

Trade Facilitation and the Karni Border Crossing

By Majdi Haj Khalil

Introduction

The Palestinian shipping sector's performance is mainly influenced by the occupied Palestinian territory's (oPt) landlocked status and, as such, complete dependence on the utilization of neighbouring transport facilities for participation in international trade. However, in contrast to other land-locked states, whereby access to international markets is obstructed by the absence of seashore, Palestine's poor market-access conditions are dictated by the absence of a national seaport, not the absence of coastal fronts. In addition, Israeli control of the borders and transport routes causes Palestinian trade to be totally dependent on political considerations and developments in the peace process and regionally.¹

At present, Palestinian shippers are mainly dependent on Israeli port facilities for export and import activities. Palestinian traders use Ashdod and Haifa ports, and to a lesser extent Ben Gurion airport, for direct and indirect imports and for most exports. Palestinian freight forwarders are also heavily reliant on Israeli agents, who charge high fees. Only limited merchandise trade flows through the Allenby and Rafah border crossings with Jordan and Egypt, respectively, and Nitzana/Auja Israel-Egyptian border crossing. Moreover, approximately one-third of total Palestinian imports from the rest of the world, excluding Israel, are registered as destined for the Palestinian territory, whereas Israeli shippers, who deal with the two economies as one market, import the rest indirectly. Palestinian traders also face prohibitive transaction costs, in view of the complex customs and overland transport procedures imposed by Israel at main border crossings.

Since the year 2000, the second *Intifada* has further aggravated market access conditions facing Palestinian shippers and has increased the transaction costs accrued by Palestinian shippers. Palestinian trucks are no longer allowed access to Israel to transport cargo, and commercial vehicles should obtain a special permit from the Israeli authorities to travel within the West Bank. The ineffective and costly back-to-back transport system, instituted by Israel for trade with Gaza and Jordan in the mid-1990s, is now widely implemented at checkpoints and other crossings throughout the occupied territory. At the same time, and according to the results of a survey conducted by the Palestinian Shippers' Council, products originating from Israel are given priority at main border crossing points over those originating from the West Bank, and Palestinian traders are experiencing substantive losses due to recurrent strikes by workers at Israeli ports.

Yet another major impediment is the Israeli Separation Barrier that is being constructed around the West Bank. When completed, the barrier will be 670 kilometres in length, of which only 20

¹ UNCTAD (2004), *Transit and Maritime Transport Facilitation for the Rehabilitation and Development of the Palestinian Economy*. New York and Geneva, United Nations Publications.

per cent will run along the 1949 borders.² The barrier has fragmented the West Bank into isolated islands, and its effective length will be twice the length of the 1949 contours of the West Bank, since a major part intrudes into the West Bank to a depth of 22 kilometres in some areas.

Reducing the unacceptable and abnormally high transaction costs facing Palestinian shippers requires first, and above all, removing the Israeli restrictive measures on the flow of Palestinian merchandise trade to the rest of the world. Moreover, Palestine needs to have its own seaport in Gaza to overcome its imposed landlocked status. However, the lack of political stability means that the construction of this port is likely to be subject to further delays. At best, it could be operational four years after commencing construction, a step that for the moment remains elusive. This means that Palestinian enterprises will have to be heavily reliant on Israeli and other regional ports in order to participate in international trade for the coming few years, at least.

Who is 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 ECATO, 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, representing various sectors and regions. 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. 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 counts on its members' continuous support and contribution to capitalize on its achievements and ensure responsiveness to the shipping community's needs.

Palestinian Trade Facilitation Efforts

Trade facilitation came quickly to the forefront of PSC's issues as it plays an important role in the development of the Palestinian economy; it enhances the competitiveness of shippers by allowing them to trade goods and services on time and with low transaction costs. Accordingly, the PSC is engaged in extensive preparatory work for negotiating commitments on trade facilitation with the Israeli side.

² United Nations Office for the Coordination of Humanitarian Affairs in the Occupied Palestinian Territory (OCHA-oPt) (February 2005), *Preliminary Analysis: The Humanitarian Implications of the February 2005 Projected West Bank Barrier Route*. Jerusalem, OCHA, February.

There is a wide range of activities involved in the movement of goods in international trade, such as import and export procedures (e.g.: customs or licensing procedures); transport formalities; and payments, insurance, and other financial requirements, of which trade-facilitation efforts are needed to reduce cost.

