average trucks per day exported pre-disengagement	37	73%	39%
		Average trucks per day exported post-disengagement	25	67%	3%
		Average trucks per day exported during Ramadan	18	42%	17%
Average trucks per day exported post Ramadan	34	48%	30%		



West Bank—Gaza Trade

The physical territorial link between the West Bank and the Gaza strip should be established without delay to create full, unobstructed territorial continuity for the Palestinian economy. It must be understood at all times that the physical link will be preceded by a fully normalized transit system between the West bank and Gaza via normal Israeli road and rail infrastructure (safe passage).

Article XI of the interim agreement states that “the two sides view the West Bank and Gaza as a single territorial unit, the integrity and status of which will be preserved during the interim period.” This provision is incompatible with the economic isolation and division of the West Bank and Gaza into over 60 separate entities and the impediments imposed by Israel on the movement of goods and people between the West Bank and Gaza. These impediments not only prevent linking the WB and the GS, they also prevent any economic recovery within them, causing the fragmentation of both the land and the economy, and compromising by doing so the future statehood. The Palestinian economy depends on the WB and Gaza forming a “single territorial unit” as provided in Article XI of the interim agreement as well as Article I (2) of Annex I to IA.

WB and Gaza constitute one political, geographical and economic unit. The disengagement plan must not compromise this unity. In order to ensure this unity, economic recovery and any political perspective, the territorial link is vital.

Safe passage arrangements

Article X of the interim agreement provides for effective safe passage between WB and the GS. Article 5 of the Sharm el Sheikh memorandum indicates the need for the establishment of a safe passage between the WB and the GS for goods, vehicles and persons. This is also stipulated in the interim agreement (Article 1, Annex1, provision 2) and in the Wye River memorandum.

Situation on the ground

An important impediment encountered by traders both between the WB and GS and within the WB is the back-to-back system. The consequences of Israeli measures are increase of costs and delays, affecting both competitiveness and predictability. Prior to September 28, 2000, a Palestinian producer used to pay 100 to 150 shekels to transport his/her product from Nablus to Ramallah on Palestinian trucks. Now the same quantity costs between 600 to 700 NIS to travel the same distance.

This system can also cause damage to the products especially agricultural and perishable goods. Dairy products originating in Hebron have to undergo a security inspection at the Tarqoumia checkpoint on the way out of the WB towards Gaza because they are going to cross Israeli territory. Upon arrival at the Karni checkpoint, these same products have to wait on the truck for their turn to go through security inspection even though they have just undergone security inspection at the Tarqoumia checkpoint. The waiting period even for perishable dairy products ranges from 7 to 12 days. On the other hand, similar types of products by Israeli dairy manufacturers enter the same day and do not undergo any type of security inspection. This type of discrimination and selectivity in permission of entry formulates a serious barrier to trade and negatively impacts the competitive capacity of

Palestinian products coming from the WB as well as directly imported products from other trading partners.

Prior to the Israeli re-invasion and occupation of the WB and parts of the GS, six wholesale agricultural produce markets were found in Palestine. These markets (Nablus, Jenin, Tolkarem, Hebron, Ramallah and Gaza) provided wholesale fruits, vegetables and citrus to distributors and retailers and were the major source of produce to the local market. As a result of the closures and the changes in the routing and the inability of trucks carrying goods as well as merchants to reach these wholesale markets, most of them were either closed or reduced to selling within the internal city boundaries. The closure also resulted in the fragmentation and inability of products to reach targeted markets within the WB and the GS, increased the cost of transportation drastically and caused artificial shortages in products, thereby distorting the price structure of agricultural products within Palestinian areas falling under the closure. One of the major wholesale agricultural produce markets in the WB was found in Nablus. This market consisted of 45 wholesale shops that bought their products from farmers and sold them to distributors and retailers. Annual sales in 1999 reached 250 million NIS. Today there are only 7 shops out of the 45 that are operational and the annual sales for the year 2004 were a negligible 12 million NIS, the equivalent of 5% of sales of 1999.

