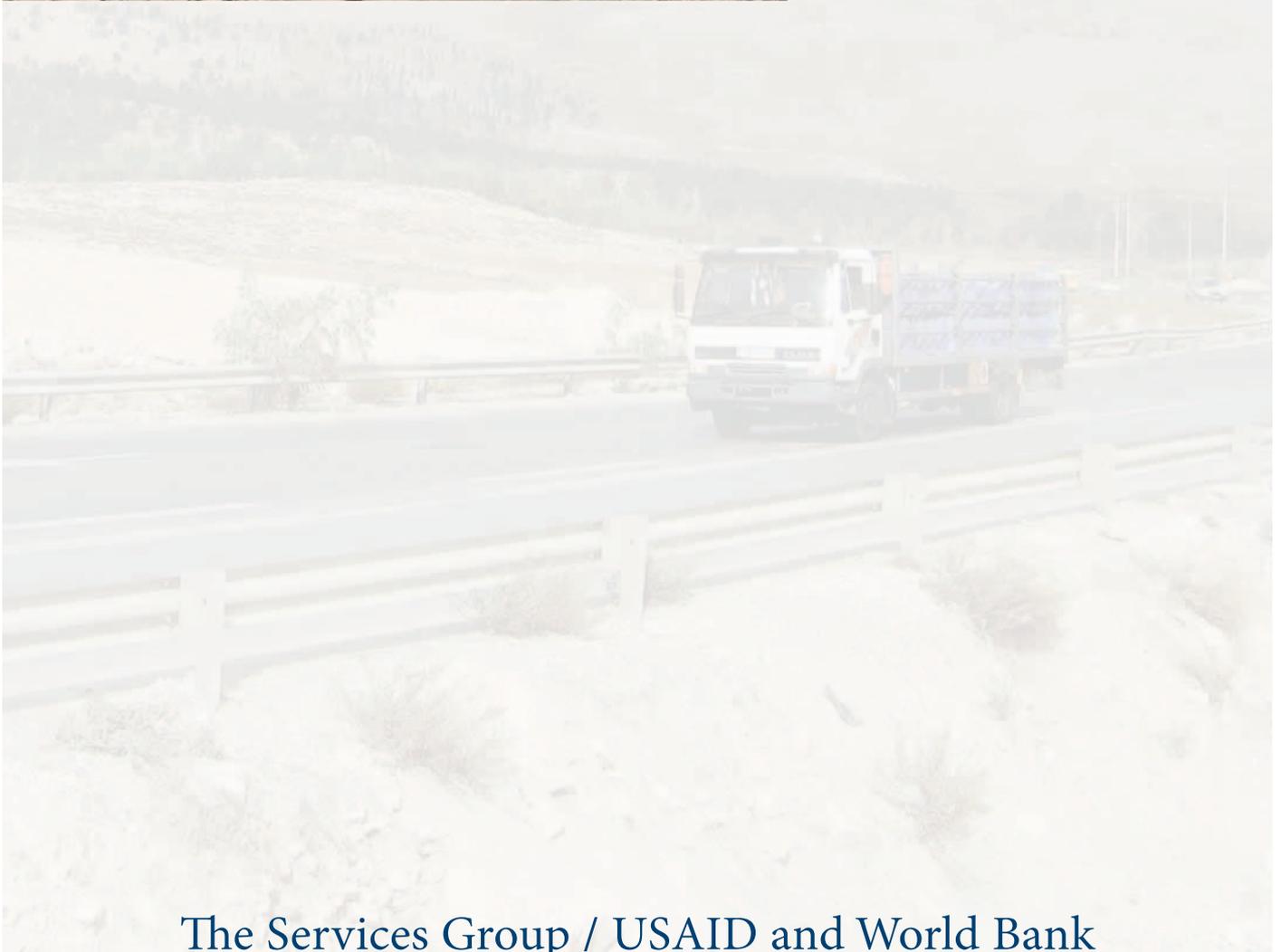




*Borders and
Trade Logistics*



Technical Paper I – Borders and Trade Logistics¹

Summary

Costly and unreliable trade logistics – in conjunction with the closure regime – are the most immediate impediment to improving Palestinian market access and competitiveness. Israel's legitimate security needs notwithstanding, exporters in the West Bank and Gaza must be able to deliver goods to buyers at an agreed price and according to schedule if they are to play their part in reviving the Palestinian economy. What is required, and what is possible today, is a systematic rethinking of the balance between security and trade facilitation through the design of border crossing facilities, the use of security technologies and the adoption and monitoring of new management procedures.

Assuming the maintenance of the quasi-Customs Union, the current arrangements warrant certain improvements. Palestinian customs should once again assume responsibility for clearing cargo and collecting custom duties at the external borders of Gaza and the West Bank. If Palestinian exporters are to become more competitive, they should also benefit from direct access to the outside world. A Roll-On, Roll-Off facility and a helicopter service in Gaza are proposed as interim solutions pending the construction of the Gaza seaport and refurbishment of the airport. In both cases, a third party could assist the PA, or be contracted by it, to carry out security and customs procedures. A link between Gaza and the West Bank that permits flexible and low-cost transport whilst ensuring adequate security is also needed to ensure balanced growth and proper governance.

I – Introduction

1. **According to the Bank's June 23 paper, "Today's economic crisis has been caused by restrictions on the movement of Palestinian people and goods, or 'closures', which the Government of Israel (GOI) regards as essential to protecting Israeli citizens from attacks by militants. Without a major reform of the closure regime, however, the Palestinian economy will not revive and Israel's security gains may not be sustainable"**².

2. **For the Palestinians, the greatest potential for economic growth lies in trade**³. This trade includes not only the primary exchange of goods and services with Israel, but also trade with its neighboring countries, Egypt and Jordan, and with other countries. Efficient and reliable trade logistics are a prerequisite, however, if Palestinian producers are to be able to compete in regional and global markets.

3. **This paper reviews borders⁴ and trade logistics for trade with Israel, between Gaza and the West Bank and with third countries.** The principal routes used for the shipment of Palestinian goods can be classified into i) cross-border into Israel, for exports to Israel and through international Israeli gateways to the rest of the world; ii) cross-border into Jordan and Egypt, as well as to other countries through international Palestinian gateways; and iii) between Gaza and the West Bank.

