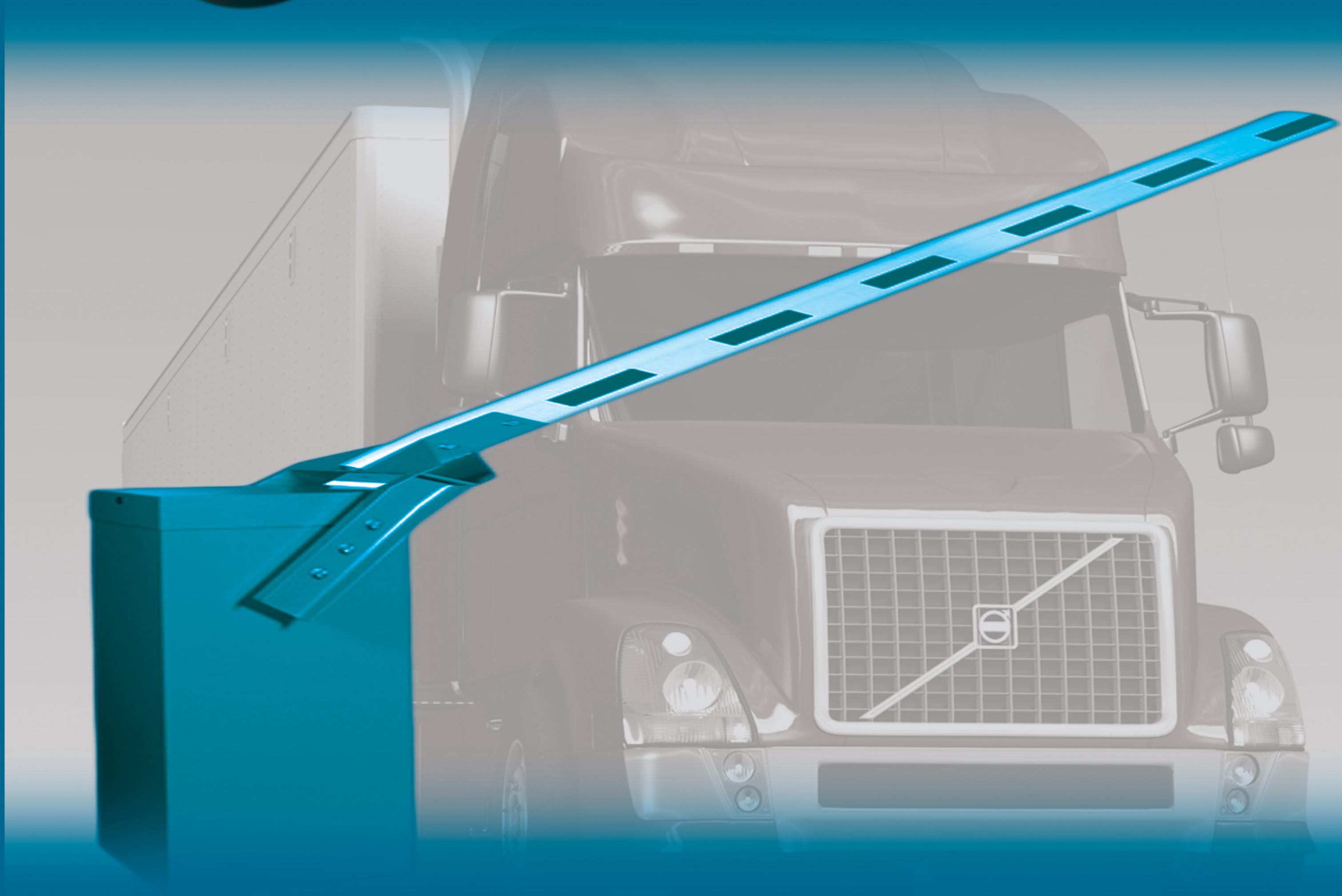
Palestinian National Authority
Ministry of National Economy

Facilitating Palestinian Global Trade Through Jordan and Egypt



Trade Corridors' Facilitation Project

This Project is Funded by the European Union

October, 2009

Facilitating Palestinian Global Trade Through Jordan and Egypt

تسهيل التجارة الفلسطينية من خلال الأردن ومصر

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October, 2009

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Section One
Introduction

1.1 Executive Summary

Numerous obstacles have continued to hamper the movement of trade to and from Palestine, causing significant problems for the overall economy. This 19-month project was begun with the aim to trace these impediments back to their sources, identify solutions, and propose recommendations that will promote and facilitate the use of alternative trade corridors for Palestinian trade, namely through neighbouring Arab countries, to improve market access and reduce high costs through Israeli routes.

First, this report explains the procedures used to locate the areas and issues choking trade flow, and the research methodology used regarding the targeted areas. It describes the current export/import situation in terms of available trade routes available by land, sea, and air. Furthermore, it gives a brief history and describes the current operational conditions at two crossing points: between the West Bank and Jordan, and between the Gaza Strip and Egypt. The operational conditions include the crossings' openings, closures, documentation, infrastructure, trade flow, and expected growth along with other factors.

This project came upon a number of impediments that importers and exporters must face when trying to cross King Hussein Bridge (KHB), namely in terms of its infrastructure, procedures, and management. The infrastructure required for normal trade flows according to international standards is either not present or inadequate at KHB. For example, the project found that the scanner currently used at KHB cannot handle large objects, thus forcing their transport through other Israeli ports at higher cost. Goods are damaged as the loading and un-loading area is exposed to the heat and cold. There is a complete lack of cooling facilities and secure storage area. Besides all this, the procedures at KHB do not help to facilitate trade efficiently or effectiveness. KHB still uses the back to back system, does not allow containers to cross to the Jordanian side, and caps the maximum pallet height at a mere 1.8m. In terms of management, the operating hours are not properly coordinated to match between the Israeli and Jordanian sides, resulting in long waits and frequent delays. No Palestinian presence allowed on KHB, even though the Palestinian Customs Department is ready to take on their management responsibilities, and has begun to implement the ASYCUDA system. All this has led to increased expenses, damaged cargo, and has limited the variety of what can be considered for import/export. Furthermore, the demand on the KHB is expected to increase even more with the projected Agro-Industrial Park.

Several major trade agreements that are not being respected . Among these is the Paris Protocol signed in April 1994 which specifically designated the Damia Bridge as the trade terminal between Palestine and Jordan. The Damia Bridge, however, has been closed since 2003 as it was declared a military zone by Israel. Because of its closure, all trade has been diverted to KHB, congesting a crossing which is already insufficient in terms of its infrastructure and operational procedures.

The Palestinian National Authority signed the Agreement on Movement and Access (AMA) with Israel in 2005. This agreement was mediated by Condoleezza Rice, and specifically designated Rafah Crossing to be used for export of goods to Egypt only, where imports would pass through Kerm Shalom. The Paris Protocol and the AMA themselves hardly met the requirements needed for facilitating and enhancing import/export opportunities for Palestine, and it is imperative that these be revised and *implemented* accordingly.

First and foremost, we propose a re-opening of the Damia Bridge as a trade terminal between Palestine and Jordan with full Palestinian management. While we wait for the Damia Bridge to be re-opened and be made operational, it is imperative that Palestinian customs be allowed to return to KHB. KHB, however, is also in urgent need of an upgrade in infrastructure, and requires changes in the current procedures. KHB must be containerized, as it will increase the volume of both export and import, will significantly cut the cost per container for export, and will diversify the types of products able to use the crossing. In addition, the unsatisfactory palletized scanner must be accompanied by a mobile scanner, adequate warehouses and cooling facilities must be constructed, and the door to door system must replace the current back to back system. Thirdly, international standards for border management should be applied. This would entail a unification of opening hours on both sides of KHB, increasing the operating days to 6 days a week, and finally, an administrative procedures guide that is written in a clear and unambiguous fashion. Fourthly, the re-opening of Rafah Crossing and the implementation of the AMA will be the initial first step towards rehabilitating the private sector in the Gaza Strip.

The current impediments continue blocking the facilitation of a normal Palestinian trade-flow and the proper operation of the import/export process. The closure of Damia Bridge, Rafah Crossing, and diversion of all exports to KHB, along with the back to back system, lack of or inadequate infrastructure, and ambiguous procedures, are the major obstacles to Palestinian foreign trade. The recommendations discussed in this report are only the first steps to overcoming them, and it is crucial that international standards are implemented immediately.

1.2 Project Overview

Palestine Trade Centre (PalTrade) and the Palestine Shippers Council (PSC) have undertaken the "**Trade Corridors' Facilitation Project"** financed by the EU. This project aims to promote and facilitate the use of alternative trade corridors for Palestinian trade. Therefore, the project targets neighboring Arab countries in an attempt to improve market access and reduce the high costs of Israeli routes. The over-all objective of this project is to address the urgent needs generated by the protracted conflict, and to support the private sector's efforts in developing long-term trade. This can be achieved through:

a. Contribution to Palestinian economic development and trade expansion;

b. Assessment and identification of trade corridors development interventions; and

c. Promotion of trade efficiency and facilitation in all stages of the logistical chain via neighboring Arab countries.

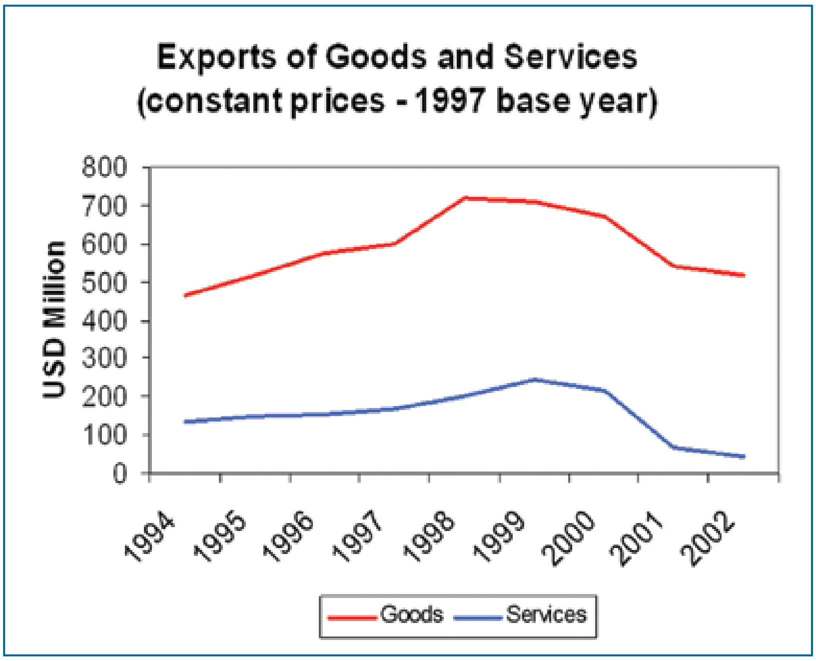
1.3 Economic overview

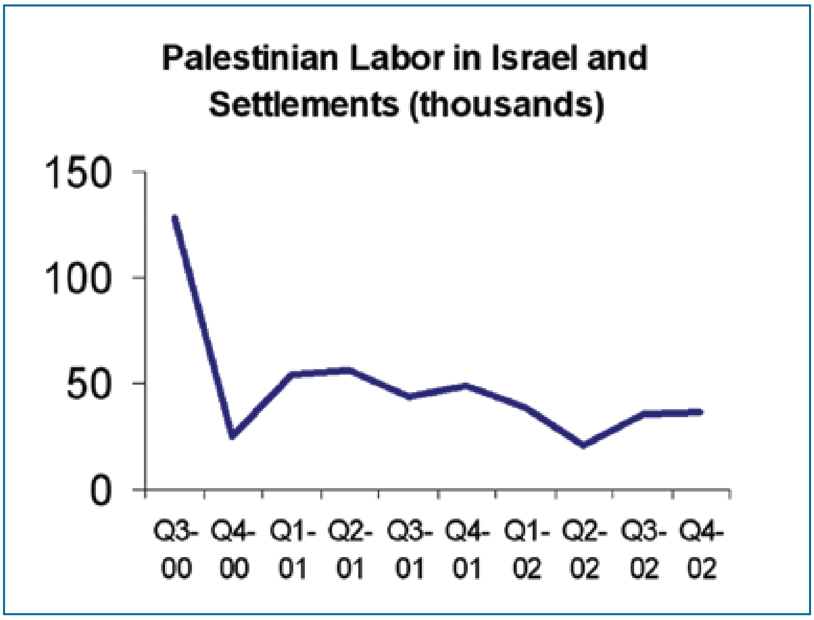
Palestine is based on a free market economy where the government role is dedicated to facilitating, developing and regulating trade with no intention of competing with the private sector. Article 21 of the amended Basic Law of 2003 provides that "The economic system in Palestine shall be based on the principles of a free market economy". Since its inception in 1993, the PNA has worked towards a free market economy in Palestine. For this purpose, the PNA promulgated several statutes in an attempt to develop and regulate the Palestinian market. As a result, Palestinian foreign trade has not been constrained by direct intervention in the economic process by the government and the Palestinian private sector has taken a leading role in shaping the development of foreign trade.

