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Trade Facilitation in the Occupied Palestinian Territory: Restrictions and Limitations

Executive Summary

Following the Israeli occupation of the West Bank (WB) and the Gaza Strip (GS) in 1967, the economy of the occupied Palestinian territory (OPT) became predominantly dependent on the much larger Israeli economy. The 1994 Paris Protocol, signed between the Palestine Liberation Organization (PLO) and the Government of Israel (GoI), attempted, at least theoretically, to remedy some aspects of the asymmetrical relations between the two economies, and to expand Palestinian external trade. However, the OPT's dependency on Israel further deepened in subsequent years and Israeli ports continued to be the major gateways used by Palestinian shippers (exporters and importers). Two factors explain the OPT's heavy dependency on Israeli ports: a) the limited, or almost no, access of Palestinian trade to regional port facilities in Egypt and Jordan; and b) the easiness of the clearance facilities available to Israeli agents who handle a significant amount of Palestinian imports, since Palestinian clearance agents have no access to Israeli port facilities.

Following the second Palestinian *Intifada* of September 2000, Palestinian shippers were confronted with a myriad of new problems associated with importing and exporting goods. This study identifies the major Israeli procedures and hurdles that face Palestinian shippers at the Israeli ports of Haifa, Ashdod and the King Hussein Bridge (KHB). Many trade impediments are common to the three gateways; including stringent security procedures and physical barriers, unilateral Israeli control over all gateways, movement restrictions imposed on the Palestinian people and goods, the back-to-back system, lack of information and resources, inadequate infrastructure, and limited working hours. The study also highlights the Israeli policies that are specific to each gateway.

As a result of Israeli procedures, Palestinian shippers, who are subjected to discriminatory treatment, bear additional direct and indirect costs; leading to higher transaction costs and thus the final cost of production and distribution (World Bank, 2008c). Ultimately, the competiveness of Palestinian exportable and importable goods in the domestic as well as the global marketplace erodes while the cost of imported inputs and consumer goods escalates.

Despite the fact that Israeli procedures and trade impediments hamper efforts to create tangible changes on the ground, the study argues that a number of measures, if implemented, could boost Palestinian trade and revitalize the economy in the short term. Hence, this paper also identifies and critically examines some of these measures.

One possibility, among many, is to seek and use donor aid to mitigate the constraints of the occupation. For instance, the improvement of trade conditions at KHB, including the need to process containerized shipments, would be a key element in facilitating Palestinian trade. In this regard, the introduction of the gantry scanner that was proposed by the Government of Netherlands (GoN) at KHB could boost Palestinian trade. For Palestinian shippers, the gantry scanner is intended to encourage the efficient movement of goods by eliminating the back-to-back process for moving goods (a costly, tedious process of unloading and reloading pallets for manual inspection), reducing damage to goods, allowing for the effective transportation of refrigerated and perishable items, enabling better packing of shipments in terms of the diversity and quantity of goods, and reducing transportation time and other costs.

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