4. **The paper proposes a number of measures which GOI can take to maintain or even enhance Israeli security while greatly improving cross-border cargo management.** Modern terminal design, security technology and administrative procedures can permit the orderly flow of cargo *and* the maintenance of security. Where trade routes cross customs borders, customs procedures need to be integrated

with security screening. A change in the Israeli closure policy, however, requires a credible Palestinian security effort⁵.

5. **The improvements in facilities, technology and management procedures can benefit customs operations as well as security.** Given the need for planning and coordination, piloting some changes with a view to scaling them up on the basis of experience may be appropriate. In this respect, a realistic timeline should be developed by GOI and the Palestinian Authority (PA) for implementing these measures as rapidly as possible.

II – Closures and Their Impact on Trade

Internal Restrictions

6. **Israel operates an extensive system of *internal movement restrictions* that have a significant negative impact on Palestinian trade.** In November 2004, movement from one locality to another in the West Bank was controlled by a network of 674 obstacles – 61 checkpoints, 102 road blocks, 48 road gates, 374 earth mounds, 28 earth walls, and 61 trenches, in addition to 49 observation towers and the use of “flying checkpoints”⁶. According to the Israeli organization B’Tselem, Palestinians cannot 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 restricted⁷. The construction of the Separation Barrier in the West Bank has consolidated and in some locations exacerbated the impact of closure⁸. Within Gaza, trade normally moves relatively freely but has been repeatedly disrupted over the past several months due to military incursions and closures⁹.

7. **There are five major checkpoints where internal closure has a particularly severe effect on the free movement of goods within the West Bank.** These are at the following strategic locations: on the

main road directly linking the north and south of the West Bank (Wadi Al-Narr), at the main commercial crossroads south of Nablus (Howarrah), and connecting Nablus to the Jordan valley (Hamrah). Furthermore, two checkpoints within the West Bank control access to Israel, on the most direct route from Ramallah (Beitunya) and on the main commercial exit from Tulkarm (Taibeh). All checkpoints are at times closed or have limited opening hours, and are the cause of extensive delays.

8. **Internal transport is expensive and inefficient, due to circuitous routing, delays incurred in crossing checkpoints and the need to use inferior and often damaged secondary routes.** The material outcome of these barriers has been the fragmentation of Palestinian economic space – raising prices, disrupting the predictability of trade, separating workers from the workplace, impairing competitiveness, reducing employment and reducing the availability and quality of goods to consumers¹⁰. Irrespective of the progress that may be achieved in improving the flow of goods through the border crossings and international gateways, a persistence of internal closures will prevent any appreciable recovery of Palestinian commercial agriculture, industry and trade.

Restrictions on Trade to and Through Israel

9. **Existing facilities for border crossings into Israel have not been planned with trade facilitation in mind.** Instead, with security the paramount consideration, *ad hoc* agglomerations of parking and inspection facilities have developed. Karni is a prime example of this evolution (see paragraph 11). The Rafah crossing, despite substantial investments by both Egypt and Israel, is inefficient because of its location in a constricted, built-up area.

10. **Palestinian businesses shipping goods to and through Israel encounter significant costs.** Truck operating costs are

high because the use of both Palestinian and Israeli trucks is mandated by the back-to-back system¹¹, because of difficulties in obtaining return cargoes to Israel, and because equipment and drivers are kept for extended

periods at border crossings¹². For exports through Israeli gateways, the costs associated with the border crossing exceed the costs of truck transport (see **Table 1**)¹³.

Table 1
Average Transport Costs for Trucking
 (12 ton truck or chassis with one TEU¹⁴)

<i>Origin</i>	<i>Port</i>	<i>Transport</i>	<i>Border Crossing</i>	<i>Total</i>
West Bank	Ashdod	\$322	\$589	\$911
	Haifa	\$384	\$588	\$972
Gaza	Ashdod	\$161	\$589	\$750
	Haifa	\$345	\$588	\$933
	Port Said	\$546	\$438	\$984

Source: *Transit Trade and Maritime Transport Facilitation for the Rehabilitation and Development of the Palestinian Economy*, UNCTAD, 2004.

11. **Karni, which handles cargoes to and from Gaza, is a major bottleneck.** Since mid-March, when it was closed for two weeks, the Karni terminal has not operated at full capacity. Because of the length of delays faced, some consignees have been obliged to store their containers and cargo in warehouses, or to leave them at the port of Ashdod. The additional costs incurred have led some Palestinian consignees to abandon cargo rather than pay clearance and storage fees.

12. **Trucks moving inside Palestinian territory and across the borders with Israel face common problems.** In the event of a security threat, GOI may close several, sometimes all border crossings and check points. Decisions on how long to enforce such closures are made by the Israeli Defense Forces (IDF), with the economic consequences of only residual concern. Multiple security checks on the same shipment¹⁵ lead to lengthy delays and increase costs and the likelihood of damage. Procedures are applied in an inconsistent and non-transparent manner, and there is little effective recourse. Finally, many crossings are operated for less

than seven days per week, and/or for limited opening hours.

13. **Long handling delays are sometimes incurred for Palestinian cargoes arriving at the Israeli ports; these are related to procedures rather than security¹⁶.** One problem is that security procedures applicable to Palestinian cargoes are not integrated with cargo handling activities. Equally important, customs clearance procedures introduce additional delays. The total delays incurred in inspecting and clearing cargo are such that containerized imports must often be removed from their boxes and stored in bonded warehouses specifically dedicated for Palestinian cargo. Moreover, shippers and consignees cannot easily travel to the gateways and do not have the same influence that an Israeli importer/exporter would in trying to expedite the movement of cargo. The additional costs incurred have on occasion meant that Palestinian consignees have abandoned cargo rather than pay clearance and storage fees.