Palestinian export performance has deteriorated severely, with the export of commodities reportedly dropping 27% between 1999 and 2002 to USD 431 million in current prices.[1] Heavy losses have also come from the Palestinian export of services which were reduced by 80% from 1999 levels. Labor exports to Israel have also contracted severely from over 120,000 to an estimated 30,000 in 2002[2], increasing the burden on commodity and service exports. The primary cause of this deterioration in the export of goods, services, and labor are the restrictions on access to the Israeli market and closures within and between the West Bank and Gaza.

[1] Based on PCBS external trade statistics. Exports in constant prices (1997 base year) are estimated at USD 520 million.

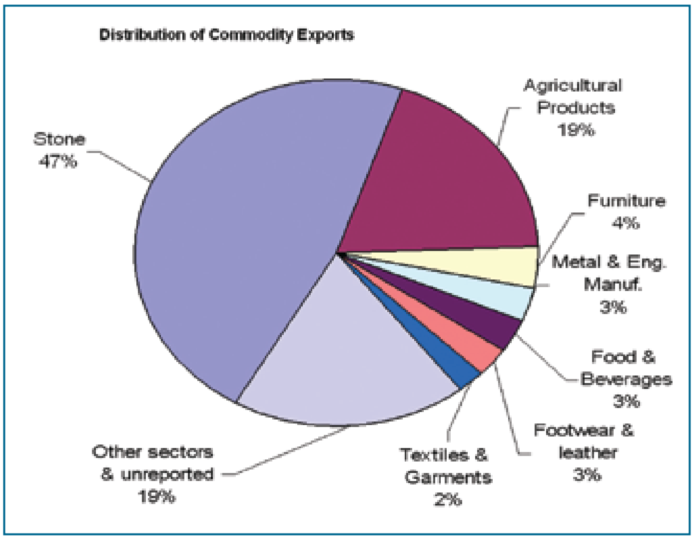
[2] "Twenty-seven months", World Bank





Source: PCBS external trade and labor statistics

Several economic sectors contribute to exports, most notably stone and marble and agricultural produce, which alone accounted for an estimated 65% of Palestinian exports in 2002. Other notable exporting sectors are processed food, furniture, and textiles. Stone and marble, agricultural produce, and to some extent processed food benefit from the availability of natural resources, while furniture and textile exports are based primarily on cost competitiveness, design and market niche, as well as proximity to the Israeli market.



Source: PalTrade estimates based on private sector sources and PCBS External trade

The following tables summarize the available data on export and import activity. The data itself is problematic as it does not take into account customs value, customs authorities, and exports of Palestinian products under Israeli certificates of origin. In addition, the data has been obtained from multiple sources since international trade statistics do not report Palestinian-Israeli trade. Nonetheless, the data available does provide some insight into the trade patterns in Palestine. The deterioration in both exports and imports after the year 2000 is apparent, as are the signs of some recovery in 2003. Israel is clearly the primary trading partner. Jordan is the key Arab trading partner, while Germany stands out from among other trading partners in imports as well as exports to some extent.

Reported Exports by Destination (USD Million)

	2000	2001	2002	2003	Comments
Israel	510	375	270	313	Reported by Israeli statistics, including exports to Israel and re-exports by Israel of Palestinian products
Arab States	16	16	15	14	Reported by UNCTAD/ COMTRADE
Rest of World	11	12	17	5	Reported by UNCTAD/ COMTRADE
Total	536	402	301	332	Underreporting estimation ~ 25%

Main Arab export partners: Jordan, Saudi Arabia, Egypt, Qatar, Algeria
Main «Rest of World» export partners: USA, Netherlands, Germany, Italy, France

Reported Imports by Destination (USD Million)

	2000	2001	2002	2003	Comments
Israel	1,998	1,525	1,178	1,442	Reported by Israeli statistics, includes imports from and through Israel from other countries
Arab States	72	34	35	37	Reported by UNCTAD/ COMTRADE
Rest of World	78	43	44	42	Reported by UNCTAD/ COMTRADE
Total	2,149	1,602	1,257	1,521	No estimate for extent of underreporting.

Main Arab import partners: Jordan
Main "Rest of World" import partners: Germany, China, Turkey

The break of the second Intifada since 2000 has brought the Palestinian economy to almost a complete collapse due to Israeli restrictions in the West Bank and Gaza strip. Closure policy by the Israeli Army has severely limited the movement of Palestinian commercial products, economic activity, and development. Studies revealed that the total loss of the accumulated gross national income (GNI) between October 2000 and December 2002 reached $5.4 billion. By 2002, Palestinian GNI was estimated at $3.1 billion as compared with $4.9 billion in 1999. As a result, more than 2 million people were living below the $2-a-day poverty line.[3] In addition, Palestine is a *de facto* land–locked area, which adds to the layers of restrictions to Palestinian foreign trade since exports and imports must be shipped via Israeli ports or Israeli controlled trade terminals (i.e. KHB). Furthermore, additional restrictions and limitations were imposed on the Palestinian economy when Israel built the separation wall around the West Bank. By designating four major crossing points with Israel, the transaction time and cost has significantly increased. The Israeli closure of Damia Bridge (Prince Mohammad Bridge) which has been designated for export and for transferring all imports and exports to KHB, also added more difficulties in international transactions. Finally, since the beginning of the second Intifada, an official Palestinian presence on KHB has been denied and ever since, Palestinian customs have had no control over imports and exports to/from and via Jordan.

The Palestinian economy continues to contract under the pressures of economic restrictions and political instability. In 2007, per capita GDP dipped to 60% of its levels in 1999, and investment dropped to precariously low levels. In the last two years, public investment has nearly ceased as almost all government funds have been used to pay civil service salaries and cover operating costs; and according to the IMF, private investments declined by over 15% between 2005 and 2006, with no evidence of any significant increase in 2007 or 2008. Achieving economic growth will require reversing this trend of low public and private investment, which in turn entails the easing of continued economic restrictions, namely the Israeli restrictions on movement of Palestinian people and goods, and on access to natural resources.[4]

Due to the Israeli occupation and its control over entry and exit points, the Palestinian economy has been almost completely dependent on the Israeli economy. Even after the establishment of the PNA Palestinian foreign trade transactions are still executed through Israeli ports and airports. However, the Palestinian Liberation organization (PLO) was empowered to sign trade agreements on behalf of the Palestinian people. The Paris Protocol was the first trade arrangement for Palestinians, and it mainly organized the relation with Israel, creating a *quasi* Customs Union. The most important provision was Article VI (2b) of the Agreement on the Gaza Strip and the Jericho Area, which authorized the PLO to enter into trade agreements with other states and international agencies. Ever since, the

[3] UNCTAD/GDS/APP/2002/1. 22 March 2004.

[4] The Economic Effects of Restricted Access to Land in the West Bank, World Bank, 2008.

PLO has signed several trade agreements in an attempt to rehabilitate the broken economy by enabling the Palestinian private sector to access global markets. On behalf of the PNA of the West Bank and Gaza Strip, the PLO has signed free trade agreements with the European Union, Canada, the EFTA States, secured membership in the Arab Free Trade Area, has entered into free trade arrangements with the United States, and has signed a Free Trade Agreement with Turkey. In addition, the PNA signed the Agreement on Movement and Access (AMA) with Israel in 2005. This agreement was mediated by Condoleezza Rice, and addressed several issues related to operational procedures at Rafah Crossing, Gaza crossing points, the link between Gaza and the West Bank, movement within the West Bank, along with Gaza's seaport and airport.

Section Two

Research Methodology

The project team developed a vision that provides the most accurate data available regarding import and export requirements. Therefore, the research process has been divided into two phases. Phase one involved extensive meetings with stakeholders from the public and private sectors, in order to collect initial data for the project. Phase two then involved the private sector through a survey distributed to companies in the West Bank, the Gaza Strip, Jordan and Egypt. The survey tool was developed and designed based on the initial data collected during phase one.

2.1 Desk Research

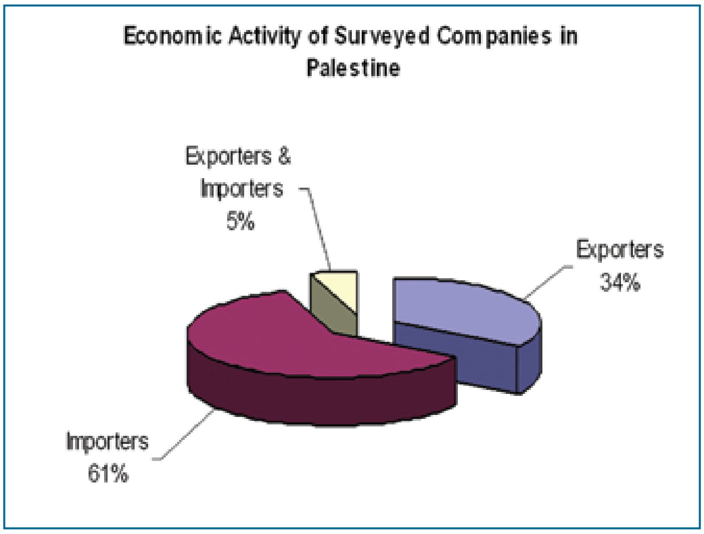
PalTrade and PSC conducted extensive research at the beginning of this project in order to collect all available data. The team met with different stakeholders during May and June of 2008. These meetings involved ministries such as the Ministry of National Economy (MONE), the Ministry of Health (MOH), the Ministry of Agriculture (MOA), the Ministry of Finance (MOF) and the Ministry of Transportation (MOT). In addition, the team also met with different associations and institutions including the Ramallah Chamber of Commerce, the Palestine Economic Policy Research Institute (MAS), the Palestine Standards Institute, the Union of Palestinian Pharmaceutical Manufacturers and the Palestinian Food Industries Association. Following these meetings, the project team was able to outline export and import procedures. Different companies that use KHB in the West Bank were also contacted in order to determine the nature of impediments encountered in the course of export and import. Lastly, the project team collected and reviewed related reports and explored related literature posted on the internet.

