

June 19<sup>th</sup>, 2006

**Despite Peretz's Statement, Only Small Improvement in Karni's Throughput**

**Severe and Ongoing Harm to Palestinian and Israeli Private Sectors due to Limited Functioning of Karni Border Crossing<sup>1</sup>**

Four weeks ago, on May 17, 2006, Defense Minister Amir Peretz instructed the defense establishment to open the Karni Border-Crossing to the movement of goods from the Gaza Strip. This important decision was made in light of the economic and humanitarian deterioration in the Gaza Strip, and following heavy pressure from the international community and Israeli organizations and businesses.

Since this decision, and despite the fact that the Karni Border-Crossing was not completely closed for even one day, there has been **only a small improvement** in the volume of goods entering and exiting the Gaza Strip. **The economic impact of this "improvement" has been negligible. Exports** during this period have been only "symbolic". For instance, during this period, the Crossing was closed to the export of Palestinian goods for 8 days; on days in which the crossing was open, a total of **454** trucks left the Gaza Strip, an average of **23** trucks a day. Meanwhile, **imports** have improved slightly and since Peretz's statement, with an average of **400** trucks entering the Gaza Strip every day. Moreover, there is an enormous gap between the number of entering and exiting trucks that is disproportionate to the population's needs.

For the purpose of comparison, in the Agreement on Movement and Access signed in November 2005, it was established that the Government of Israel would allow the exit of 150 trucks per day by the end of 2005, and 400 trucks per day by the end of 2006. These specific numbers were chosen according to an estimation of what would be necessary to improve economic development and the humanitarian situation. In reality, Israel is currently permitting the exit of only 10% of the number of trucks agreed upon for the end of 2005.

**The Karni Border-Crossing operates for an average of 7 hours a day**, and considering the small number of trucks being allowed to exit, it is clear that **the crossing is operating at a very limited capacity, and is producing low throughputs, well below its potential capacity.** The justification for such limited operating hours is unclear, as the security argument regarding the danger of working

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<sup>1</sup> The Peres Center is tracking the developments at the Karni crossing, following the position paper issued by the center on May 8, 2006, entitled "*Palestinian and Israeli private sectors severely hurt by prolonged closure of Karni border crossing - Policy recommendations.*"

after daylight hours is no longer relevant in the summer, when there is 12-13 hours of daylight.

The resulting limited quantity of goods reaching the Gaza Strip leaves the 1.4 million Palestinians with a minimal livelihood and only basic subsistence, preventing both basic economic functioning and any real humanitarian improvement. Despite the military reality and the threats to the Border-Crossing, **the optimal balance point must be found between Israel's legitimate security needs and opening the Palestinian population's lifeline.**

The limited functioning of the Karni Border-Crossing continues to exacerbate the economic and humanitarian collapse in the Gaza Strip, causing fatal harm to the private sector in the Gaza Strip, and the loss of tens of millions of dollars to the Palestinian economy. Dozens of factories and greenhouses have already closed and thousands of people have lost their jobs. The closure of the crossing has also caused heavy damage to the Israeli private sector at the level of tens of millions of shekels in the textiles, furniture, agriculture and other industries. This situation disallows the continuation of bilateral trade between the two sides, and puts an end to the economic relations between the parties – to the dismay of both sides. As such, Israel continues to negatively impact the moderate Palestinian public, and is losing its influence on Palestinian public opinion. In the long run, this is also weakening the political opposition to Hamas. **Even though the Karni Border Crossing is technically "open" – its limited functioning negates the possibility of economic recovery and the return to normal economic relations.**

The status of the Karni Crossing has a major impact on the definition of Palestinian-Israeli relations. The solution or lack of solution to the problem will undoubtedly dictate the direction of future economic relations between Israel and the Palestinians, and will ultimately influence prospects for future economic cooperation.

**The Defense Minister's declaration regarding the opening of the crossing and its functioning capacity should be translated into a clear policy.** The crossing's sub-functioning is causing tremendous short and long term damage. **The Palestinian private sector must be allowed to maintain trade.** This will enable the continuation of Israel's relationship with a moderate and important public ally. In addition to humanitarian aid, the **export of goods** from Gaza should be allowed through the Crossing so that factories can continue producing and providing jobs. Moreover, **it is vital to recognize the benefit of Palestinian-Israeli trade to the Israeli economy.** Enhancing Palestinian and Israeli trade should be given priority, based on the understanding that such trade will not benefit only the Palestinians, but is of mutual economic interests to Palestinians and Israelis alike. **A clear policy should be compatible with the Defense Minister's statements, and should be implemented on the ground in an expedient manner in order to address this current crisis.**