Restrictions at International Gateways

14. **Until the outbreak of the *intifada*, the Palestinian General Directorate of Customs and Excise was responsible for customs clearance at the crossing points with Jordan and Egypt.** Because of security concerns, Israeli customs officials now enforce the customs regime on all international borders, including those between the West Bank and Jordan, and between Gaza and Egypt. The role of the General Directorate has thus been reduced to that of audit activities rather than clearing cargo and collecting custom duties. While the Directorate appears to be well organized and staffed with competent officials, training in border crossing procedures including review of documents, assessment of cargo valuation, and cargo inspection procedures as well as effective use of ASYCUDA¹⁷ modules would be required before the Directorate can undertake front-line customs clearance (see paragraph 43).

15. **Problems similar to those at the Israeli borders impact Palestinian traders at the border crossings with Jordan and Egypt.** Apart from extensive security and customs delays, significant transit fees apply in the case of Jordan. For goods entering/exiting Egypt, serious delays and costs are commonly associated with clearing Egyptian customs¹⁸.

Restrictions Between Gaza and the West Bank

16. **Transport between Gaza and the West Bank is expensive and unreliable.** The “safe passage” concept agreed under Oslo¹⁹ is no longer under implementation, and the movement of people between Gaza and the West Bank is limited to selected officials and businessmen who are able to obtain special permits²⁰. These restrictions have hindered the development of businesses relations. The movement of cargo is subject to i) two sets of border security clearances and at least one back-to-back exchange²¹ (the requirement that only Israeli-

registered trucks are allowed to move Palestinian goods across Israel affects the comparative advantage that these goods may have because of the higher transportation cost), and ii) *ad hoc* inspections en route. West Bank cargoes entering Gaza appear to receive lower priority at Karni than Israeli trucks, placing Palestinian goods at a further competitive disadvantage²².

Impact on Trade

17. **Costly and unreliable trade logistics are the most immediate impediment to improving Palestinian market access and competitiveness.** The multiple physical and procedural obstacles Palestinian businesses face significantly impair their ability to compete in local and international markets.

- *Delays and uncertainty at the border crossings* not only increase transit times, but also reduce the rates of order fulfillment. This factor reduces opportunities for export of perishable items, especially fruits, to markets other than Israel. It also limit Palestinian manufacturers’ ability to trade in time-sensitive goods, such as upscale garments.
- *Lack of flexibility in the routing of goods* restricts shippers’ freedom to seek out least-cost options, and increases the risk that a closures at any one point will prevent a shipment from being made.
- *The need to use Israeli trucks in Israel* has allowed Israeli transport providers to charge high prices and has put Palestinian goods at a competitive disadvantage.
- *Multiple inspections per shipment* reduce profit margins due to excessive time-penalties and cargo damage.
- *Limitations on the personal travel of Palestinian exporters*, and the consequent need to use Israeli intermediaries, limit the capacity of manufacturers to source new raw material suppliers, develop new markets and to interact with existing customers outside the region.

18. **Various studies have been undertaken to assess the impact of these obstacles²³.** The combination of back-to-back procedures, delayed processing and numerous inspections at internal checkpoints commonly add between 50-100%, and sometimes more, to the transport costs of goods traveling internally within the West Bank or between the West Bank and Gaza²⁴. A recent estimate of the cost of trucking for Palestinian traders using a combination of Palestinian and Israeli trucks was about US\$3 per kilometer²⁵.

Finding a Balance Between Security and Trade

19. **Up to now, Israeli security concerns have dominated policy choices, with trade logistics and efficiency given much lower priority.** Israel's legitimate security needs notwithstanding, exporters in the West Bank and Gaza must be able to deliver goods to buyers at an agreed price and according to schedule if they are to play their part in reviving the Palestinian economy. For Palestinian exporters to compete, trade logistics must be much more cost-effective, rapid and reliable. To date, very little effort has gone into finding and instituting measures whereby both security *and* trade objectives can be met. It should be noted that this is not an issue limited to this particular economic space – global trade today takes place in a far more security-conscious environment, yet has increased by more than 20 percent when compared with the year 2001²⁶.

20. **For Palestinian traders to enjoy reliable access to Israel and third country markets, border facilities need upgrading and procedures need reform.** What is required, and what is possible today, is a systematic rethinking of the balance between security and trade facilitation through the design of border crossing facilities, the use of security technologies and the adoption and monitoring of procedures which ensure that security requirements are met

without unduly compromising the flow of trade.

III – Enhancing Border Facilities while Ensuring Security

21. **An important feature of any border crossing facility is the design of its cargo transfer structures.** A carefully planned layout has a significant effect on both efficiency and security. The layout of the terminal must permit the efficient flow of different types of vehicles and cargo. Sufficient space must be provided for queuing, and to ensure that traffic destined for different inspection regimes does not become entangled.

22. **The layout should differ by type of crossing, since the volume and mix of vehicles will vary, and not all crossings require the same customs procedures.** Saw-tooth loading docks should be considered for all crossings expected to handle significant volumes of traffic. They permit angular parking, which reduces both the time and space required²⁷. In places where inspection queues are prone to back-up, delays can be reduced by parking trailers in a yard and using dedicated tractors to move them to the inspection area.

23. **There is a range of security technology available today for checking cargo *without* removing it from the truck/container.** These technologies could be used by Israel for Palestinian exports to and through Israel and by the PA for direct imports from Jordan and Egypt and through international gateways under its control. Relevant technologies²⁸ include:

➤ *Imaging systems*, also referred to as scanners²⁹. X-ray inspection technology has advanced considerably, and objects previously not visible with conventional transmission x-rays are now more easily discernible. Gamma ray devices have recently been introduced – these allow

thick items to be inspected and their density assessed.

- *Sniffer technology.* The most common form of sniffer technology is the standard ion-mobility mass-spectrometry approach used in airports to identify the presence of explosives in electronic devices. The new generation of sniffers uses per fluorocarbon taggants (PFTs) to help detect vapors emitted from explosives.
- *Tamper-proof seals.* Such seals ensure that containers have not been interfered with in transit. By using optical fluorescent fibers randomly embedded into the seal, evidence of tampering can be “read” by machine at any point to ensure that containers and vehicle tracking devices have not been interfered with. Thus they provide real-time confirmation of the integrity of the container or truck.

24. **The key constraints to Palestinian cargo handling at the Israeli ports are related to Israeli procedures rather than security technology³⁰.** Israeli gateways are already equipped with scanners and cargo handling equipment, enabling efficient inspection of both inbound and outbound cargo. A new system for the control of trucks, vehicles and fully loaded containers was installed at the port of Ashdod in 2003.