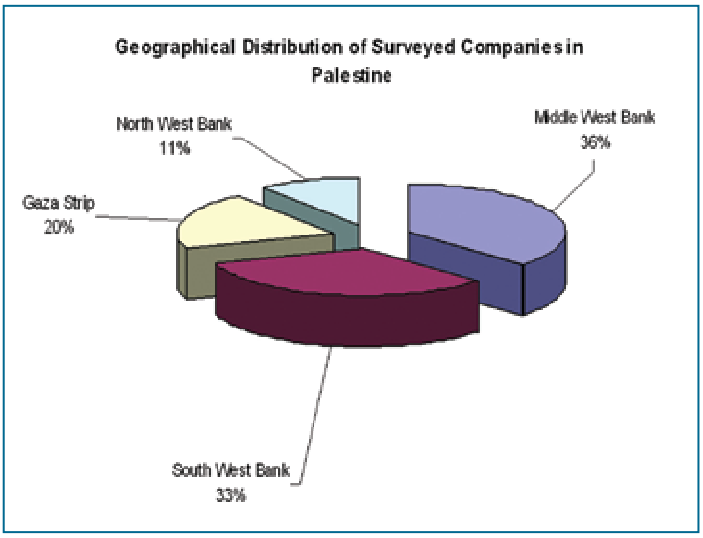
2.2 Survey

Pre-Test Period

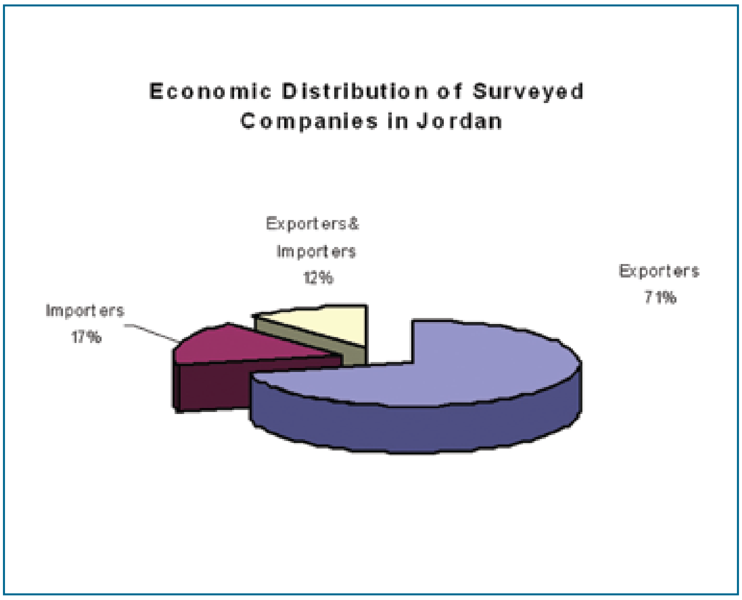
Based on the initial data collected in phase one, the project team developed the survey tool. The survey targeted companies that used or will potentially use KHB and

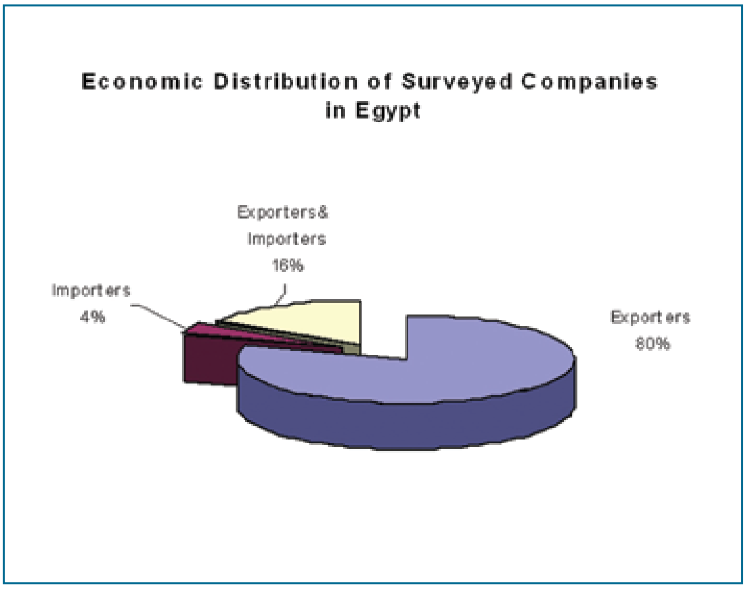
Rafah Crossing in their business operations. The team also took into consideration the geographical distribution and various business sectors for surveyed companies. The final stage involved extensive meetings with Solutions for Development Company, Need Assessment Consultant, in order to develop and finalize the questionnaire for Palestine (WB/GS). The initial sample of the survey included 40 companies in the West Bank and 40 companies in Gaza Strip. PalTrade and PSC staff initiated a pre-test for the survey in the West Bank and Gaza Strip in August 2008. Based on the pre-test results, the identical content and designed sample have been modified in order to collect the required information. The West Bank questionnaire required minor amendments in order to collect the required information. In contrast, the Gaza questionnaire revealed that it is impossible to collect the needed information because most questions applicable for the West Bank were not valid for Gaza. In addition, Rafah Crossing has not been used frequently as a trade terminal; this explains the lack of information and the invalidity of applying the designed questionnaire. Accordingly, the sample has been redistributed to include 65 companies in the West Bank and 15 companies in the Gaza Strip. The content has also been modified and restricted to the information available on the targeted companies.





The Jordan and Egypt surveys were developed and modified based on a pre-test period in which Solutions for Development was in charge of concluding both surveys. The actual sample included 129 companies where 69 surveyed companies were in Jordan and 60 were in Egypt. (The initial sample included 150 companies in both Jordan and Egypt but for technical reasons the number has been reduced to 129 companies). The following charts illustrate the economic distribution of surveyed companies in Jordan and Egypt.





Survey Implementation

PalTrade and PSC staff concluded the survey process in West Bank and Gaza Strip during August 10 – September 28, 2008. Following the completion of data entry and double check data, Solutions for Development started the raw data statistical analysis process using the SPSS program. As a result, Solutions for Development prepared a comprehensive survey findings report. The main findings included import and export process, information on KHB, and Rafah Crossing and trade agreements.

Main Findings in Palestine

Surveyed companies in Palestine represent different economic sectors that are engaged in either export or import or both via KHB and Rafah Crossing. However, the quality and credibility of the information gathered in the West Bank is more accurate than that gathered in the Gaza Strip. This is due in part to the fact that Rafah Crossing has not been used as a frequent commercial crossing and has been closed since June 2006. The following findings represent major facts related to trade via KHB and one must note that these facts are not representative of the Palestinian economy as a whole since the survey only targeted companies that use KHB:

I. West Bank

a. 83% of export oriented companies export to Jordan whereas 53% only export to Israel and 30% export to European Union countries;

b. Plans of surveyed companies indicate that an increase in export is expected to the European Union countries, Arab countries and China. On the other hand, 53% of surveyed companies expect to maintain the same percentage of their exports to Israel;

c. Jordan and European Union countries are the main source of import for 74% and 71% respectively of surveyed companies;

d. Contrary to the official statistics which confirm that Israel is the main source of import, only a few companies import from Israel. This is due to the fact that the survey targeted companies use KHB mainly and thus this finding is most likely not representative to reality;

e. 50% of all the exports of the surveyed companies go through KHB and so do 45% of the imports;

f. Survey results show that surveyed companies consider the operational capacity of KHB as a major impediment for trade and in particular for import;

g. Companies expect the demand on KHB to increase by 30% for exports and 50% on average for 2009 and 2010, respectively; and

h. Companies expect the demand on KHB to increase by 20%, for imports and 25% on average for 2009 and 2010 respectively.

II. Gaza Strip

It shall be taken into consideration that Rafah Crossing never operated as a frequent commercial crossing, and that there were only limited attempts to export and import.

Thus, import and export via Rafah were conducted on an *ad hoc* basis before 2006 due to the following findings extracted from the survey:

a. The main impediment to import at Rafah was the closure of the crossing for long periods of time for security reasons by the Israeli authorities;

b. High damage rates at Rafah due to lack of appropriate infrastructure; and

c. Lack of information on trade agreements either with Egypt or with other partners was a point of consensus among the companies surveyed.

Main findings in Jordan

The companies surveyed in Jordan represent different economic sectors that are engaged in either export or import via KHB. The main findings in Jordan are as follows:

a. 97% of companies surveyed encounter impediments to trade with Palestine;

b. Unimplemented trade agreements which include GAFTA and bilateral trade agreement with Jordan are considered a major impediment to trade with Palestine;

c. Procedures on KHB and the operational capacity is another major impediment;

d. Lack of information with regard to trade agreements with Palestine;

e. 58 % of export companies consider the Palestinian market as one of their major markets;

f. 47 % of import companies consider the Palestinian market as one of their major markets;

g. 71% of import companies plan to increase imports from Palestine in the next three years by 25% on average; and

h. 78% of export companies plan to increase export to Palestine in the next three years by 14% on average.

i. In 2007, 86% of export companies exported 100% of their products to Palestine through KHB whereas 84% of import companies imported 100% of their products from Palestine through KHB.

Main findings in Egypt

a. 93% of surveyed companies identified operational capacity and lack of clearing and shipping services as the major impediment to trade with Palestine;

b. Lack of information with regard to trade agreements with Palestine; and

c. Lack of information with regard to the Palestinian market.

2.3 Focus Groups

In an attempt to confirm the information collected during phase one with regard to export and import procedures and impediments, the project team held focus group meetings with different stakeholders. During these meetings, the team presented export and import procedures on three main sectors which include pharmaceuticals, food, and agriculture. Thus the team was successful in identifying and clarifying certain procedures related to import and export, and was able to further identify problematic issues related to the different sectors.

2.4 Site Visits and Meetings

The project team held different meetings and visits over the last fifteen months, contributing to advocacy activities and data collection. These meetings and visits included a meeting with the Israeli Customs Department where the project team obtained data on trade flow through KHB. In addition, the Customs Department also provided a comprehensive overview on the land border crossing and in particular on KHB and its work mechanism.

In April 2009, the project team held a workshop in Ramallah which was attended by both private and public sector representatives. This workshop intended to verify the data collected on import and export procedures and documentation. During the discussion, the team was able to obtain information and clarify certain unclear procedures and requirements.

The project team also visited KHB and met with the bridge administration and customs. During the visit, the team took a tour on the cargo terminal of the bridge, experiencing first-hand the available facilities. Furthermore, the team addressed several impediments and obstacles encountered by Palestinians at KHB. Likewise, the KHB administration addressed the problems that they encounter with the Palestinians (mostly related to imports and documentation).

In June 2009, the team held a workshop in Ramallah in which they presented export and import procedures via KHB. This workshop was attended by representatives of the quartet, the Japanese Ambassador, the EC representative, the Minister of National Economy and Palestinian public and private sectors. Furthermore, the Palestinian private sector was given the opportunity to identify problems and obstacles, and was able to make several recommendations.

In July 2009, the team organized a private sector mission to Jordan, which included two Jordanian gateways (Zarqa Free Zone and Aqaba Seaport). The Palestinian private sector had the opportunity to discover the facilities of these gateways. In addition, the team held a workshop that included representatives of both Palestinian and Jordanian public and private sectors. During the workshop, both the Palestinian and the Jordanian private sectors addressed their concerns about trade via KHB.

In August 2009, the project team participated in a meeting at KHB organized by the Trade Facilitation Project (USAID funded project). The main objective was to allow the Palestinian private sector representatives to present the problems and obstacles that they face at KHB, while the Israeli side provided explanations to the Palestinian concerns.

2.5 Demo Shipment

As a completion to the studies and the process of data collection, a demo shipment took place on Oct 14th, 2009, through KHB, passing in transit through Jordan / QAIA to Algeria.

Shipment Details:

- Size/Volume: 54 Carton stuffed on 2 pallets
- Cargo: Medicine
- Origin: Palestine
- Destination: Algeria

Transport Documents:

- Original Invoice
- Packing List
- Certificate Of Origin
- Analysis certificate requested by the Algerian Health Department
- Israeli Export Declaration

Costs incurred on both Israeli and Jordanian sides:

Costs at Israeli side	Currency: NIS
Crossing Fees	207
Loading fees / pallet	20
Clearing Agent	600

Costs At Jordanian Side	Currency: JD
Massai (extra Labor Costs)	20
Stamps (Customs Declaration)	10
Transit Fees	10
Clearance Fees	30-35 (for transit, Depends on the agreement with Customer) 50 for final clearance to Jordan
Bank Guarantee Fees	5 JD for the first 5000 JD + 1 JD for each 1000 extra
Security check for empty truck	2 JD

Time Frame

Time	Action
Palestinian Truck	
06:20 AM	Trip started from Ramallah
07:35 AM	Truck arrives at main gate (Road 90 or Check Point 142) *Usually there is another checkpoint after the main gate, they check the conformity of the goods to transport documents, but this shipment passed without this kind of check.*
08:30 AM	Truck arrives at Israeli Customs yard, where the pallets were unloaded to start security and customs check.
08:50 AM	All goods were put to ground, customs and security check were completed, and the customs clearing agent finished all paper work.
Jordanian truck	
06:00 AM	Trip started from Amman
07:25 AM	Truck arrives at Customs yard.
07:30 AM	Driver hands over his ID/Passport, waiting for Israeli customs and security to call Jordanian truck-driver.
08:10 AM	Arrives at Israeli Customs Yard, (this truck was one of the first ten trucks to enter the Israeli Yard)
08:50 AM	Goods (2 Pallets) were loaded onto truck, waiting for clearance and transport documents to be given to truck driver.
09:45 AM	Driver received all documents
10:00 AM	Arrival at Jordanian customs yard.
10:03 AM	Clearing agent received transport documents and started issuing the transit declaration, checked all documents, calculated weights, cost of goods, size and number of packages
10:15 AM	Customs declaration was printed from ASYCUDA System at the Jordanian Clearing Agent Office, and went to Jordanian customs office. The declaration was marked randomly (red Line) and had to be checked manually.
10:20 AM	Checked all information alerted to system (printed on customs declaration) against original documents, documents were given to officer to be examined manually
10:28 AM	The officer finished checking of goods against documents, confirming the carton count and type of shipments
10:30 AM	The transit guaranty was debited to customs clearance account and printed from computer system, which received information from ASYCUDA, and sent to the final document check.
10:35 AM	Check was completed, sent to finance officer, where he issued the receipt for the transit fees. He also gives the seal to customs clearance by writing its number on the customs declaration and alerting system
10:38 AM	All paper work was completed and seal was put on goods
10:40 AM	Gate pass was stamped
10:45 AM	Final customs declaration and 4 copies were printed and stamped, documents checked manually, document and the original transport documents were given to truck driver.
10:48 AM	Truck passes the check point at customs yard, heading for the QAIA
12:30 PM	Truck arrives at Airfreight Zone gate, outside QAIA,
12:32 PM	Shows gate pass to enter the Zone
12:37 PM	All transport documents received by the customs clearing agent at QAIA.
12:43 PM	Customs official checked all documents, seal, and car plate, while the driver parked his car at the ramp to start unloading the goods
12:50 PM	Workers started unloading cartons inside the warehouse
13:00 PM	Finished unloading; stickers with shipment details were put on each carton, and shipment were sent to freight forwarder for handling.