The PSC managed to bring together Palestinian shippers and relevant governmental and nongovernmental institutions for the first technical conference on “Facilitating Palestinian Trade” as a means to focus on solutions to the complex Palestinian trade-facilitation problems. The conference was the forum for an interactive dialogue between national and international experts to explore the needs of the Palestinian shippers’ community. The following topics were included in the conference: PSC–Achievements and Future Plans; Integrating Palestinian Shippers with International Markets; Export/Import Shipping Operations: Needs Assessment and Major Problems; Karni Problems and Monitoring; Customs Modernization and Operations at Rafah; The Importance of Statistics in Trade Facilitation; Gaza and West Bank Border Crossing and Overland Transport: Post-Gaza Disengagement and the Agreement on Movement and Access; Proposals to Facilitate Palestinian Trade at Border Crossing Points; and Public-Private Partnership for Palestinian Border Crossing Development

Karni ... this suffering until when ...

Palestinian traders face tremendous difficulties and obstacles when bringing goods into Gaza through Al-Montar border crossing or, as Israel calls it, the Karni crossing. Such a process requires unprecedented, cumbersome procedures dictated by the Israelis.

The first step is telephone coordination with a booking center that is controlled by the Israeli Airport Authority and responsible for issuing all entry permits for trucks and goods crossing into the Israeli side of Karni. Then a packing list that details the type and origin of the goods must be compiled and submitted. Only then will the booking center provide the trader with a date of entry for goods into Gaza, after which the trader must coordinate with drivers on both sides of Karni in order to move the goods. Prior to the second Intifada, the cost of moving goods from Israel to Gaza or from the West Bank to Gaza did not exceed NIS 4,000.

A Palestinian trader under normal circumstances should not have difficulty in implementing the steps above, but because of the special situation that surrounds Gaza and its population, these procedures only serve to exacerbate the already impossible situation in which ordinary Palestinians find themselves. Traders are at the mercy of Israeli drivers and others who abuse Palestinians’ lack of freedom of movement and inability to negotiate. Examples of frustration and double standards abound: When Palestinians phone the booking center, lines are continuously busy; procedures to be followed by certain Israeli companies are less complicated than those for Palestinians and result in much quicker and easier bookings; Palestinian traders have to wait between two and five weeks for entry approval due to bogus bookings by the Israeli drivers. Those drivers seem to have a contact within the booking center who enables them to pre-book and to sell slots at any time they choose. This lengthy waiting time adds an extra storage cost for Palestinian importers.

For unknown reasons, the opening hours of the Karni crossing point are variable from one day to the next. Frequently, the crossing is overbooked (often by Israeli drivers who have booked imaginary goods), which results in a huge backlog that could triple the waiting time if a closure is imposed even for a brief period.

Deleted: traders

The Israel drivers who book imaginary goods have created yet another way to exploit Palestinians. Palestinian traders, who are willing and able, will pay a hefty price to “purchase” booking slots from Israelis with bogus goods. At times, the price can reach NIS 35,000–40,000. In addition, the inspection procedures at the border are often used as a means of harassment. Even when the necessary paperwork is in order, the inspectors can deliberately damage the goods or even “lose” goods during the seemingly interminable process.

Deleted: traders

The suffering continues when Palestinian traders attempt to return empty shipping containers to the port. They are sometimes forced to wait for weeks or even months. Consequently, the importer must pay a high demurrage cost that could reach thousands of US dollars.

The realities described above significantly weaken Palestinian trade possibilities and negatively affect the economy. Local goods are sold at exorbitant prices that most Palestinians cannot afford, thus reducing the market to total dependence on Israel.

The proposed solution ... if anyone is listening ...

The Palestinian Shippers' Council has taken effective action and discussed the above-mentioned impediments and issues with the concerned parties and authorities in order to alleviate the situation at the Karni crossing. Among the measures it has suggested are: ensuring that the crossing is open 24 hours per day; opening extra inspection lanes in order to reduce waiting time; opening special lanes for goods being exported from Gaza; facilitating the return of empty containers from Gaza to the port; increasing the number of staff and phone lines at the booking center; eliminating the double standards that exist with respect to Palestinian and Israeli traders.

As a result of the pressure exerted on the Israeli authorities by the PSC and other relevant parties – public and private – an agreement was reached to extend the working hours at Karni crossing to 11 p.m. As a modest first step, this will at least address part of the problem. Currently new staff are being recruited and trained for this purpose. The new opening hours were implemented on a trial basis during April 2007.

The PSC must continue to demonstrate that is an independent and professional institution dedicated to promoting the collective interests of *all* Palestinian shippers – small and large alike. It must take the stage as a national trade-facilitation institution that has the potential to represent the combined power of Palestinian importers and exporters. Although important strides have been made in the areas of outreach, advocacy, and awareness-raising, now is the time to redouble its efforts to maintain and sustain its vital role.

Mr. Haj Khalil is the general manager of PSC and has more than 17 years of experience in management, finance, and business administration. He worked as a financial director and management consultant at the UK-based Zaha Hadid Ltd, a leading company in the area of

architecture engineering. He is Palestinian born and bred and was educated at King's College London. He can be reached at majdi.khalil@psc.ps or www.psc.ps.