25. **Technology for verifying the identity of people crossing borders has also advanced,** and could be employed by GOI for Palestinian workers, business owners and travelers crossing into or transiting through Israel. Methods include;

- *Document recognition technology,* which verifies that a document (in this case, an Israeli permit) is valid and unmodified, captures the information in the document, and makes it available for comparison against other data bases, is being used at border crossings around the world and could speed up the crossings significantly³¹.

- *Explosives/weapons detectors,* which permit identification of dangerous material through clothing at safe distances.

- *Facial matching technology,* which uses a scannable digital picture ID and a camera to match faces and images.

Such technologies could also be employed by Palestinian security at its international gateways.

26. **Though recent, these technologies are being used in various countries around the world and have been shown to perform satisfactorily.** Scanners and sniffer technology are used at ports and airports throughout North America and Europe, while Israel itself is testing tamper proof sealing technology in the Qualified Industrial Zone (QIZs) in Jordan³². Facial matching technology systems are in use at several Canada/US border crossings. Significant investment would be needed, however, both to purchase hardware/software as well as to develop the skills of staff operating the equipment.

IV – Enhancing Trade Flows Through New Management Procedures

27. **Facility and technology improvements need to be complemented by new cross-border cargo management procedures and monitoring if their potential benefits are to be realized. A radical revision of procedures is the real key to change.** Improvements in procedures can be made without significant funding, and quickly. Recommended changes include i) adoption of the “redundancy principle” at the border passages; ii) the introduction of service standards and recourse systems; iii) a single inspection regime; iv) the adoption of risk management approaches; v) the use of free-circulating truck trailers and containerization, and vi) special provisions for Palestinian imports coming through Israeli gateways³³.

Redundancy

28. **If one gateway is closed for security reasons, an alternative gateway should be made available instead.** This would minimize the wholesale interruption of trade in response to a specific threat or incident. GOI would need to clarify to the Palestinian and international business communities how the new system would work, thereby creating increased business confidence³⁴.

29. **Underlying such a policy is the need for proper bilateral coordination at border crossings.** Such coordination is required both between Israeli and Palestinian authorities (on both security and customs issues) as well as within the Israeli administration (between the security and customs services). The evolution of information technologies now allows the rapid exchange of information and limits the need for face-to-face coordination.

Service Standards and Commercial Recourse

30. **The development and public sharing of service (performance) standards can help create business confidence and limit local *ad hoc* behavior.** Such measures can also be used to assess the impact of changes in procedures. Commonly-used performance targets include ceilings on the percentage of shipments inspected, and average times for waiting and for an inspection³⁵. Service standards can be applied at all crossings between Israel and Gaza/the West Bank, and at all international Palestinian goods gateways.

31. **Service standards should be developed in discussion with commercial shippers³⁶, and should take account of international standards and recourse systems.** One possibility would be the establishment of a joint committee involving Palestinian and Israeli government and private sector representatives, advised by (an) international expert(s). The committee could

start by reviewing the draft service standards proposed by the INSC in its dialogue with the Bank/donor team (see **Annex 1**). Procedures for the continuous review of performance and adjustment of the performance measures should also be agreed. Alternatively, a third party commercial organization could be contracted to assess performance and recommend adjustments.

32. **Inevitably there will be disputes that need resolution.** Options include adoption of a commercial arbitration system, such as the one used under the TIR Convention³⁷, or a modified approach involving the parties and independents in a panel system; this is essentially the approach used in NAFTA and under other regional trade arrangements. Any system of arbitration should be predicated on initial attempts to resolve disputes through consultation or conciliation.

Moving to a Single Inspection

33. **The requirement for inspections can be minimized by sealing a cargo after its first inspection, and limiting subsequent inspections to ensuring that the seals are intact.** This procedure requires the use of a container (or van that can be sealed) and a suitable method to quickly verify there has been no tampering with its contents; it also requires a quick inspection of the truck chassis to permit through movement of trailers (see paragraphs 37f.). For Palestinian imports, screening and sealing would be done at the international Israeli or Palestinian gateway; for Palestinian exports and goods originating from Gaza or the West Bank, at the crossing point with Israel³⁸.

34. **GOI is already testing electronic container seals, and is using single inspection procedures.** Containers with humanitarian supplies imported by UNWRA are sealed at the port of Ashdod and then inspected at Karni. Provided there is no evidence of tampering with the seal or container no further detailed inspection is re-

quired. Similarly, export containers from the QIZ in Jordan are sealed at the QIZ and then transported directly to Haifa with only a check of the seals. Subsequent routine inspection is then performed in Haifa.

The Use of Risk Management Systems for Security Inspection

35. **Computer-based risk management systems are widely used to select shipments that require physical customs inspection.** It would be relatively easy to develop a similar system for security inspections. For instance, the US Container Security Initiative (CSI) consists of four core elements: i) using intelligence and automated information to identify and target high-risk containers; ii) pre-screening those containers identified as high-risk, at the port of departure, before they arrive at U.S. ports; iii) using detection technology to quickly pre-screen high-risk containers; and iv) using smarter, tamper proof containers.

36. **For a selective approach to be feasible an integrated data system must be developed and tested.** Clearly such an approach would be much more effective if it can be introduced in coordination with Palestinian border security and customs officials. GOI would then be able to move away from the existing system under which almost all trucks and containers are inspected.

Free-circulating Trailers and Containerization

37. **Truck trailers that circulate freely both in Israel and the West Bank and Gaza would allow containers to move door-to-door.** These trailers would be permitted to cross the border, exchanging tractors and drivers in the process. To improve security, simple chasses that do not have any compartments that could be used for illicit purposes could be used. As part of the package of measures described in this section, the introduction of a free-circulating trailer system would permit GOI to abolish the back-to-back system of border cargo

inspections without appreciable additional risk. Free circulating trailers could be used at all crossings between Israel and Gaza and the West Bank as well as for transit cargoes.

38. **Additional efficiency could be achieved by creating staging areas for containerization, in which cargo could be consolidated into container-sized loads.** This would require appropriate warehouse storage and logistic facilities. Domestic containers can also be sized to accommodate typical consignments.