2.6 Research Limitations.

During the research process, the project team encountered difficulties regarding the quality of collected information. These included problems with accuracy, reliability, and extended beyond desk research, into the survey process.

During the desk research period, the project team discovered that the collected information was either inconsistent, or not available – especially the information regarding hindrances to the import/export procedures. On the other hand, the survey process revealed a lack of information, as well as inconsistencies, in terms of transaction costs, procedures and other necessary information. For example, companies in the Gaza Strip were not able to provide accurate information on the Rafah Crossing because it had been closed since 2005. Collecting data in the West Bank was considerably easier than in the Gaza Strip, and the team succeeded in obtaining statistics on trade flow through the KHB. Companies in Jordan, however, were hesitant to complete the survey due to the recent dispute over products of Israeli origin presented as Palestinian. This hesitation is due to the anti-normalization (with Israel) institutions in Jordan which have also had a significant effect on importing and exporting companies there.

Section Three

Palestinian Foreign Trade Performance.

3.1 Terminals Overview (KHB & Rafah).

3.1.1 Rafah Crossing

The Rafah Crossing, located south of Gaza Strip (south of Rafah City), is the border crossing between Gaza Strip and Egypt. Travelers must pass through it in order to move in and out of the Gaza Strip. It was also used as a cargo crossing point for imports from Egypt (until 2005), which were mainly aggregates and food items. A few export attempts, however, were observed at the terminal. Jurisdiction over the border crossing was transferred to the PNA in November 2005, after the Israeli disengagement from the Gaza Strip, under the condition that they operate according to international standards, and under the on-site auspices of the EU-Border Assistance Mission. Nevertheless, the terminal operated accordingly for the passengers until June, 9 2007, but no progress was recorded for the commercial operations of the terminal.

Rafah Terminal Cargo Activity before the Disengagement

Before the September 2005 disengagement, Rafah Crossing was mainly used for imports, but on occasion a minimal export flow was also present.

Import Activity[1]

The Rafah Commercial Terminal was used for importing products from Egypt, mainly aggregates. A monthly average of 1000 truckloads crossed the Rafah Crossing during the year 2005. Figure 1 below illustrates the terminal activity for 2005 in truckloads per month, whereas Figure 2 illustrates the type of imported goods.

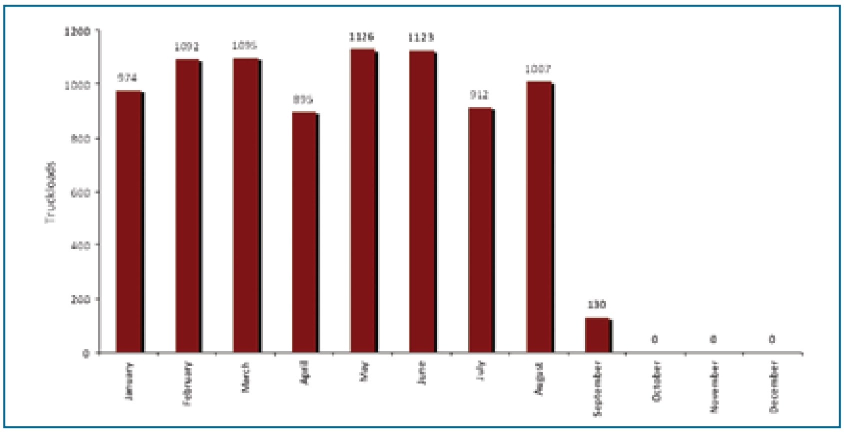


Figure 1: Rafah Terminal Crossing Imported Truckloads in the Year 2005 (per month)

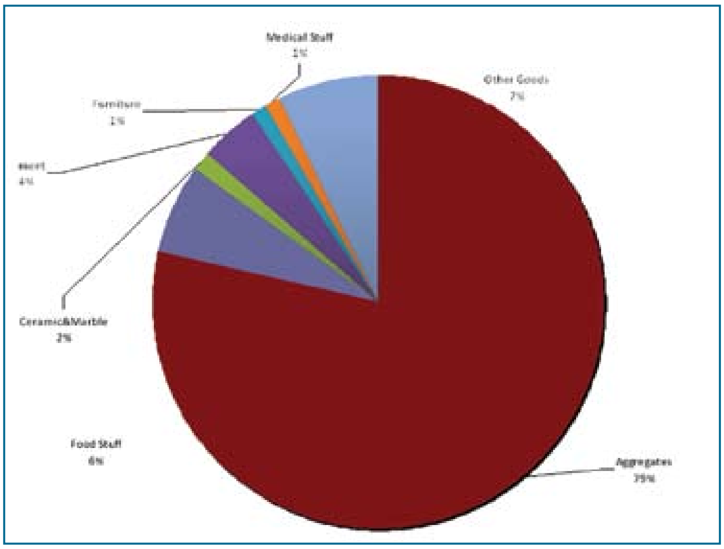


Figure 2: Rafah Commercial Terminal Imports in Year 2005 (by type)

All imported cargo is checked by the Israeli authorities at the terminal by a pallet scanner.

[1] Sources: Ministry of National Economy and Ministry of Civil Affairs.

Export Activity

Exported products from Gaza Strip through Rafah Crossing consisted mostly of furniture, toys, and glassware. The destination countries were Saudi Arabia and Tunisia. There are no statistics of the export activity through this terminal.

The general export procedure was as follows:

1. The export company would contact Israeli authorities at the terminal (commercial office) directly via telephone, and provide them with the cargo details;
2. The Israeli commercial office would determine the requested fees and the bank account details;
3. The export company would send the payment voucher to the Israeli commercial office by fax;
4. The Israeli commercial office would give the export company an export date;
5. At the terminal, the cargo would be checked by the Israelis and transferred via back-to-back system at the Israeli side, where the Egyptian trucks would access the Israeli side of the terminal; and
6. At the Egyptian side of the terminal, the cargo and the related documents were checked manually. In most cases, these required documents and procedures were unclear or not made known to the Palestinian exporters, resulting in considerable delays on the Egyptian side of the border. These frequent closures, ambiguous export procedures, and the tediousness of obtaining required documents for the Rafah Crossing did not encourage exporters to use it.

Rafah Cargo Terminal Progress after the AMA

General Progress

The first of the six points in the AMA was the re-opening of the Rafah Crossing with Egypt, operating according to international standards and under the auspices of the European Border Assistance Mission (EU BAM). The target date for opening, November , 25, 2005, was met for the passengers' terminal only, where the terminal operations fluctuated as follows:

25 Nov. 2005 – 25 June 2006:	Consistently open
26 June 2006 – 8 June 2007:	Occasionally open
9 June 2007 – to date:	Total closure

As for cargo movement progress, export operations at Rafah Crossing were not officially started until the signing of the AMA, which has stated that Rafah Crossing would be utilized for Palestinian exports, while imports would be directed to Karem Abu Salem/Kerem Shalom. The Rafah Crossing was opened after the last war on Gaza in December 2008, and mostly for humanitarian aid. Likewise, statistics for imports via Rafah Crossing show that the only recorded activities were in 2005 and 2009: 8266 truckloads crossed Rafah in 2005, and only 570 truckloads crossed in 2009.

Import Operations through Karem Abu Salem / Kerem Shalom Crossing

Period 1: 21 March 2006 – 18 June 2007

Import operations through Egypt (through Karem Abu Salem/Kerem Shalom) commenced in March 2006, but were inconsistent and limited to humanitarian aid. Imports from the Palestinian private sector were not allowed due to the unavailability of customs protocol between the Palestinian and the Israeli authorities. (The customs protocol is needed to administer the customs collection process at the border, and in order to align with the joint Palestinian–Israeli customs envelope; the protocol was fully drafted by both sides but unfortunately not signed).

The following figures demonstrate the import volumes and types of goods that passed through Karem Abu Salem/Kerem Shalom (21 March 2006 – 18 June 2007).

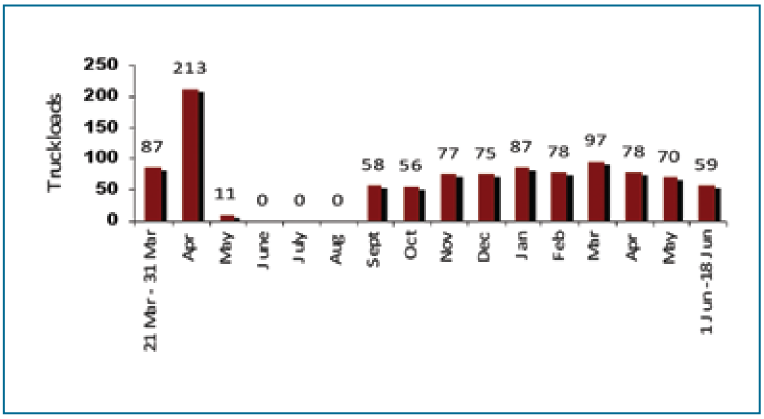


Figure 3: Karem Abu Salem/Kerem Shalom Crossing Imported Truckloads (21 March 2006 – 18 June 2007) per month

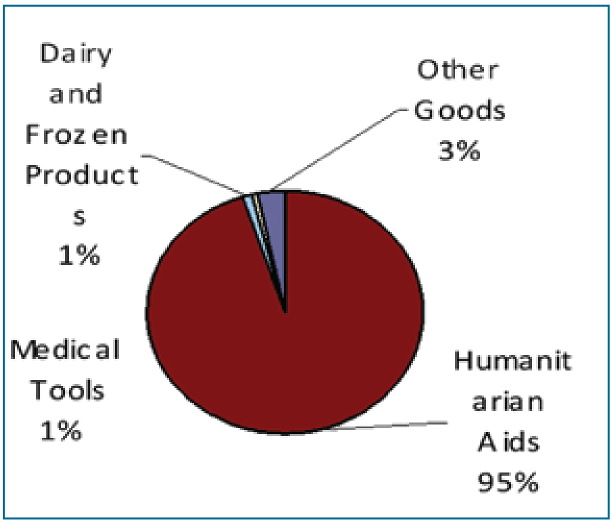


Figure 4: Karem Abu Salem/Kerem Shalom Crossing Imports in (21 March 2006 – 18 June 2007) (by type)

Period 2: After June 19, 2007

After June 19, 2007, Israel used Karem Abu Salem/Kerem Shalom for importing humanitarian goods (after the closure of AlMontar/Karni terminal). The following figures demonstrate the import volumes and types of goods that passed through Karem Abu Salem/Kerem Shalom (19 June 2007 – 31 August 2007).

