

## **Gaza Strip – Real Crisis - 2007 How long for?**



*Funded by the European Union*

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### **Agreements**

The Access and Movement Agreement (AMA) signed on November the 15<sup>th</sup> 2005 between Israel and the Palestinians in the presence of Ms. Condeleza Rice, the US Secretary of State, to facilitate and enhance the movement of passengers and cargo to and out of Gaza after the Israeli disengagement, has not gone into effect. The closure remains the almost status to most of crossing points especially after February 2006 when Hamas won the elections.

The Paris economic protocol has tied the Palestinian economy along with the Israeli economy for the interest of the latter in the control of exporting and importing gateways. According to the Israeli-Palestinian economic agreements, Palestinian shippers are to enjoy access to all trade-related facilities used by Israeli shippers. However, neither prior to 2000 nor since then has this been the case. Thereby the Israeli barriers at borders represent the biggest and the number one obstacle that the Palestinian importers have to deal with.

### **Gaza Clashes**

As a result of the 14<sup>th</sup> June 2007 incidents, the situation in Gaza has deteriorated extensively. Israel has declared Gaza as enemy territories; Israeli Customs Authority instructed custom agents to stop clearing any containers that are destined to Gaza, whether they are already custom cleared or are about to arrive to any Israeli port and they deleted the custom code dedicated for Gaza from the computer system..

### **Commercial Crossings**

Al Montar-“Karni” Terminal is considered the major commercial terminal of Gaza Strip, where it connects Gaza Strip with the West Bank, Israel and the rest of the world. The terminal is deemed the lifeline for the 1.5 million inhabitants of the Gaza Strip. Despite the Israeli approval in March 2007 to increase the operation hours till 2300, the overall performance of Al Montar terminal during last year is deemed critical and deteriorating in comparison to previously observed averages. It has been noticed that the terminal has operated for 29% of available time with an average of 20% of its capacity which harshly affects the situation in Gaza.

The Israeli continuous blockage of Al Montar-“Karni” Terminal has further aggravated the problem. The terminal itself has been completely closed since 12<sup>th</sup> June 2007 including other crossings like Sofa, Auja and Rafah Commercial Terminal that should have been opened and in operation according to the AMA.

### **Gaza Requirements**

The Gaza daily needed products from Israel, West Bank and international markets are estimated to be the load of 300 trucks including raw materials and other commodities. Currently only humanitarian and basic food products are allowed to enter Gaza via Sofa and/or Karem Shalom “Kareem Abu Salem” crossings with an average of 100

trucks per day where the actual daily need for these type of products is estimated to be 130 trucks.

Therefore; the reserves of basic commodities were pout at very minimal levels. The current available input prices have increased dramatically due to the implication of the current political unrest.

## **The Impact**

The economic situation is also affected with closure imposed on exports and the limitation of imports to basic commodities and processed food, while needed raw materials for industry production are banned from entry.

Gaza's high poverty (85% of households are living under the poverty line) and unemployment (65%) levels have sharply limited households' ability to buy supplies.

These factors amongst other impediments have affected and impacted the operation and growth of the private sector enterprises.

Most of the 3,900 industries in Gaza are manufacturing industries of which there is a 95% dependency on imported raw materials. Also there is an 80% dependency on the imports of machinery and maintenance parts which can lead to the suspension of production lines. These manufactured products are usually exported to Israel, West Bank and abroad with an average of 748 truck load per month in a peak season (168 Furniture, 143 Textile, 154 Food Products, 283 others including Agriculture). All of the Animal and Chicken feed, fertilized eggs and Veterinary drug are imported into Gaza.

Currently 85% of establishments have shut down and the rest are operating with 50% capacity leading to unemployment of more than 35,000 workers.

As a result, direct and indirect losses are estimated at US\$ 4 million for the Furniture Sector, US\$ 12 millions for the Garment and Textile Sector and US\$ 3 millions for the Processed Food Sector.

The summer season is critical for the exports of industrial sectors. The planting season normally starts in June for the upcoming export season in November. If the border terminals remain closed, the sector will face a 100% loss in sales estimated to be more than US\$ 12 million.

In Agriculture there are a total of 5,000 farmers in the cash crops sector (excluding ex-settlement farms) where they completely depend on imported fertilizers, pesticides, sterilization gas, seeds, seedlings, packaging materials, etc. The imports of these products are critical in the summer season. If cultivation needed materials are not available there will be a 50% drop in the quality and quantity of produce. 100% of sector output is for export.

Further more and due to the lack of needed raw materials, 95% of construction projects are halted and can't be completed with value of more than US\$ 150 million including UNRWA, UNDP and other projects. This will affect the income of hundred of thousands of Palestinians.

Along with the above mentioned situation there have been more than 1600 containers stuck at the Israeli freight terminals and warehouses.

PSC contributed to obtaining the following temporary measures for Gaza based importers:

1. Humanitarian aid is allowed to enter Gaza. This includes goods (medical equipment, medicine etc.) imported by the private sector.
2. Cargo destined to international & foreign organizations are allowed to enter Gaza.
3. Importers are allowed to send cargo to West Bank if the customs report (Richimon) is changed from Gaza to West Bank. Accordingly, full loaded containers are allowed to pass through "Sharefraym" border crossing (Taybeh), while pallets are allowed to pass through: "Sharefraym", "Beitunia" and "Jalameh".

As a result, the current number of pending containers decreased to reach 750 with value of \$40 millions.

Accordingly, an estimated total of US\$ 3 million are paid as demurrage fees and others.

None of the empty containers that are already in Gaza (500) are able to exit the border crossing, which add extra burden to the losses of the shippers who will pay further demurrage cost to the shipping companies (more than \$ 1 million).

In addition, PSC requested from all relevant international, Israeli and Palestinian parties to inform their Agents, sub Agents, Freight Forwarders, Custom agents or members that the Palestinian importers will not and should not be liable to any demurrage cost, since the decision of blocking their containers is an Israeli decision. This should include all shipments that are destined to Gaza and whether they are already customs cleared or are about to arrive to any Israeli port or the containers that are already in Gaza and are unable to leave.

In view of the above, the technical problems are summarized with the following points:

- Accumulated imported products and containers in the ports.
- Closing of crossing points with Israel and Egypt.
- Lack of raw materials needed for industrial operations.
- Inability to export manufactured and agricultural products.
- Movement restrictions on businessmen.

**Associated economic impacts are:**

1. More than 3,200 establishments have temporarily closed.
2. About 70,000 employees are temporary laid off.
3. Estimated US\$ 35 million losses for the private sector.

4. Halting the utilization of US\$ 160 million on construction projects.

**Require immediate actions:**

- Allowing clearance of accumulated products from Israeli ports.
- Opening of crossing points for both imports and exports.
- Canceling all eligible demurrage and storage costs.
- Smoothing the movement for businessmen.

Sources of information: (1) Industrial Associations (WIU, SFOU, TIA, PFIA)  
(2) PSC (3) PalTrade (4) Gaza Chamber of Commerce