Palestinian Imports Arriving Through Israeli Gateways

39. **For imports via Israeli gateways, direct movement of goods in sealed containers or vans could be allowed under bond between the ports and the West Bank or Gaza.** Only a security check would be required at the port. From there, imports would be transported under customs seal directly to the relevant border crossing by truck and via a Gaza-Ashdod rail link as proposed by GOI (see paragraph 58)³⁹. The purpose is to remove the container from the port area, where goods are stored and labor and procedures are costly, and to move them towards their destination to avoid unnecessary delays. This would be linked to more efficient customs procedures (see paragraphs 42).

V – Improving Customs Procedures

40. **Although the issue is under consideration, it is assumed that the quasi-Customs Union between GOI and the PA will be maintained until final status negotiations. Current arrangements, however, warrant certain improvements.**

41. **A more coherent division of labor between Israeli and Palestinian customs should be introduced.** Specifically, Palestinian customs should once again assume responsibility for clearing cargo and collect-

ing custom duties at the external borders of Gaza and the West Bank. As a first step, such changes could be introduced at Rafah, Allenby and Damiya. Once air and sea links to Gaza have been established, the same approach should apply at these entry points as well.

42. Customs inspections could be performed at the border crossing or at an inland location designated by Palestinian customs. Goods arriving at Ashdod, Haifa and Ben Gurion and destined for the West Bank and Gaza could be checked for security and then moved under seal to the Palestinian border. There, Palestinian customs would clear customs and collect duties and taxes; this presumes that institutional strengthening has been achieved. For goods in marine containers, this internal site should be a designated Inland Container Depot (ICD). An ICD would facilitate the return of containers to the shipping lines while allowing the consignee to store the container and its contents under bond pending customs clearance.

43. It will be necessary to strengthen Palestinian customs capacities through a number of initiatives.

- The first would be to contract a professional firm⁴⁰ to build the skills of the Palestinian customs service⁴¹. Because of Israel's concerns about the protection of the common customs envelope after Israeli withdrawal from Philadelphi, moreover (see the **Overview Paper**), the PA should consider contracting out the management of customs services at the Rafah border to such a firm *ad interim*.
- A second is to further develop the ASYCUDA system used by the PA customs, and to integrate these data collection activities with the MILAM system used by the Israeli customs⁴².
- A third would be for the IMF to provide technical assistance for capacity building, if requested by the PA, to upgrade

the customs procedures processes and systems.

The effectiveness of the Palestinian effort could be monitored by the IMF under its current monitoring of budget execution, fiscal revenues and PA expenditures, on a monthly basis. Taken together, these measures should reassure Israeli customs that existing policies regarding classification, valuation, and collection can be implemented in a manner consistent with the Paris Protocol and applicable international codes.

44. Using risk and compliance management principles, the current focus on physical inspection should in time be replaced by post-release verification, including audit-based controls. While there will always be a need for some physical checking it is preferable to encourage compliance by offering rapid transit for transactions deemed to be low risk, and to apply significant penalties to those who fail to comply. If traders know the requirements in advance, this would minimize delays and their associated costs. Palestinian customs should adopt service standards in close cooperation with the Palestinian private sector.

VI – A Gaza Port and Airport

45. If Palestinian exporters are to become more competitive, they should also benefit from direct access to the outside world. The establishment of international sea and air gateways under Palestinian control would serve this purpose, providing an alternative to border crossings that have been prone to closure. The Bank's June 23 report proposes that the reconstruction of the seaport and airport could best be initiated through interim projects that are cheaper and faster to implement than a full-service seaport or a fully-reconstructed airport⁴³. The rapid development of an efficient Roll-On, Roll-Off (RoRo) container port, with reliable shuttle service to Port Said, would offer potentially faster and more reliable routes, but more importantly would

create a competitive alternative to the existing routes through Israel. For business travelers and small shipments for which time is important, a helicopter service could be introduced to Queen Alia airport in Jordan.

The RoRo Port

46. **The Bank's proposal is to reduce the time and cost for developing a seaport by constructing it in stages.** The first stage would be a shallow-draft (5 meter) terminal to serve RoRo traffic. This would provide an outlet for containerized high-value cargo that is both time-sensitive and important to the growth of the economy. RoRo shipping does not need extensive cargo-handling equipment and requires less berth space and operating draft⁴⁴. Although RoRo vessels are more costly to operate than cellular container vessels on longer routes, they can be competitive on short sea routes where time in port is a substantial part of total voyage time.

47. **The RoRo terminal would house a short-sea shuttle service loading export containers for delivery to Port Said/Damietta.** From there, containers would be transferred to the main yard for loading onto mainline vessels. For import containers, the reverse would apply. It is expected that the shipping service would be privately operated, initially employing a medium-sized chartered vessel (850-1200 lane meters) providing 3.5-4 round trips per week (and hence an annual capacity of 20-30,000 TEU in each direction). Capacity could be increased by introducing additional vessels and providing more frequent service. If traffic is insufficient to justify a dedicated vessel, the service could be provided via calls by RoRo vessels already operating in the region.

48. **The terminal would be sized for RoRo operations to minimize initial cost, but the breakwater could in time be extended to allow construction of deep-water berths for container and bulk vessels,** in a manner similar to the development

of Ashdod. In order to accommodate future growth as well as changes in trade, the port facilities should not be located near Gaza City but further south, in an area with adequate space to allow for expansion. It is expected that the design and construction of this terminal would require two years.

A Helicopter Service

49. **Access to efficient scheduled commercial airline services, both passenger and transport, is important for the Palestinian economy.** Since the use of Ben Gurion airport is severely restricted for Palestinian travelers, passengers from the West Bank generally need to use Queen Alia airport in Jordan while passengers from Gaza are required to cross to Egypt⁴⁵. Each requires border crossings and thus uncertain delays and the potential for missed flights or long stays in airports to ensure not missing connections.

50. **The airport in Gaza has been destroyed. Even if it were rebuilt, Israel is currently unwilling to allow fixed wing aircraft to take off and land in Gaza.** In order to provide a minimal air service while rebuilding the airport and developing a security understanding necessary for resuming regular flights, the Bank has proposed establishing a helicopter shuttle service to Queen Alia airport from Gaza.