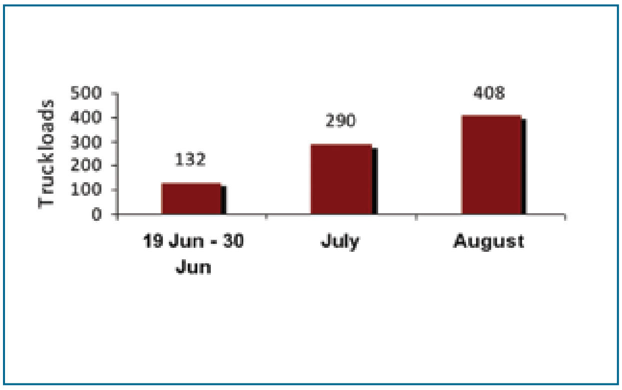


Figure 5: Karem AbuSalem/Kerem Shalom Crossing Imported Truckloads (19 June 2006 – 31 August 2007) month

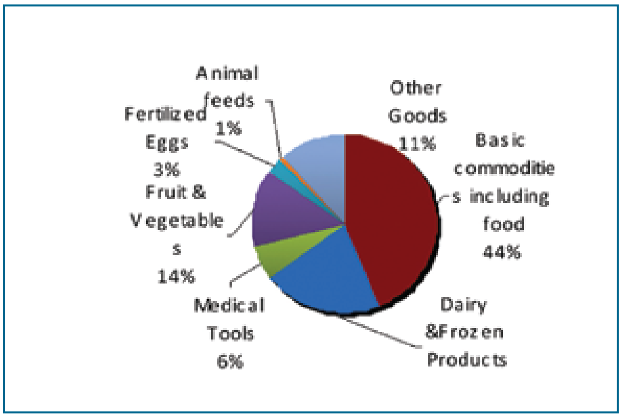


Figure 6: Karem AbuSalem/Kerem Shalom Crossing Imports (19 June 2006 – 31 August 2007) -by type

Export Attempts

Several unofficial export attempts were also successfully conducted through Rafah Crossing:

a. The first successful attempt involved a 20ft container of plastic toys heading for Tunisia through the Egyptian Ports in December, 2005. The estimated value of this shipment was USD 9,000. Although, the exporter was required to pay the Egyptian forwarding company a non–refundable amount of USD 600 as a guarantee, the shipment reached its final destination via Rafah Crossing; and

b. The second successful attempt was facilitated by PalTrade in March 2006, when three truckloads of furniture, handicrafts, plastic, and fiberglass products crossed into Egypt through the Rafah terminal. Truckloads contained the display products of the Palestinian Pavilion at the Cairo International Exhibition 2006 (valued at USD 45,000). Despite a lack of information on the required procedures, the shipment was managed through the joint efforts of PalTrade, PA, and representatives of international organizations. The entire export process, as agreed with the Palestinian, Egyptian and Israeli authorities at the Rafah terminal, was strictly followed and conducted under the supervision of the European Border Assistance Mission (EU BAM). This accomplishment is considered an efficient model for export procedures using the "back-to-back" system at the Palestinian side of the terminal.

Since then, many unsuccessful attempts were in the pipeline, where the PNA office at Rafah terminal received several requests from the private sector to export a wide range of products that included plastic, furniture, cash crops, leather, metal, textiles and garments; other requests were received as well to facilitate the crossing of manufacturing equipment and machinery into Egypt. The destinations of requested exports included Israel, Arab countries and Europe. Export requests were not received afterwards due to the disappointment of exporters and minimal expectations for launching export operations at Rafah Crossing.

Rafah Crossing Export Demand

Exporting through Rafah Crossing Study

In an attempt to diversify Palestinian trade and export markets, as well as to utilize the Rafah Crossing as a trade gate to regional markets, PalTrade conducted a survey aiming to identify the export potential of major sectors of the Gaza Strip for both the long and short term. It is essential to bear in mind that this study was prepared in 2006 and the results may need to be adjusted to reflect the current situation.

Furniture Sector Export Demand through Rafah Crossing:

Overview[2]

The wood and furniture sector is one of the oldest in the region, and has flourished during the last few years, becoming one of Palestine's most promising productive sectors. The industry in Gaza consists of over 600 establishments that utilize high manufacturing techniques and employ more than 5,500 laborers. The estimated annual sales of Gaza manufacturers are estimated at US$44 million where exports make up an estimated 15.5% of total production. The majority of this is meant for the Israeli market, or later exported to regional and international markets.

[2] Source: Wood Industries Union 2006

Estimated Export Volume:

The following table illustrates the estimated export demand through Rafah Terminal:

	Rafah Timeline	Rafah Closed1		First 6 months of opening			After 3 years of opening		
	Scenarios	**1**	**2**	**1**	**2**	**3**	**1**	**2**	**3**
	Al Montar/Karni Status / Performance	Low	Good	Closed	Low	Good	Closed	Low	Good
Export Demand (Weekly Truckloads)	**Al Montar/Karni**	87.5	112.5	0	87.5	112.5	0	87.5	123.75
	Rafah	0	0	123.75	36.25	12	180	67.5	45
	Calculations:	Based on statistics: 35 daily truckloads X 2.5 days = 87.5		Convert all shipments to Rafah as well as 10% volume of new business (112.5 + 112.5x10%)	Difference between good and bad performance weeks in addition to 10% new business (112.5 – 87.5) + (112.5 X 10%) = 36.25	10% from exports through Karni of new business (112.5 X 10% = 12)	(112.5 x 60% = 180)	60% from exports through Karni	40% from exports through Karni

Note: allocated days for exporting furniture through Al Montar/Karni terminal are Mondays, Wednesdays and Fridays.

Potential Target Markets:

Based on the companies' experience, previous studies, and outlooks; Rafah Crossing could be a gateway to the following potential target markets:

- Egypt, Sudan and other North African markets (Morocco, Tunisia, and Algeria).
- GCC countries mainly UAE, Saudi Arabia, and Qatar.
- United States and European markets.

Garment and Textile Sector Export Demand through Rafah Crossing:

Overview[3]:

Garments and Textiles combined make up the largest sector of industrial activity in the Gaza strip. The industry in Gaza involves 550 firms employing around 10,000 workers in various activities, ranging from home textile, fabric and garment production. The largest activity by far is subcontracting to Israeli firms. Most of the garment factories function in this capacity, either as simple sewing workshops or as cutting, sewing, and trimming factories. These products are then sold directly to the Israeli market, or re-exported to foreign markets as an Israeli product.

[3] Source: Sewing Factories Owners Union 2005

The rest of the companies produce for the local Palestinian market. In general, these factories meet the local demands; however no pattern making or original designs are produced.

Regarding textile production, circular knitting is the largest manufacturing activity, with 13 factories producing a limited range of fabrics. The production is marketed in the Gaza Strip and the West Bank markets, with only 10% sold to the Israeli market.

Estimated Export Volume:

The following table illustrates the estimated export demand through Rafah Crossing at the peak of the export season (January – April and July – September):

	Rafah Timeline	Rafah Closed		First 6 months of opening			After 3 years of opening	
	Scenarios	1	2	1	2	3	1	2
	Al Montar/Karni Status / Performance	Low	Good	Closed	Low	Good	Closed	Open
Export Demand (Weekly Truckloads)	Al Montar/ Karni	45	60	0	45	60	0	72
	Rafah	0	0	63	18	3	180	108
	calculations:			Convert all shipments to Rafah as well as 5% volume of no business (60 +60x5%)	Difference between good and bad performance weeks in addition to 5% new business (60 – 45) + (60 X 5%) = 18	5% from exports through Karni of new business (60 X 5% = 3)	(60 x 3 = 180)	60% from exports through Rafah, 40% through Karni

* The volumes are decreased by 60-70% in off-season weeks

Note: the allocated days for Garment and Textile exporting through Al Montar/Karni terminal are Sundays, Tuesdays and Thursdays.

Targeted Markets:

Based on the companies' experience, previous studies, and expectations, Rafah Crossing can serve as a gateway to the following potential target markets:

- North African markets (Algeria, Morocco);
- Gulf Cooperation Council (GCC) markets (Qatar, Saudi Arabia);
- European Markets (Spain, Sweden);
- USA; and
- Israel.

Note: Israel re-exports some of the companies' products to some of these markets (European and USA markets).

Cash Crops Sector Export Demand through Rafah Crossing

Sector Overview[4]:

Cash crop produce, specifically strawberries, carnations, and cherry tomatoes, constitute over half of Gaza Strip agricultural exports and nearly all of its exports to countries outside of Israel. This sector is therefore critical to the Palestinian economy as a whole, particularly for the regional markets. While these crops represent only a fraction of total cultivated lands in the Gaza Strip, they still represent a disproportionately large source of income to Gaza farmers.

Strawberries:

Farmers started growing strawberries in the 1970s in the Gaza Strip. Most of the Gaza strawberry farms are concentrated in the north of the Gaza Strip in the town of Beit Lahia. Currently, it is estimated that strawberry patches cover around 2,224 dunums. There are plans for potential expansion. Gazan farmers currently grow three varieties of strawberry: *328*, *Sweet Charlie,* and *329*. Strawberries that are grown off-season in Palestine, capable of reaching European markets as early as late November, can bring high prices. Due to off-season availability and high quality in terms of taste, scent, and form, this crop has been exported very successfully to the European market.

Carnations:

Farmers began cultivating carnations in the early 1990s. Today, the Palestinian carnation is one of the unique agricultural exports that Gaza Strip continues to offer. Currently, carnations are estimated to cover 500 dunums, with plans for expansion. Red Jouri, Red Didi, Red Dizio, and Orange Magic are the primary floral exports from Gaza. The Palestinian carnation ranks as one of the most desired floral products in Europe because of its off-seasonal availability. The primary market for Palestinian carnations is the Netherlands, where carnations are mostly re-exported to other markets in the EU.

Cherry Tomatoes:

The cultivation of Cherry Tomatoes is relatively recent in the Gaza Strip. It is estimated that they cover around 335 dunums, and have potential for expansion. Farmers grow a number of varieties, including TC 30740, TC 495, TC 496 and 522. It is also an off-season product and can reach Europe as early as late November.

[4] Source: Gaza Agricultural Cooperatives

Estimated Export Volume

a) Strawberries:

	Items	Value	Calculations
Basic Information	Total available area for planting	3500 dunums	
	Export season:	Starts on 15 Nov. Ends on 15 Feb.	
	Total export days:	66 days	
	Averages tons per truckload:	3.85 tons	
Total Export Volume through Karni/ AlMontar	Current average export truckloads per day	9.84 truckloads	
	Average export volume per day	37.88 tons	9.84 x 3.85
	No. of working days per week	5.5 days	
	Average truckloads per week	54.1. truckloads	9.84 x 5.5
	Average export volume per week	208.28 tons	54.1 x 3.85
	Total export truckloads in the season	649.4 truckloads	66 x 9,84
	Total export volume in the season	2500 tons	649.4 x 3.85
	Total planted area	2500 dunums	
Potential export through Rafah	Extra potential area for planting	1000 dunums	
	Extra potential export (daily truckloads)	4 truckloads	
	Extra potential export (weekly truckloads)	24 truckloads	4x 6 days (assuming that Rafah trade terminal works 6 days)

b) Carnations:

	Items	Value	Calculations
Basic Information	Total available area for planting	1,200 dunums	
	Export season:	Starts on 15 Nov. Ends on 15 May	
	Total export days:	130 days	
	Average flowers per truckload:	200,000 flowers	
Total Export Volume through Karni/ Al Montar	Current average export truckloads per day	2.03 truckloads	
	Average export volume per day	407,692 flowers	2.03 x 200,000
	No. of working days per week	5 days	
	Average truckloads per week	10.15 truckloads	2.3 x 5
	Average export volume per week	2,030,000 flowers	10.15 x 200,000
	Total export truckloads in the season	264 truckloads	130 x 2.03
	Total export volume in the season	53,000,000 flowers	407,692 x 130
	Total planted area	530 dunums	
Potential export through Rafah	Extra potential export (daily truckloads)	2.6 truckloads	
	Extra potential export (weekly truckloads)	15.6 truckloads	2.2 x 6 days (assuming Rafah trade terminal works 6 days)

c) Cherry Tomatoes:

	Items	Value	Calculations
Basic Information	Total available area for planting	500 dunums	
	Export season:	Starts on 15 Nov. Ends on 31 Mar.	
	Total export days:	77 days	
	Averages tons per truckload:	4.3 tons	
Total Export Volume through Karni/ Al Montar	Current average export truckloads per day	1.51 truckloads	
	Average export volume per day	6.5 tons	1.51 x 4.3
	No. of working days per week	5.5 days	
	Average truckloads per week	8.3 truckloads	1.511 x 5.5
	Average export volume per week	35.75 tons	5.5 x 6.5
	Total export truckloads in the season	116.3 truckloads	77 x 1.51
	Total export volume in the season	500 tons	116.3 x 4.3
	Total planted area	100 dunums	
Potential export through Rafah	Extra potential export (daily truckloads)	6 truckloads	
	Extra potential export (weekly truckloads)	36 truckloads	6 x 6 days(assuming Rafah trade terminal works 6 days)

Targeted Markets:

Based on the companies' experience, previous studies, and expectations, Rafah Crossing can serve as a gateway to the following potential target markets:

- GCC markets (UAE, Kuwait, Saudi Arabia);
- EC markets;
- Eastern European Markets (Ukraine, Russia); and
- Netherlands.