Article IV annex 1, provision 2 (a) of the interim agreement prevents the Israeli side from blocking off or erecting checkpoints or roadblocks within the West Bank and Gaza strip and provides therefore for free internal movement within the West Bank and Gaza. The creation of these roadblocks and checkpoints serves to increase transaction costs and to hamper the movement of goods and people within these areas. Israel has completely ignored this provision. Recent reports by UN office for the coordination of humanitarian affairs indicate that up to 600 barriers were encountered in the West Bank alone. The presence of these barriers has been cited by the World Bank in its *Four years Intifada, closures and Palestinian economic crisis* as the most serious impediment to potential economic recovery of the Palestinian economy and a serious challenge to any possibility for development in the future.

The Bank's June paper emphasizes the fact that “today's economic crisis has been caused by restrictions on the movement of Palestinian people and goods, or closures”. “Without a major reform of the closure regime,” “the Palestinian economy will not revive and Israel's security gains may not be sustainable”.

Settlements and settlers-only roads constitute additional restrictions on movement. According to the Israeli organization B'Tselem, Palestinians can not use 732 kilometers on 41 West Bank roads because they are either completely or partially closed to Palestinians, require a special permit or are partially restricted.

Internal transport is both expensive and inefficient. These barriers have caused the fragmentation of Palestinian economic space disrupting the predictability of trade and causing increased costs and delays. Economic recovery and growth passes through ensuring a smooth flow of people and goods between the West Bank and Gaza. The combination of back-

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Bethlehem recent border arrangements

November 17, 2005

In the past few days, the new arrangements at Bethlehem entrance have been the source of outrage by tour operators, hotel owners, bus drivers, souvenir shop owners, restaurants, guides and above all, the tourists visiting Bethlehem. Tourists have to leave their bus and walk into a waiting hall for Passport and baggage control and customs. This arrangement will reflect negatively on the flow of tourists between Bethlehem and Jerusalem which in the eyes of all Christian tourists is one destination.

Tourist groups spending two hours visiting Bethlehem are wasting two more hours in crossing out. Imagine also groups spending several nights in Bethlehem and instead of starting their daily tour at 8 am they eventually have to start at 10am after checking out through this "border". Groups leaving the country from Bethlehem are checked with their luggage at this "border" for two hours and after a 40 minutes drive to Ben Gurion Airport are checked again for another two hours.

Bethlehem tourism stakeholders fear that this will limit the possibilities of having a normal tourism movement in and out of this Holy City, thus daaging all hopes for prosperity and development. Tour operators are worried that during Christmas times these arrangements will have greater negative effects arising from longer waiting times as more tourists are

expected.

The tourism private sector is skeptic about the authorities future intentions, where they may want to levy border fees for crossing. This will add up financial burdens on the tourists and would make many of them reluctant to visit Bethlehem that used to be the center of their pilgrimage.

Israel is treating this as an International crossing between two countries. This is not the case. It is a unilateral step executed by the Israeli Authorities neglecting the International law and all UN resolutions and not coordinated with the Palestinian side and does not consider the welfare of the people using this entrance on daily basis. It is completely unacceptable on several grounds both on the local level as well as on the International. Economically, this will hurt the tourism industry on both sides Palestinian as well as Israeli. Politically, it entails serious breach of all agreements and International law and resolutions in addition to illegal confiscation of land and family separation.

The last thing tourists expect is additional time wasted in crossing between two Holy Cities.

Arab Hotel Association-**AHA / ASTAP**- Administrative Services for Tourism Associations in Palestine

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to-back procedures, delayed processing and numerous inspections at internal checkpoints commonly add between 50 to 100 %, and sometimes more, to the transport costs of goods traveling internally within the West Bank or between the West Bank and Gaza.

Closures and movement restrictions, the construction of the wall and the checkpoints have resulted in an economic crisis. Closures are a very serious impediment to unity, competitiveness and predictability.

Ensuring security without compromising economic recovery and growth must be the guideline for Israeli measures. Alternatives can and must be found to the actual comprehensive security checks and the back-to-back system. A layered approach to security inspection is needed on crossing points along with ensuring redundancy of both terminal and lane. Security along the corridor can be assured using a combination of container scanning and sealing technologies at the exit border. At the other end of the journey a quick examination of the transit documents and seals is sufficient.

