



**Gaza importers.....this suffering until when...**

**PSC Study**

**Estimated importers loss of \$3 million dollars**

July 2007

Palestinian Shippers' Council



# Palestinian Shippers' Council

## مجلس الشاحنين الفلسطيني

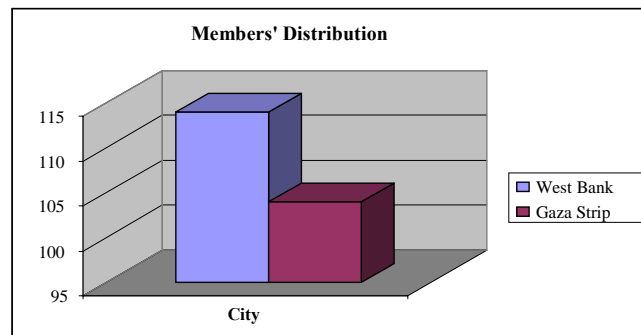
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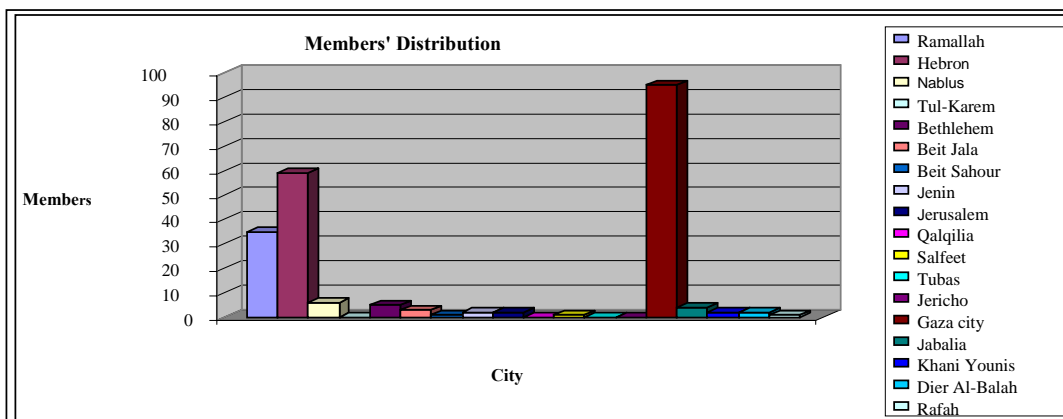
**Palestinian Shippers' Council (PSC)**

The Palestinian Shippers' Council (PSC) is still in its embryonic phase, but it has already established itself as the voice of Palestinian shippers and boasts a growing membership. Such an outstanding performance record would have been impossible without the support of EU, which provided the seed funds for establishing the PSC; UNCTAD's technical support and expert advice; PalTrade during the first ten months; the Ministry of National Economy's committed support; and our members' contributions.

Indeed, the PSC has outperformed all expectations. It grew from just 17 preparatory committee members to almost 350 members, representing various sectors and regions, in which 122 members are from Gaza. 218 members paid the one off payment registration fee of \$50 (104 from Gaza and 114 from the West bank), see members' distribution in (graph 1 & 2). PSC's main office is located in Ramallah and the regional office is located in Gaza. The first Board of Directors was elected in June 2007, bringing together 13 members, including 8 from the West Bank and 5 from Gaza.



**Graph1: Members' distribution between West Bank & Gaza**



**Graph2: Members' distribution between cities in West Bank & Gaza**

The PSC has strengthened its negotiating stance, particularly vis-à-vis shipping lines, forwarders, and port authorities. Shippers are also benefiting from the PSC's wide range of services and advice on daily problems. Indeed, the Council has successfully solved problems reported by members, with tangible benefits for the shipping community in terms of cost reductions and trade opportunities. PSC has also established strategic partnerships and will be signing Memorandum of Understanding with relevant institutions to obtain favorable rates and shipping conditions. It will also deliver tailor-made training activities and services to strengthen the members' institutional capacities. The achievements of the PSC during the past year are only a small token of the PSC's future. Next year will witness more achievements and the launching of new services to develop the shippers' capacities and reduce transport costs. In addition, the PSC will expand its network of national, regional, and international partners, and exhaust all possibilities to achieve these objectives.

The PSC conducts periodic needs assessment, using the membership form and questionnaires as a tool for examining the factors influencing the shipping sector. The result of this exercise enables PSC to identify major logistical and technical problems that are common to most shippers and require immediate intervention. Follow-up surveys are also conducted to obtain feedback on specific issues that are identified by members as requiring immediate action.