Conclusion

If any sustainable economic structure is to be developed in the Gaza Strip, it is imperative that Rafah Crossing is opened. No export progress was observed at Rafah Crossing since the signing of the AMA, where most of the export attempts failed. Feedback from exporters has also shown a need to re-open Rafah Crossing as it will increase trade opportunities, consistency and accessibility to regional markets. The results of the current Gaza Crisis (starting 12 June 2007– to date) also support this demand; especially with the closure of AlMontar/Karni Terminal which led to a total break-down of viable export sectors. If Rafah were to be re-opened, it would require modest transactions at the beginning. These would increase gradually as exporters become confident in its consistency and reliability. This will also lead to a wider range of business partners.

3.1.2 King Hussein Bridge

The KHB is the only international border crossing in the West Bank. It is currently the designated exit/entry point for Palestinians residing in the West Bank, and for those traveling to and from Jordan. The Bridge is located five kilometers east of Jericho City, and spans the ancient River Jordan. It serves West Bank businesses that import and export to and from Jordan and the greater Middle East region. As of now, the Palestinian side of the border is controlled exclusively by the Israeli Airport Authority,

Currently, the Bridge is open to passenger and commercial traffic, and is undergoing a trial period with extended operating hours. During this period, the Bridge is open to passengers from 8:00 a.m. to 12 midnight on Sunday through Thursday, and 8:00 a.m. to 3:00 p.m. on Friday and Saturday. The Bridge is open for commercial traffic from 8:00 a.m. to 12 midnight on Sunday through Thursday and is closed on Friday, Saturday and Israeli holidays. However, the commercial terminal has been closing earlier, due to low demand.

Normal operating hours for the passenger terminal are from 8:00 a.m. to 6 p.m. on Sunday through Thursday, and from 8:00 a.m. to 2:00 p.m. on Friday and Saturday. Normal operating hours for the commercial cargo terminal are Sunday through Thursday 7:30 a.m. to 6:00 p.m. The Bridge is closed for commercial traffic on Friday, Saturday, and Israeli holidays.

Currently, there is an average of 60-70 outgoing and incoming trucks per day. Prior coordination with the Israeli Airport Authority is required for all import and export commercial cargo. The Bridge is equipped with one pallet scanner (installed in 2008) with a limited pallet height capacity of 1.8 meters. The Bridge cannot accommodate container shipments.

Palestinian Presence at the Passenger and Commercial Terminals

The Passenger Terminal

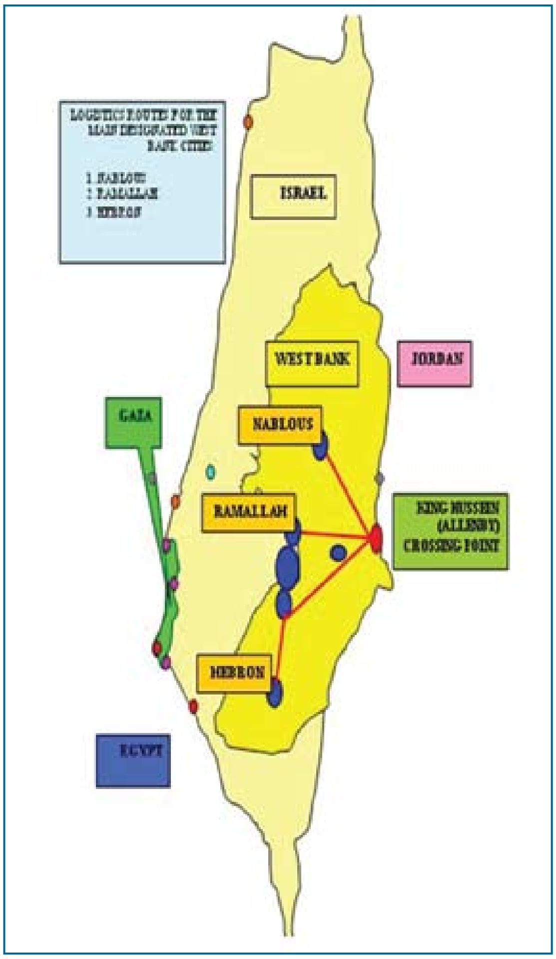
As part of the Oslo Accords, an agreement was made to establish a PNA presence at KHB. PNA Customs Officials were deployed at the Bridge for the first time on 1 May 1994. This agreement was ratified by Israeli Parliament in 1998. The PNA presence at the Passenger Terminal consisted of 14 Customs Officers including one supervisor and two deputies with two shifts per day. They participated in the inspection of passengers’ luggage and reported directly to their Israeli supervisors. They were not involved in the clearing of commercial merchandise carried in passengers’ luggage.

In 1996, PNA Customs Officials were permitted to clear commercial merchandise carried in passengers’ luggage without any Israeli intervention. At the outset of the Intifada in 2000, the Israeli Authority at the Bridge reduced the number of PNA officials at the passenger terminal to only three Customs Officers. PNA Customs was allowed to inspect small luggage and clear commercial merchandise carried in passengers’ luggage for items less than 10 kilos in weight– up to 30 March 2002.

Commercial Terminal

The Israeli-Palestinian agreement also allowed for a PNA Customs official at the Commercial Terminal in 1998. This included one shift of four Customs Officers, which prevented PNA Customs Officers from having any direct involvement in the cargo clearance process. Israeli Customs Officers were fully in charge at the Commercial Terminal and Palestinian Customs Officers were responsible for the following:

1. coordinating incoming cargo from the Jordanian side;
2. investigating the reason behind denial of any cargo by the Israeli Customs at the Bridge; and
3. receiving a copy of the Israeli Declaration Form and comparing it with incoming cargo (at KHB importers must pay customs prior to the arrival of goods).



At the beginning of the Intifada, the Israeli Authorities at the Bridge banned PNA Customs Officers from the Bridge.

3.2 Vehicles Routes

West Bank - Jordan

This section will address the importance of KHB to foreign trade with the regional markets through Jordan. In particular, this section will discuss distance and time from three designated districts in the West Bank to KHB. These designated districts include Nablus in the north, Ramallah in the middle, and Hebron in the south. The selection process of these districts considered the geographical distribution and the companies that use KHB frequently.

Recent geographical statistics show that the southern part of the West Bank (Hebron and Bethlehem) exports the most to Jordan with 24% and 18% in the amount of USD 11.75 m and USD 9.3 m, respectively, of total exports to Jordan in 2008. On the other hand, the Ramallah and Nablus districts are second and third, with 15% and 13% in the amount of USD 7.7 m and USD 6.8 m, respectively, in 2008.[5]

Palestinian Territory *de facto* is a land-locked area that depends on Israeli ports or Israeli-controlled trade terminals. Further, the establishment of internal trade crossings with Israel, following the construction of the separation wall, added another layer of complexity to Palestinian foreign trade. Hence, KHB plays an important role and provides a great potential for Palestinian foreign trade with regional markets. In particular, KHB can be widely utilized for both Arab Gulf and international markets especially considering the utilization of Jordanian gateways.

Currently, Jordan offers several options of access to adjacent countries, including Syria, Iraq, Saudi Arabia and other Gulf countries. Specifically, this section concentrates on three main gateways in Jordan which are Queen Alia International Airport, the Port of Aqaba, and the Umari Crossing Point with Saudi Arabia. It should be noted that long-distance road networks tend to restrict export/imports to regional markets but they do, however, give access to sea and airports which expands the export/import potential to a world market. It is also important to understand that both the near and greater regional context and routes indicate that the most used crossing point in and out of the West Bank is the KHB.

The Near Region Map

The Near Region Map gives a good overview of the specific location of the three main West Bank districts in relation to the Jordan modal gateways. It also shows the vital and strategic position of KHB.

The Greater Region Map shows how the location of the West Bank makes all trade very reliant on export/import routes through Jordanian gateways. This is especially true for the Aqaba Sea Port, which provides an outlet

[5] Statistics of Certificates of Origin issued by the Federation of Palestinian Chambers of Commerce Industry and Agriculture. 2008.

The Greater Region Map

for Palestinian products to regional and world markets.

The map also shows the relationship between road, air and sea access to world markets through Jordanian gateways.* It is clear that the road transport aspects are vital in forming linkages to/from both air and sea ports..

***Note:** With such a logistics structure, there will always be a requirement for intermediate cargo centers where "consolidation and break-bulk" activities can be performed for air, sea and road transport modes. For example, International Diamonds Investment Company – Private Free Zone (IDIC) was established in 2000. It is located approximately five kilometers east of KHB on the outskirts of Southern Shuna at the junction of the Jordan Valley and the Amman/Jerusalem highways. IDIC has made customs services available twenty four hours a day, and investors' goods can be shipped in and out of the private free zone upon demand.

Examples of Gateways and Modes

By Road to Saudi Arabia Through Al Umari

Cargo transportation in both directions by road might require consolidation centers for onward transit. Potential locations for the centers would be the KHB and the Saudi Border. The infrastructure and facilities of these centers would depend on the types of cargo, configurations, and weight. Another option for transport might be to wait until they have Full Truck Loads (FTL) or Full Container Loads (FCL) (if the cargo has be transferred to/from containers en route).

By Air Through the Queen Alia Airport in Amman

Cargo transiting through airports will be mainly "high value" or urgent items due to the high cost of air-freight charges. There is a cargo center near the airport that consolidates cargo for both export and import.

By Sea Through the Port of Aqaba

Despite the length of the road from KHB to Aqaba, it is still possible for the West Bank to export/import to and from global markets. There is a cargo center near Amman called Zarqa Free Zone and another one in Aqaba called Aqaba Logistics Village.

The following table illustrates distance and time from three designated cities in the West Bank to KHB, and then to three different gateways in Jordan:

Table of Distance and Time

Designated City	Khb – Aqaba		Khb – Qaia		Khb - Umari	
	Distance In Kms	Time In Hours/Mins	Distance In Kms	Time In Hours/Mins	Distance In Kms	Time In Hours/Mins
Nablus	69.6 + 380 = 449.6	1:45 + 5:00 = 6:45	69.6 + 58 = 127.6	1:45 + 1:00 = 2:45	69.6 + 187 = 256.6	1:45 + 3:00 = 4:45
Ramallah	43 + 380 = 443	1 :00 + 5:00 = 6:00	43 + 58 = 101	1 :00 +1:00 = 2:00	43 + 187 = 230	1 :00 +3:00 = 4:00
Hebron	75.3 + 380 = 455.3	2:30 + 5:00 = 7:30	75.3 + 58 = 133.3	2:30 + 1:00 = 3:30	75.3 +187 = 262.3	2:30 +3:00 = 5:30

Note: Additional Time Should Be Allowed For Checkpoints.

The following table illustrates the average cost per truck from three designated cities in the West Bank, to two gateways in Jordan

Table of Cargo Transit Costs

Designated District	Khb - Aqaba	Khb - Qaia	Umari
Nablus	357 + 360 = Us$ 717	357 + 170 = Us$ 527	Cost is undefined since trucks do not perform back-to-back at umari and continue heading to their final destination.
Ramallah	285 + 360 = Us$ 645	285 + 170 = Us$ 455	
Hebron	415 + 360 = Us$ 775	415 + 170 = Us$ 585	

Note: These costs are inland transport costs only.

Note: The cost is divided between transportation from a designated district in the West Bank to KHB, and then from KHB to Jordanian gateways.

Section Four

Administrative Procedures for Exports & Imports to/from/via Jordan

This section will cover the import and export procedures in general and in specific for certain sectors in terms of documentation, distance, time, and cost. Moreover, this section provides a comprehensive logistical chain from three designated districts in the West Bank to three gateways in Jordan.