51. **A private company could provide the service operating a chartered helicopter under visual flight rules on a designated flight path across Israel.** It could operate up to 5 trips per day; for a 14-seat helicopter, this implies an annual capacity of 20-25,000 passengers in each direction. These aircraft have limited capacity for cargo and would only carry courier packages. The helicopter would be based in Jordan and only land briefly at a dedicated heliport in Gaza. Due to the limited number of passengers and restrictions, the heliport could have relatively simple ticketing, immigration and customs services. It could be located at the Gaza airport, but the service

would probably be more attractive if it were near Gaza City. The helipad and passenger building are relatively inexpensive, and can be constructed in a short time. This service would compete with existing transit routes to Cairo and Al Arish by offering a shorter transit time and a service that would allow more reliable connections with international flights.

Security and Customs

52. **Since GOI will not station personnel in Gaza after withdrawal, security and customs clearance for the RoRo and the helicopter service remain at issue.**

- *RoRo port.* Security and customs checks for incoming cargo would need to be undertaken in Gaza, since security performed at the port of departure would not cover the period at sea. Containers coming off the vessel would be security scanned and moved off the terminal for customs inspection⁴⁶; technically it would be possible to feed the scanner output directly to Israeli security personnel located in Israel. Containers continuing to the West Bank should then be sealed and trucked out of Gaza without further inspection.
- *Helicopter terminal.* Standard airport arrival security and customs procedures would need to be carried out at the heliport in Gaza. The task would be much simpler than for the port, and could be facilitated with video surveillance.

53. **In both cases, a third party could assist the PA, or be contracted by it, to carry out security procedures.** A number of possible arrangements could be envisaged which should be able to satisfy Israel's security needs without compromising Palestinian sovereignty; these are likely to involve the use of a professional security contractor sponsored by one or more governments or entities acceptable to both GOI and the PA. The employment in Gaza of an international customs service provider has been discussed in paragraph 43.

VII – The Gaza/West Bank Link

54. **Gaza and the West Bank are integral parts of the Palestinian economy.**

An unfettered flow of people and goods between these two regions would make an important contribution to economic recovery and growth. A well-functioning link would create a larger effective internal market, help trigger a price and income convergence between Gaza and the West Bank (thereby directing factors of production, including labor, more efficiently), and provide a pathway between the economy of the West Bank and a future seaport in Gaza.

55. **International experience in establishing and maintaining efficient passage for people and goods has increased dramatically in the last few decades,** and includes the development of transit corridors for land-locked countries⁴⁷ and countries lacking adequate deepwater seaports⁴⁸, and – more recently – corridors to provide better routes than are available domestically⁴⁹. Significant progress has been made in designing protocols, procedures and protection systems for these corridors.

56. **The link between Gaza and the West Bank should permit flexible and low-cost transport that will improve Palestinian market competitiveness.** A simple road connection offers an immediate solution at least cost and with maximum flexibility.

57. **Security along the corridor can be assured using a combination of container scanning and sealing technologies at the exit border, combined with vehicle tracking devices to monitor movement across Israel.** Properly equipped tractor-trailers could travel on their own initiative rather than in convoy⁵⁰. This could be accomplished using a GPS system or transponder to monitor movement along fixed routes⁵¹. These systems are costly and data intensive, however, and given the short distance and transit time an alternative would be to record the times of departure and arrival.

val, and to sanction shippers that exceed acceptable norms. Since the vehicles would be security inspected when departing and then sealed, there is no reason to perform more than a cursory examination of the transit documents and seals at the other end of the journey. As a practical measure, it is proposed to pilot such an arrangement on one designated route as soon as the Karni and Tarkumiya border crossings have been equipped with the required technology.

were easier to obtain, were consistently respected and were not subject to cancellation because of security incidents unrelated to the permit holder.

58. **Options for a dedicated link are technically problematic.** These would require the construction of permanent infrastructure, and rail connections, elevated roads, fenced roads and tunnels have all been suggested. GOI has proposed a rail connection for people between Tulkarem and Ashdod⁵². If used for goods as well, the short distance and limited volume of bulk cargo would likely make this more costly and less convenient than road transport. An elevated road or tunnel would use truck transport, but would be immensely costly to build, and traffic volumes even under a full recovery scenario would not justify such an investment. Furthermore, a structure of this kind would be highly vulnerable from a security perspective.

59. **A reduction in transit time could be achieved quickly.** In the near-term, the re-introduction of the pre-*intifada* convoy system (which would not require costly investments in infrastructure or technology), accompanied by improved border crossing procedures, could provide secure movement with a transit time of less than one day. Within a year, with the appropriate equipment installed, it should be possible to reduce the transit time to three hours or less.

60. **Equally important for trade is the movement of Palestinian businessmen.** Restrictions on business travel between Gaza and the West Bank can only be partly overcome through the use of modern telecommunications. Making additional permits available for Palestinian businessmen would certainly improve the situation if permits

Annex 1
Proposed Israeli Border/Gateway Service Standards

Passage	Description of Activity	Duration	Remarks
Karni	Waiting time for approval to enter the passage	Up to 24 hours	Depends on establishment of a unified ordering center for coordinating and synchronizing
	Waiting time for entry of trucks into passage:		
	fresh products	Up to 2 hours	
	other cargos	3-4 hours	
	Service time for import/export truck at passage including loading/offloading and scanning	2-3 hours	
Erez	Waiting time for entry of people into the passage	1 hour	Not including exceptional cases
	Service time from entry into the passage	~5 minutes	
	Service time per container/ truck for export	Up to half an hour	Based on storage area in passage
Ports	Waiting time from offloading at port to release of containers	Within 2 days	Queue management
	Offloading time	1 hour	
	Container scanning time	Half an hour	
	Manual inspection time	Up to 2 hours	
Rafah	Waiting time for approval to enter the passage	24 hours	Waiting time prolonged due to security concerns (location of the passage)
	Handling at passage (per truck)	Up to 1 hour	
	Handling of outgoing passenger	~ 0.5 hour	
	Handling of incoming passenger	1-1.5 hours	
Jalame	Waiting time for approval to enter the passage	24 hours	
	Service time per truck at passage	Up to 2 hours	
Tarkumiya	Waiting time for approval to enter the passage	24 hours	
	Service time per truck at passage	Up to 2 hours	
Allenby	Waiting time for approval per truck	Up to 24 hours	Depends on upgrading the queue management system to allow "appointment" to be set by hours (currently – by days)
	Waiting time for entry of trucks into passage	1 hour	
	Service time at back to back passage	~ 0.5 hour	
	Departure time per passenger	~ 0.5 hour	

Source: *Economic Aspects of the Israeli Disengagement Plan, Meeting with the World Bank*, INSC, November 14, 2004, PowerPoint.