The Wall

The wall is not only a major impediment to any economic recovery, it is also an insuperable obstacle to the perspective of a Palestinian state. An estimated 8.9% of the population has been separated from their cultivated lands by the wall. A total of 9.5% of the WB had been trapped between the green line and the wall, all of which is either inaccessible or restricted and faces the direct threat of annexation.

The planned "eastern wall" has already important consequences. Jordan valley farmers face restrictions on access to their land. Jordan Valley areas designated as being under "settlement jurisdiction" and thus not accessible to Palestinians represent 28 % of the area of the WB.

The wall has increased transportation and transaction costs. The Wall regime separates Palestinians from Palestinians, coming between people and their productive assets, rich agricultural land, water resources, jobs, customers and local markets.

The wall coupled with the checkpoints 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 any-time the occupation chooses. The West Bank, with the completion of the wall, slated for the end of 2006, will be deprived from any potential for economic development. These Bantustans are not only economically unviable; they will also lead to political instability and transform the actions of the international community into humanitarian actions rather than a development process. The private sector in its message to Mr. Wolfensohn stated that "the current regime of internal closures throughout the West Bank, including East Jerusalem, and the wall, cripple the Palestinian economy. These physical and systematic barriers to Palestinian movement and development, which include some 600 checkpoints and other obstacles, severely impact the business environment by dramatically increasing transaction and production costs, impeding access to productive assets and markets and ultimately threatening prospects for peace and security." These measures prevent Palestinians from building a viable economy based on one open national market.

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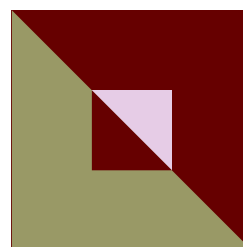
In an attempt to identify the ongoing impediments to Palestinian Trade, the Palestine Trade Center-PALTRADE has embarked on a pilot 6 month project to produce a monthly bulletin which highlights these impediments. The bulletin will attempt to inform traders, the Palestinian government and the International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

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Tarqumia Crossing Point

Tarqumia is a village on the Southwestern side of Hebron, close to the Green Line and the borders between West Bank and Israel. It is also the closest area distance wise between the West Bank and the Gaza Strip. This makes the Tarqumia crossing point of paramount importance in both trade between the West Bank and Israel, through Israeli ports and airport, as well as, and most importantly from the West Bank to the Gaza Strip and in reverse.

This distance is one of the main reasons why Tarqumia was chosen as the area where the safe passage between the West Bank and the Gaza Strip was to be located according to the Oslo and Wye-River Agreements.

Currently, Tarqumia as a crossing point, is limited to the back to back movement of open trucks, and no container movement takes place in this crossing point. Open trucks enter into the crossing point and are dealt with under the system of Back to Back, whereby products are unloaded either from an Israeli truck to a Palestinian truck or the reverse. Products coming from the Gaza Strip, which had already passed through the Karni crossing point in Gaza will be carried on Israeli trucks and will unload their products onto Palestinian trucks.

Deisel fuel, gasoline and kerosene are pumped from the Israeli container to the Palestinian one though special pumps and hoses.

Trailers carrying closed containers follow a different route into the West Bank or Hebron in particular. This route is only for Israeli trucks, and it goes through the Etzion settlement roads. The cost of the trailer in order to follow this road is approximately 1600 NIS for a 40 foot container and 900 NIS for a 20 foot container. If this container would have been allowed to enter through the Tarqumia crossing

point, it would have saved approximately one hour of driving time and as a result of the use of Palestinian trucks, would have saved around 400 NIS.

Export from Hebron to any destination is quite minimal, and since products going from the West Bank to Gaza are quite restricted by quantity upon entry through Karni, the Palestinian trader has decided that selling products to Gaza is not worth the effort and the extremely high cost.

In essence, the movement of goods through the Tarqumia check point is slow, expensive and uncoordinated. Neither the Israeli nor the Palestinian sides of the check point are developed, and the back to back is done with very little by way of security inspection.