4.1 Export from the West Bank

Palestinian businessmen who are willing to export or import are required to take preliminary steps in order to successfully conclude their business transactions. These steps involve administrative and strategic planning. Thus, this section will explore the preliminary and essential steps needed for successfully concluding a foreign trade transaction.

Export Preliminary Steps

Before getting involved in the export business, exporters should take into consideration the following:

1. Assess the potential market abroad for the product intended for export;
2. Gather information on standards, requirements, and quality in the country of destination;
3. Ascertain whether any trade agreements exist, signed by the PLO, that grant preferential tariffs (either duty free or reduced tariffs) to export;
4. Negotiate and agree with the importer on the terms of the contract such as

quantity, quality, packing, marking and labeling requirements, prices, terms of payment, means of transportation, and payment of the shipment;

5. Obtain all necessary documents, licenses and certificates required for export. These include health certificates, standards testing, veterinary, phytosanitary certificates and export licenses. Documents are required according to the type of product to be exported, as well as upon the importer's request; and

6. Contact a clearing agent to gather information concerning technical requirements and procedures for export.

These preliminary steps are essential for newly established businesses and for companies that intend to penetrate regional and international markets in terms of export. However, there are certain products that need extra requirements and procedures. These products include, but are not limited to, pharmaceutical products, food and agriculture products.

General Export Documents

The following documents and requirements are basic, and essential which must be taking into consideration for export. These documents and procedures include obtaining the following:

1. Foreign Trade Dealing Registration from the Ministry of National Economy (MONE). Detailed information on required documents and procedures can be obtained from the Export & Import Guide posted on both PalTrade and PSC websites;

2. Certificate of Origin which is issued by the Chamber of Commerce and shall be authenticated by the MONE;

3. Insurance policy;

4. Truck way bill;

5. Commercial invoice that clearly specifies the terms of shipment authenticated by the Customs Department at the Ministry of Finance (MOF);

6. Packing list;

7. Marking and labeling. Shipping marks are important for the safety and speedy transfer of the products. Marks, complying with legal requirements, assist carriers and customs authorities to identify the goods. Common shipping marks are the identification of the importer, the number of the packing case, the port of destination, gross and net weight, outside measurements of the case, the country of origin and cautionary marks if careful handling is needed. However, rules applying to shipping marks can vary according to the country of destination. On the other hand, labeling requirements vary according to the country of destination. Normally, detailed rules are applied to foodstuffs, pharmaceuticals and cosmetics, textiles and garments. The importer provides details on labels according to the requirements in the country of destination; and

8. Customs Declaration Report.

Other Requirements

There are certain products have need additional requirements. These products include but are not limited to pharmaceuticals, food and agriculture. Accordingly, the Palestinian business community concerned with these areas should take into consideration the following:

Pharmaceutical Products:

These products need to comply with extra requirements pursuant to the regulation of the Ministry of Health and the Israeli Ministry of Health as follows:

1. The manufacturing company must be registered with the Ministry of Health at the importing country; and
2. Registration with the Ministry of Health which involves application form, tests on samples, bioequivalence studies and fees. Once these procedures are completed, the Ministry of Health issues a registration certificate that is valid for 5 years, a free sale certificate, and a certificate of pharmaceutical product.

Food Products:

Food products have an additional prerequisite for export: the company must obtain a health certificate which is only valid for three months.

Agricultural Products:

Generally speaking, agricultural products are required to meet extra requirements as follows:

a. Sanitary and phytosanitary certificate;
b. Initial application to prove the origin of the products;
c. Authenticated commercial invoice by MONE;
d. Export license for certain products, such as dates; and
e. Standards certificate issued by MOH.

Export procedures.

Internal Transportation Requirements:

In order for a transportation company to be able to reach the commercial area at KHB, they must follow these procedures:

1. Obtain permits for both the vehicle and the driver from the Israeli Civil Administration office;
2. These permits are usually valid for one year, and are only issued to duly incorporated entities; and
3. Familiarity with operating hours at KHB.

Standard Documents Required for Drivers and Transport Entities

Drivers and transport entities should also ensure that they and their vehicles conform to the Palestinian Authority regulations as follows:

1. Driver's ID;
2. A valid driving license;
3. Tax clearance for the vehicle;
4. Tax clearance for the driver;
5. The vehicle insurance documents; and
6. A valid vehicle license.

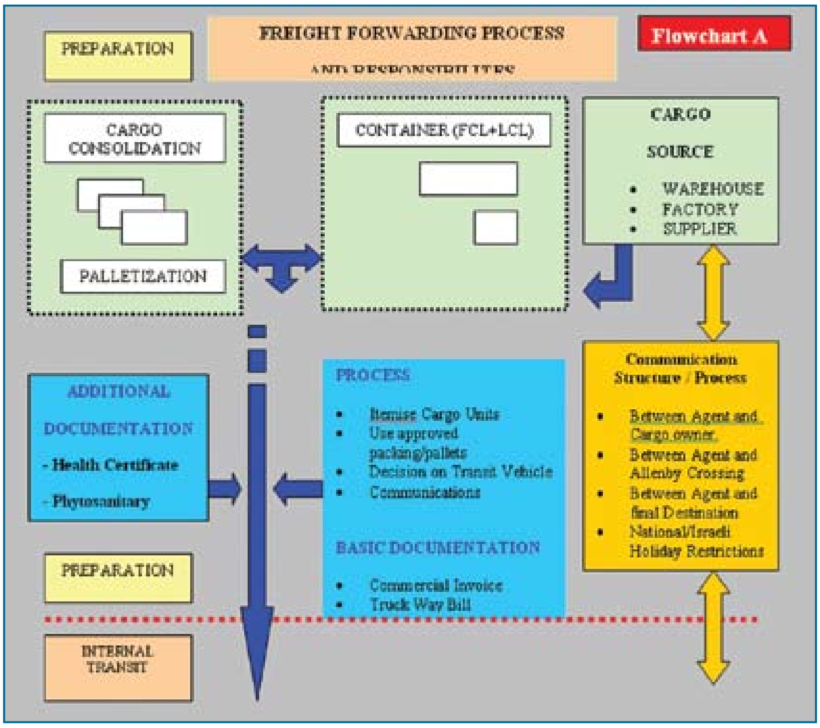
Again, the date of the cargo movement should be clearly specified because if the shipment is not allowed to pass for any reason, then the same procedure must be repeated all over again. The transportation fee will also be charged twice.

The vehicle itself should be insured; however this insurance does not cover the transported goods. Some transportation companies will provide insurance for the transported goods, but due to the additional charges, many businessmen do not insure their cargoes.

Details of Freight Forwarding and Potential Problems

For most countries, the preparation of cargo for transit shipment is relatively simple, but when preparing shipments to and from the West Bank, there are other considerations to be included in the process. These are clarified in the following flowchart.

Flowchart **A** shows the overall process, including required documents, procedures, and communication between agents and third parties.

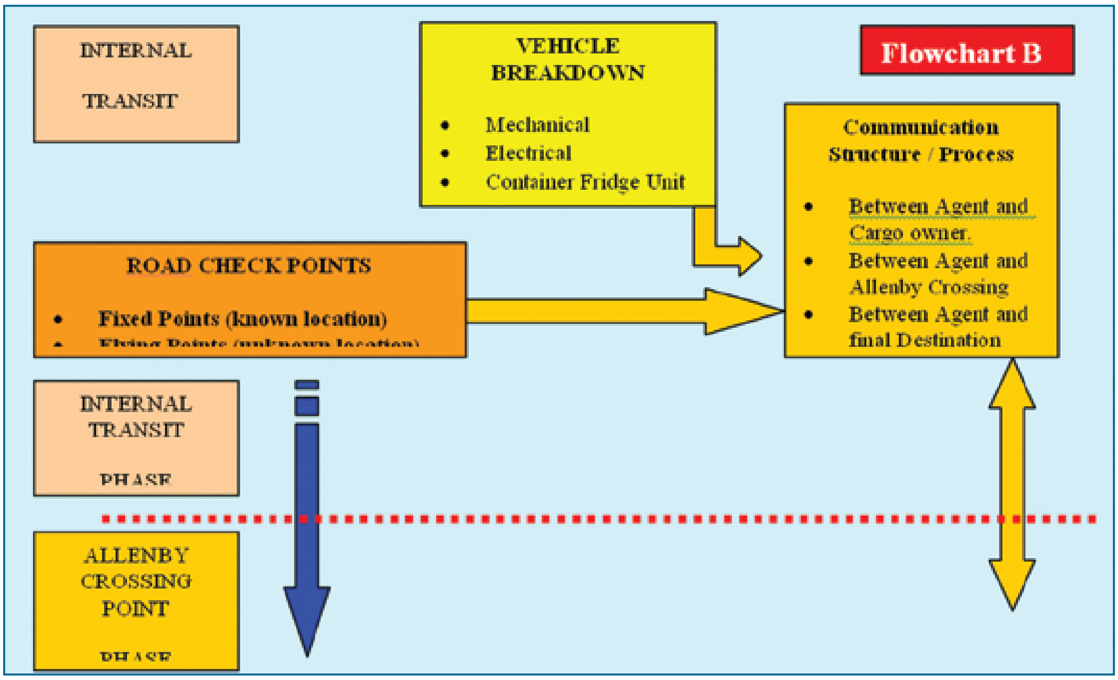


KHB (Israeli side):

Exporting goods from Palestine to Jordan will proceed as follows:

1. The customs broker prepares the customs exit document and submits it to the Israeli Customs Authorities at least one day prior to the arrival of the goods;
2. Loading of goods on Palestinian trucks from the enterprise's warehouses;
3. Arrival of the truck at the main gate;
4. Truck and driver pass through primary and secondary entry check points;
5. Drivers entering KHB on a daily basis obtain special entry cards from the Israel Airports Authority. Individual drivers must get approval one day in advance to enter KHB;
6. Truck is admitted to the waiting area of the cargo terminal;
7. Pallets are unloaded in the open area of the terminal;
8. Customs check the paper work;
9. Pallets are loaded onto the Jordanian truck and released;
10. Customs clearance and stamping of gate pass;
11. Jordanian truck is released to the Jordanian side of the bridge; and
12. No outgoing scanning for security inspection is made by the Israelis.

Flowchart **B** shows, within the same freight forwarding process, some of the potential problems that are experienced on the route to/from KHB. Some of these can be planned for but others cannot, such as checkpoints (both fixed and flying) or breakdowns. Therefore, the communication aspect is vital to transit success.



KHB (Jordanian Side):

The standard operating procedures (SOPs) of KHB are as follows:

Export from Palestine (final destination is Jordan)

The following documents are required:

a. Commercial invoice;
b. Packing list;
c. Certificate of Origin; and
d. Any other documents depending on the type of goods (i.e. phytosanitary, health… etc)

Customs Process:

1. Upon arrival of goods together with the shipping documents, the customs broker arranges the Customs Entry (Bayan). The customs ASYCUDA System automatically picks a line for the product:

   - Red Line (must be physically inspected);
   - Yellow Line (document authentication); and
   - Green Line (immediate release of the goods).

2. After the inspection, change the cargo into green line. Finalize the other department issues (health, agriculture, etc...);

3. In order to receive a gate pass, the customs broker pays the customs fee to the Jordanian Customs on behalf of the importer, either in cash or by certified check

4. For certain products, the cargo will need approvals from other departments such as health and agriculture, and samples must be given to the responsible ministries for inspections. Then, the cargo will be released on the condition that it is not sold until the issuance of the final clearance from the required authorities.[1]

Export from Palestine (in-transit goods)

The following documents are required:

a. Commercial invoice;
b. Packing list;
c. Certificate of Origin; and
d. Any other documents depending on the type of goods (i.e. phytosanitary, health… etc)

Customs Process:

1. Upon arrival of goods together with the shipping documents, the customs broker arranges the transit Customs Entry (Bayan). The customs ASYCUDA System automatically picks a line for the product:
    - Red Line (must be physically inspected);
    - Yellow Line (document authentication); and
    - Green Line (immediate release of the goods);
2. Customs calculate the bank guarantee (depending on the value of the goods);
3. Seal the truck;
4. Issue gate pass for the truck;
5. The truck is ready to leave KHB to the final transit gate in Jordan (QAIA, Aqaba or Umari);
6. In the case of certain commodities the truck will be escorted by customs; and
7. Finally, the products will be transferred to the desired transit gateway in Jordan.