Endnotes

¹ This paper was prepared by USAID/The Services Group and the World Bank; December 1, 2004. It draws extensively on *Critical Commercial Transport Routes and Border Cargo Management*, The Services Group, September 2004.

² *Disengagement, the Palestinian Economy and the Settlements*, the World Bank, June 23, 2004, page i. See also *Four Years – Intifada, Closures and Palestinian Economic Crisis*, World Bank, November 2004.

³ This is further elaborated in **Technical Paper III**.

⁴ Use of this word in this paper does not imply any judgment by the Bank on the appropriate location of any political borders. The term is used to denote boundaries between areas of economic jurisdiction, and the movement of people and goods across them. Unless otherwise indicated, though, the location of these economic boundaries is assumed to be the security fence that surrounds the Gaza Strip, and the 1949 Armistice Line (the ‘Green Line’) in the West Bank.

⁵ See *Disengagement, the Palestinian Economy and the Settlements*, op. cit., and the **Overview Paper**.

⁶ OCHA, West Bank Closure Map – Summary, November 2004.

⁷ B’Tselem, *Forbidden Roads: The Discriminatory West Bank Road Regime*, 2004.

⁸ *Impact of Israel’s Separation Barrier on Affected West Bank Communities: Economic Impacts and Legal Developments. Follow-Up Report to the Humanitarian and Emergency Policy Group (HEPG) and the Local Aid Coordination Committee (LACC)*, November 2004.

⁹ Between May 1 and November 10, 2004, Abu Holi checkpoint (between Deir El Balah and Khan Younis) was closed for 25 days and the Beach Road (between Gaza City and Deir El Balah) for 28 days. When both roads are closed simultaneously, the Gaza Strip is dissected into three parts.

¹⁰ *Four Years – Intifada, Closures and Palestinian Economic Crisis: An Assessment*, World Bank, October 2004; chapter 1.

¹¹ A cumbersome procedure whereby freight must be off-loaded from one truck, carried across the border, and loaded onto another truck.

¹² Palestinian industry representatives also note that cargoes imported by Palestinian businesses through Ashdod and Haifa are subject to more stringent clearance procedures than the cargoes of Israeli importers. *Critical Commercial Transport Routes and Border Cargo Management*, op. cit.

¹³ The costs at the border crossings include processing and handling fees and delays, but not the costs incurred as a result of loss or damage to cargoes. For perishable and other fragile cargoes, such as fruit and vegetables, these costs can be particularly high.

¹⁴ TEU – Twenty-foot Equivalent Unit, a standard measure of container capacity.

¹⁵ For instance, cargo moving from Gaza to Nablus will need to undergo back-to-back transfer at least three times: at Karni, at the Tulkarm crossing point and at Howarrah checkpoint.

¹⁶ See paragraphs 24.

¹⁷ Automated SYstem for CUstoms DAta.

¹⁸ *Transit Trade and Maritime Transport Facilitation for the Rehabilitation and Development of the Palestinian Economy*, UNCTAD, 2003, and TSG interviews. The estimated land transport cost between Gaza and Port Said is about 30% more than between Erez and Ashdod. For shipments to the West Bank, Port Said would be about 50% more expensive than Israeli ports. Even for shipments from Asia to the West Bank, the Israeli ports offer significant savings relative to Aqaba.

¹⁹ Annex 1 Protocol Concerning Redeployment and Security Arrangements of the Israeli-Palestinian Interim Agreement on the West Bank and the Gaza Strip (September 25, 1995) covers transportation issues. Article VIII (Passages) details the joint Israeli-Palestinian control and management of passageways at the Allenby Bridge, Rafah and the Damiya Bridge. However, GOI presently retains full control of these passages. Article IX (Movement Into, Within and Outside the West Bank and Gaza Strip) contains provisions covering movement within the West Bank and between the West Bank/Gaza and Israel. In general, transportation within the West Bank is to be unrestricted, unless restrictions are introduced by GOI for security reasons. Movement into Israel from the West Bank Gaza is to be subject to Israeli laws, and is not restricted to any specific roads, while passage from Gaza to Israel is restricted to Erez, Nahal Oz, Sufa and Karni (commercial goods only) for Palestinian civilians. However, travel within the West Bank and between the West Bank and Israel is now severely restricted by Israeli checkpoints and roadblocks. Travel between Gaza and Israel is minimal due to GOI restrictions. Safe passage between the West Bank and Gaza is covered in Article X (Safe Passage). According to this article, safe passage was supposed to take place at Erez (persons and vehicles), Karni (commercial only), Tarkumiya and Mevo Horon. Permits would be provided to persons and vehicles, and those denied permits would be allowed to travel in public transportation escorted by Israeli police. Safe passage could be suspended by GOI at any time for security reasons, and presently security restrictions limit almost all travel between the West Bank and Gaza.

²⁰ According to the most recent COGAT Weekly Report (October 27, 2004), only 100 traders and senior businessmen (married and aged 35 or above) have received authorization to enter Israel.

²¹ Since Palestinian cargoes have to transit Israel in Israeli trucks. With Israeli trucks not permitted to enter Gaza, one back-to-back exchange is required at Karni. If the transport within the West Bank is a Palestinian rather than an Israeli truck, a second back-to-back exchange is required when crossing between the West Bank and Israel.

²² West Bank cargoes in 2004 have been singled out for the lowest quality of service, with delays extending up to 3 weeks. According to field interviews by TSG, the daily cost of renting an Israeli 12 ton one-chassis truck is currently about US\$150.