The PSC has also launched its institutional website ([www.psc.ps](http://www.psc.ps)), which is regularly updated with the Council's activities. The website features updates on cargo movements at "Al Montar" – "Karni" crossing point and vessels schedules at main border crossings, in addition to technical reports of interest to the shipping community. It is linked to international shippers' councils, and provides Palestinian shippers with access to international trade help desks, such as the European Export Help Desk.

**Importers in Gaza: edge toward Crisis**  
**Study by PSC: Estimated imports' loss of 3 million dollar**

**Introduction:**

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. Lately, the Israeli Customs Authority instructed customs 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 or the containers that are already in Gaza and are unable to leave. This decision constitutes yet another measure of Israel's policy of effectively isolating Gaza economically, diplomatically and militarily. Further aggravating the problem is Israel's restrictive overland and transport measures and the blockage of Karni "Al-Montar" border, which inflated transporting costs and undermined the selling prices of products. 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. Other crossings like Rafah Commercial Terminal that should have been opened according the AMA is still not operating. During last year, Al Montar terminal has operated for limited capacity and mainly for imports of basic commodities and humanitarian aids. No exports were observed due to closure imposed on Gaza Strip territories. Moreover, the terminal has not operated for crossing out empty boxes or empty containers. The overall performance of Al Montar terminal during the last year is deemed critical and deteriorating in comparison to previously observed averages, which harshly affects the situation in Gaza. The reserve levels of basic commodities were pout at minimal levels. The economic situation is also affected with closure imposed on exports and the limitation of imports to basic commodities and stuffed food, while needed raw materials for industry production are banned from entry. The continuous closure and limited working capacity of the terminal has caused long queuing of shipments due to enter Gaza. This has resulted in making truck drivers blackmailing traders for the cost of transportation to reach up to NIS 30,000 per shipment. Of course, this is reflected on to final customers in return. As a result of the risky situation of Gaza, movement in and out of the Gaza has been restricted for all foreigners, including those working for international organizations. Palestinian National Authority and municipal services are unable to provide essential services to the population. Gaza's high poverty (79% of households are living under the poverty line) and unemployment (60%) levels have sharply limited households' ability to buy supplies, fuel and water. These all factors have affected the operation and production of the private sector enterprises.

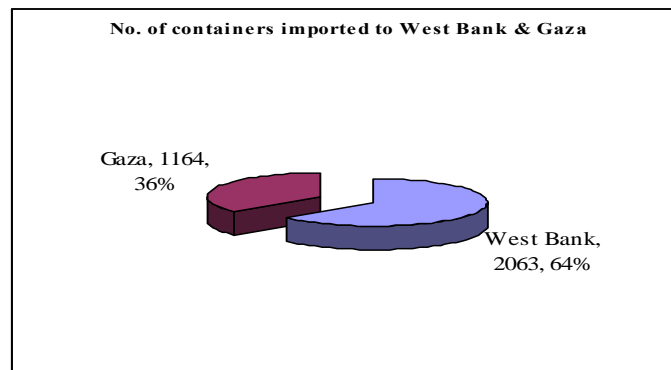
This policy is destroying the business sector, creating a new welfare regime in Gaza, and turning growing numbers of Gaza residents into dependents on international welfare agencies and religious charities.

The Palestinian Shippers' Council has taken effective action and discussed the above-mentioned impediments and issues with the concerned parties and authorities reacting to Israel's decision to close the said border for Palestinian traders in Gaza, the PSC pooled efforts with the Palestinian Businessmen Association in Gaza, and sent a joint letter to the Palestinian Authority including the president, prime minister, the Head of negotiating Team and the International community requesting the re-opening of Karni. Consequently, 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".

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.

Normally around 3228 containers are imported to the West Bank & Gaza; around 1164 containers are destined to Gaza (one third of the total number) and 2063 containers are destined to West Bank, see (graph 3).



Graph 3: No. of containers imported to West Bank & Gaza

PSC distributed a questionnaire among its 104 members in Gaza to determine their estimated loss due to the imposed Israeli arbitrary decision of blocking the transfer of

commercial goods to Gaza. The study was conducted on the 4<sup>th</sup> of July 2007 estimating the number and value of containers that PSC's members have at Israeli ports and are expected to arrive by the second week of July 2007. The questionnaire also highlighted the names of the most frequent used ports for import activities and the names of storage warehouses facilities "Bonded". Furthermore, members were requested to state their anticipations of desired services that are expected to be fulfilled by PSC.