²³ *The Gaza Integrated Transport Planning Study*, The Services Group/Louis Berger, 2002, *Critical Commercial Transport Routes and Border Cargo Management*, op. cit., and recent interviews with shippers.

²⁴ A case study was undertaken to examine how the current situation with respect to border crossings and internal checkpoints impacted transport costs. Three transport routes were selected: Allenby Crossing to Nablus, Hebron to Nablus, and Hebron to Gaza. The methodology adopted was to plot how a fully laden Palestinian or Israeli registered goods vehicle would make its way along these routes.

²⁵ *The Gaza Integrated Transport Planning Study, Final Report*, op. cit.

²⁶ Cumulative growth in world trade volume, *Global Economic Prospects 2005: Trade, Regionalism and Development*, World Bank, 2004.

²⁷ The new facility at Jenin has a linear structure with parallel channels for scanning and an adjoining cross-dock facility for physical inspections. While these designs are meant to improve throughput, their principal objective is to maximize security. It is troubling from a trade facilitation standpoint that substantial capacity has been added for physical inspections with cross-docking between trailers rather than an exchange of tractors. Both limit the efficiency of the crossing and are likely to create significant delays.

²⁸ A detailed description of these technologies is provided in *Critical Commercial Transport Routes and Border Cargo Management*, op. cit.

²⁹ Assuming a two shift operation with 14 hours per day and 360 days per year, and allowing for peaking, the effective operational capacity for a single scanner would be 20,000 vehicles per year. The cost of inspections under a double-shift operation would be approximately US\$35 per vehicle.

³⁰ See paragraph 13.

³¹ New applications include fingerprint identification, smart card technology, and security seals based on public key cryptography and image-processing techniques.

³² For Qualified Industrial Zones, see **Technical Paper II**.

³³ The adoption of the redundancy principle and the application of service standards have already been proposed by GOI. *Israeli Disengagement Plan – Dialogue with the World Bank – Status Report*, Israeli National Security Council, August 29, 2004, PowerPoint.

³⁴ This is not to suggest that the Israeli authorities can or should be expected to provide details of how they intend to respond to specific security threats.

³⁵ The Bank's Trade and Transport Facilitation for South Europe (TTFSE) project has made significant efforts to develop and apply such measures in Eastern Europe and Central Asia. Various standards in use are described in *Global Facilitation and Partnership in Transportation and Trade*, the Australian Customs Service's annual report. The United States Department of Homeland Security's border performance guidelines are also relevant.

³⁶ For example, the Australian Customs Service successfully consulted with industry when developing a transport strategy – the *Container X-ray Strategy Preferred Transport Model*, Australian Customs Service, 2002.

³⁷ A common method of arbitration involving three arbitrators, one selected by each party and one agreed to by the parties. This would only be applied in the event of significant disputes involving important precedence. Israel is a signatory to the TIR Convention.

³⁸ If a manufacturer in the West Bank were able to have his shipment assessed, inspected and sealed in a container at his factory, no additional routine security checks would be needed before the Israeli border, even under today's conditions. Customs procedures would need to be integrated into this process as appropriate.

³⁹ This new mode of transport should complement, not replace existing modes since this would help foster competition.

⁴⁰ Such as SGS of Switzerland or the Crown Agents of the United Kingdom.

⁴¹ There are many international examples of governments entering into contractual arrangements with private sector organizations to handle customs (for instance, Kenya, Indonesia and Mexico). The role of the contractor is usually similar to that of a sovereign customs administration, applying the customs laws, policies and procedures of the host country. International firms can provide these services on a fee-for-service basis or for an agreed proportion of the revenue collected.

⁴² Matching the ASYCUDA and MILAM systems would be an important aspect of building the online risk management systems mentioned in paragraph 35f.

⁴³ Without precluding the eventual construction of a seaport and the reconstruction of the airport; see Annex 2, *Disengagement, the Palestinian Economy and the Settlements*, op. cit., Annex 2.

⁴⁴ This is important given the gradual slope of the eastern Mediterranean coast and the need for a breakwater for year-round operations.

⁴⁵ Cargo can use Al Arish (close to Rafah on the Egyptian side of the border) for regional flights, or Cairo for international flights.

⁴⁶ The crew can remain on board during the relatively short turnaround. The only cargo allowed on the terminal should be containers being marshaled for loading or recently unloaded and waiting for scanning.

⁴⁷ For example, Uganda, Nepal, Laos, Bolivia, and the countries of central Asia.

⁴⁸ For example, Iraq.

⁴⁹ For example, the route across Mongolia connecting Russian markets with Chinese ports, the connection between southern Thai markets and the Malaysian ports, and various links between the ports and countries in the Mercosur area.

⁵⁰ Prior to the *intifada*, a system of truck convoys making daily runs between Gaza and the West Bank was in operation, although movement was not always completely in accordance with the “safe passage” provision in the Interim Agreement (Article X of Annex I). While these convoys experienced the normal delays associated with organizing vehicles to move *en masse*, securing escorts, and traveling at the speed of the slowest vehicle, they provided reasonably reliable movement. However, there were problems regarding the agreed hours of operation of the passages and the provision of permits to drivers and vehicles. There were also problems with back-to-back transfers to the special-purpose convoy vehicles that operated within Israel, but the transit times – on the order of one day – were vastly superior to current conditions.

⁵¹ There are presently two technologies available. The first is a GPS/GSM system, which uses the Global Positioning System to pinpoint the vehicle’s position, and communicates this data via one of the local GSM cellular systems to the control center. The second technology is Radio Frequency Identification (RFID). This technology uses a small short-range cellular-like transmitter and small cell site equipment along the designated roadway to constantly communicate location and timing information to the control center. Both of these technologies are commercially available.

⁵² The proposed railway would run from Sha’ar Efraim near Tulkarem to Erez, and would be intended for passenger traffic. Israel is proposing to pay for the railway, and possibly for the train and rolling stock. Another spur between Sha’ar Efraim and Ashdod is also under consideration; this would enable cargo to be transported directly between the West Bank and Ashdod Port. *Economic Aspects of the Disengagement Plan, Meeting with the World Bank*, INSC, November 2004, PowerPoint.