### **Findings:**

The closure of the crossings has serious implications on the Palestinian importers who have to absorb tens of millions of dollars in losses and carry further costs of storage fees to the ports and delay fees to the shipping companies. By the second week of July 2007, the volume of extra expenses of storage and demurrage fees was estimated at around \$3 million dollars. The study also indicated that more than 1600 containers worth over \$130 million dollars are presently held up at the freight terminals and warehouses in the ports. Whereas, the number of members' blocked containers at Israeli ports on the 4<sup>th</sup> of July 2007 was around 850 containers, with the value of \$65 million dollars, while the number of containers that were expected to arrive by the second week of July, were around 450 containers with the value of \$35 million dollars. Indeed, these figures are on the increase if the crossings remain closed.

It was also noted that more than 50% of importers in Gaza use Israeli warehousing facilities "Bonded" to store their goods. The most frequent bonded used are: Overseas, Ashdod Bonded, Ashkol, Yaleem and Tembo. Importers are forced to store at bonded areas for various reasons including; a long delay in the clearing/security procedures is expected; a product needs to be inspected by the Standard Institute; customs duty can only be paid when the goods are sold/placed in the market (i.e., cars and cigarettes); and closures of borders as in the case of Karni. Storage companies refused to negotiate prices due to the situation. They have even increased the price of storing under the excuse of lack of space.

The study also showed that more than 80% of members in Gaza use mainly Ashdod port for both direct and indirect imports for marketing and distributing inside the Gaza or for using them as raw materials in domestic industries. The remaining 20% use both Haifa port and Ben Gorion airport.

To cater the needs of the Palestinian shippers' community; importers suggested the following services to be developed by PSC:

1. Entering imported goods into Gaza.
2. Facilitating the clearance procedures at the Israeli ports.
3. Obtaining competitive rates and favorable conditions and achieve savings for Palestinian shippers from the service providers.
4. Obtaining longer free demurrage period (containers) from shipping lines.
5. Translating, summarizing and disseminating to members on an immediate basis all notifications received by PSC on port operating conditions, regulations and specifications

6. Obtaining low prices on transportation of containers from ports & west bank.
7. Appointing a steering committee to follow up the implications of Gaza borders.
8. Appointing a committee to follow up technical issues at the crossings.
9. Obtaining compensation for the loss incurred from all concerned parties.
10. Recruiting and consulting international and national lawyers.
11. Providing warehousing facilities similar to the Israeli bonded with low prices.

PSC had also tested members' feedback in regards of recruiting and consulting international lawyers on the legality of withholding the containers and imposing the demurrage; the results of the study showed that approximately 56% of the members are even willing to pay the costs of these legal advisors.

### **Conclusion:**

Despite the 15<sup>th</sup> November 2005 Protocol signed 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 (AMA) to and out of Gaza, the closure remains the almost status to most of crossing points especially after February 2006. The Israelis have tied the Palestinian economy along with the Israeli economy for the interest of the latter and the control of the natural resources, and thereby the Israeli barriers at borders represent the biggest and the number one obstacle that the Palestinian importers have to deal with. Consequently, and with the absence of authorities, the Palestinian foreign trade is captive to the Israeli economic policies. The closures prevented the importers from bringing their goods to their warehouses, and thereby would store in Israeli warehouses or "bonded" in order to avoid the high storage costs at ports. Yet this policy backfired on Israeli importers. The later are troubled by the consequences of the continued closure of the crossings, especially because of the fear it will undermine the service given to the importers<sup>1</sup>. Furthermore, the need to store hundreds of containers designated for Gaza, caused the terminals at the Ashdod and Haifa ports to be piling up quickly and this is creating heavy congestion that is interfering with Israel's foreign trade. Normally it takes a container an average of three weeks to go from Israel to Gaza and that is too much. Now the situation is even worse because of the backlog that the closure is creating and the long waiting delay at Karni if it opens again.

Trade facilitation came quickly to the forefront of PSC's issues as it continues to play an important role in the development of the Palestinian economy; it enhances the competitiveness of shippers in a situation like this, by trying to allow them to trade goods and services freely and with low transaction costs. Accordingly, the PSC in cooperation with the majority of Palestinian Institutions and the relevant ministries is engaged in extensive preparatory work for negotiating commitments on trade facilitation with the Israeli side especially in regards of Gaza's dilemmas. .

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<sup>1</sup> IFFCCA – Israeli Freight Forwarders Clearing and Custom Agents