The following tables provide detailed information on required fees for export and import:

[1] KHB – Customs Authorities

Export Fees at KHB (Israeli side)

No.	Item	* Price
1	Clearing agent	US$150 + VAT / shipment
2	Crossing fees	US$51.75 / truck)
3	Loading/unloading	US$5.5 + VAT / pallet

* Exchange rate is calculated at US$ 1.00 = NIS 4.00

Export Fees at KHB (Jordanian Side)

No.	Item	* Price
1	Documentation & Photocopying	USD 3.5 / shipment
2	Clearance Fees	USD 42 / shipment
3	Inspection Fees	USD 14 / shipment
4	Customs Escort	USD 56 / shipment
5	Transit fees	USD 103.5 / shipment to Aqaba or Umari USD 60 / shipment to QAIA
6	Transit Bank Guarantee fees	** The first USD 7,000 of the value is USD 28 or 0.1% of the total value
7	Massai Fees	USD 21

* Exchange rate is calculated at JD1.00 = USD 1.40.

** Non-refundable.

Export Fees at Jordanian Gateways

No.	Item	QAIA	AQABA	UMARI
1	Transit customs declaration	USD 21 / shipment	US$ 21 / shipment	US$ 21 / shipment
2	Documentation & photocopying	USD 7 / shipment	US$ 7 / shipment	US$ 7 / shipment
3	AWB Or BL	Negotiable with the clearing agent		
		Aqaba Logistics Village		
4	Handling (palletized & un-palletized)	USD 2.8 / CBM or ton whichever is higher for loading. USD 2.8 / CBM or ton whichever is higher for unloading.		
5	Storage	USD 0.35 per CBM or ton whichever is higher / day (in door). USD 0.21 per CBM or ton whichever is higher/ day (outdoor). USD 5.6 per 20" container (outdoor). USD 11.2 per 40" container (outdoor).		
		Aqaba Container Terminal		
6	Handling	USD 42 per 20'ft full containers – load (export). USD 63 per 40'ft full containers - load (export). USD 42 per 20'ft full containers – (export). USD 63 per 40'ft full containers - * transit (export). USD 63 per ton or per CBM, whichever is higher For LCL (less container load).		

* For a container to be considered in transit, bill of lading must show «In-transit».

Fees at Zarqa Free Zone

No.	Item	* Price
1	Deposit fees	US$ 28 / transit customs declaration
2	Repacking (without pallets)	US$ 112 / truck
3	Loading & unloading	US$ 112 / truck
4	Storage (up to one month)	US$ 196/ truck
5	Transit Bayan	US$ 63 / shipment
6	Guarantee	US$ 28 - US$ 56

* Exchange rate is calculated at JD1.00 = US$ 1.40.

4.2 Import to the West Bank

Import Preliminary Steps

In order for Palestinian businessmen to successfully engage in the import business, they should take into consideration the following steps:

1. Identify the specific products to be imported;
2. Gather information about standards requirements, labeling, marking and packaging specifications, import licenses and all other required certificates for importing to the WBGS;
3. Ascertain if there are any trade agreements or arrangements signed by the PLO, which grant preferential tariffs (either duty-free or reduced tariffs) to import from the selected country;
4. Negotiate and agree with the foreign exporter on the terms of the contract including quantity, quality, packing, marking and labeling requirements, prices, terms of payment, means of transportation and payment of the shipment;
5. Obtain all necessary documents, licenses and certificates required for importing;
6. Obtain the Foreign Trade Dealing registration; and
7. Contact a clearing agent to verify the information already gathered and be familiar with all customs duties and taxes, requirements and procedures for import.

General Import Requirements.

The importer must be aware of certain requirements that need to be fulfilled prior to importing and while clearing goods at the port of entry. These requirements do not apply to all categories of imported goods. However, they may result in major delays and additional costs if not fulfilled. These requirements are:

1. FTDRC;
2. Certificates of Origin;
3. Insurance policy;

4. Truck way bill;
5. Commercial invoice;
6. Packing list;
7. Customs Declaration Report; and
8. Marking, labeling and packaging.

Other Requirements.

There are certain products which have additional requirements. These products include but are not limited to pharmaceuticals, food and agriculture products. Accordingly, the Palestinian business community concerned in these areas shall take into consideration the following:

Pharmaceutical Products:

These products need to comply with extra requirements pursuant to the regulation of the Ministry of Health and the Israeli Ministry of Health as follows:

a. Import application accompanied with Pro Forma invoice, purchase application, Master Plant License, Free Sale Certificate and Certificate of Pharmaceutical Product;

b. Registration with the Ministry of Health which involves application forms, tests on samples, bioequivalence studies and fees;

c. Approval of the Israeli Ministry of Health; and

d. Registration with the Israeli Ministry of health if the product is not registered in Israel.

Food Products:

Due to their nature, these products need to comply with the extra requirements as follows:

a. General Import License from the Israeli Ministry of Health, which is valid for one year. This license requires an *application form* and a separate *Undertaking Form*;

b. Import license for specific items which requires certificate of analysis, manufacturer declaration, and ISO or GMP or FSC in addition to samples; and

c. Approval of the Israeli Standards Institute for certain products.

Agricultural Products:

Generally speaking, agricultural products are required to meet extra requirements as follows:

a. Sanitary and phytosanitary certificate; and
b. Import license which requires samples for testing.

Import Procedures at KHB (Jordanian Side):

Imports of Jordanian Origin Products:

The following documents are required:

a. Commercial invoice;

b. Packing list;

c. Certificate of Origin; and

d. Any other documents depending on the type of goods (i.e. phytosanitary health, etc.).

Customs procedures:[2]

1. Upon arrival of goods together with the shipping documents, the customs broker arranges the transit Customs Entry (Bayan). The customs ASYCUDA System automatically picks a line for the product:
   - Red Line (must be physically inspected);
   - Yellow Line (document authentication);
   - Green Line (immediate release of the goods).
2. The goods are ready for export.

Imports of non-Jordanian goods (In Transit)

From Umari Border:

The following documents are required:

a. Commercial invoice;

b. Packing list;

c. Certificate of Origin; and

d. Any other documents depending on the type of goods (i.e. phytosanitary, health, etc.).

From QAIA:[3]

The following documents are required:

a. Commercial invoice;

b. Packing list;

c. Certificate of Origin; and

d. Any other documents depending on the type of goods (i.e. phytosanitary, health, etc.).

---

[2] Jordan Customs – KHB

[3] Jordan Customs - QAIA

Procedures:

1. Arrival of goods from QAIA;
2. Upon arrival of goods, together with the shipping documents, the customs broker arranges the transit;
3. Customs Entry (Bayan). The customs ASYCUDA System automatically pick a line for the product:
   - Red Line (must be physically inspected)
   - Yellow Line (document authentication)
   - Green Line (immediate release of the goods)
4. After inspection (if any), change the cargo into green line;
5. Customs calculate the bank guarantee (depending on the value of the goods);
6. Seal the truck;
7. Issue gate pass for the truck; and
8. For certain products the truck will be escorted by customs.

From Aqaba:

The following documents are required:

a. Commercial invoice
b. Packing list
c. Certificate of Origin
d. Any other documents depending on the type of goods (i.e. phytosanitary, health, etc.)

Procedures[4]:

1. Arrival the of container at Aqaba Container Terminal (ACT);
2. Upon arrival of goods together with the shipping documents, the customs broker arranges the transit Customs Entry (Bayan). The customs ASYCUDA System automatically picks a line for the product:
   - Red Line (must be physically inspected)
   - Yellow Line (document authentication)
   - Green Line (immediate release of the goods)
3. Transfer the container to Aqaba Logistics Village for trans-loading;
4. Load and/or repack the cargo into a flatbed truck; and
5. Transfer the truck to KHB.

[4] Jordan Customs – Aqaba

Import Procedures at KHB (Israeli side)

Importing goods from Jordan to Palestine proceeds as follows:

1. the Customs Broker prepares the Customs Entry and pays the customs duties and VAT to the Israeli Customs Authorities at least one day prior to the arrival of the goods;
2. arrival of both the Palestinian and Jordanian trucks at KHB. (As per the above procedures);
3. Jordanian truck enters a closed hanger for security scanning and customs inspection;
4. pallets loaded onto the Palestinian truck;
5. confirmation from Customs and the relevant Ministries, according to the type of goods; and
6. Palestinian truck released and leaves for the importer warehouse.

General Information and Warnings:

- If the goods are delayed, for whatever reason upon the request of the Israeli Standards Institute, Ministry of Health, Ministry of Agriculture, then the goods will be stored at the terminal, for various periods of time, in an inadequate warehouse. This warehouse is covered but is easily accessible to wild animals.
- Most goods arrive at the terminal on pallets, and are handled by forklifts.
- To facilitate the process at the Israeli terminal, the goods must be arranged on the pallets according to the following standards:
  a. Pallets must not be stacked higher than 180cm.
  b. Pallets must be properly wrapped.

Goods that are not suitably arranged will be returned to the Jordanian side for further handling.

- Goods arriving in containers, such as refrigerated containers etc., are unloaded by forklifts and loaded onto Palestinian trucks.
- Israeli Ministry of Agriculture examines the goods arriving from Jordan and destined for Palestine. The inspection is carried out by the Ministry of Health.

QAIA

1. The cargo arrives at QAIA (in transit).
2. Customs issue a Transit Bayan.
3. Inspect the cargo & pay the fees.
4. Seal the truck.
5. Transfer the cargo to KHB.

Umari Border

1. The truck arrives from Umari Border to Zarka Free Zone or directly to KHBKHB if cargo is palletized as per requirements.(In transit status)
2. Change the Bayan and trans-load the cargo into another truck.
3. Transfer the cargo to KHB
4. Coordination should be done at KHBKHB.

Amman

1. The Jordanian shipper to prepare the required documents (invoice, packing list & COO & any other documents depending on the nature of goods i.e. health certificate).
2. Transfer the goods to KHB

Aqaba

1. The container arrives at Aqaba Container Terminal (ACT).
2. Issue a Transit Bayan for the goods
3. Transfer the container to the ALV
4. Trans-load and repack the cargo onto the truck.
5. Seal the truck by the Customs.
6. Transfer the truck to KHB.

KHB

1. Upon arrival of goods together with the shipping documents, the customs broker arranges the transit Customs Entry (Bayan). The customs ASYCUDA System automatically picks a line for the product:
   - Red Line (must be physically inspected)
   - Yellow Line (document authentication)
   - Green Line (immediate release of the goods)
2. If the goods are arriving in transit, the Customs will check the goods and issue another Transit Bayan.
3. The goods are ready for export.
4. The truck leaves the Jordanian border after coordination with the Israeli side.

Import Fees at Jordanian Gateways

No.	Item	QAIA	AQABA	UMARI
1	Massai			US$ 28
2	Stamps	USD 14 / shipment	US$ 14 / shipment	US$ 14
3	Transit fees	USD 102	US$ 62	US$ 56 / truck
4	Clearance fees	USD 42 / shipment	US$ 42 / shipment	US$ 42 / shipment
5	Inspection fees	USD 14 / shipment	US$ 14 / shipment	US$ 14 / shipment
6	Customs escort			
7	Transit bank guarantee	** The first USD 7,000 of the value is USD 28 or 0.1% of the total value	** The first US$ 7,000 of the value is US$ 28 or 0.1% of the total value	** The first US$ 7,000 of the value is US$ 28 or 0.1% of the total value
8	Customs escort	USD 60 / truck	US$ 60 / truck	US$ 60 / truck
9	BL	Negotiable with the clearing agent	Negotiable with the clearing agent	Negotiable with the clearing agent
Aqaba Logistics Village				
10	Handling	USD 2.8 / CBM or ton whichever is higher for loading. US D 2.8 / CBM or ton whichever is higher for unloading.		
11	Storage	US D 0.35 per CBM or ton whichever is higher / day (in door). US D 0.21 per CBM or ton whichever is higher/ day (outdoor). US D 5.6 per 20” container (outdoor). US D 11.2 per 40” container (outdoor).		
Aqaba Container Terminal				
12	Handling	USD 119 per 20’ft. USD 70 per 20’ft full containers – discharge (import). USD 107 per 40’ft full containers – discharge (import). USD 42 per 20’ft full containers – transit (import). USD 63 per 40’ft full containers – transit (import).		

* For a container to be considered in transit, the bill of lading must show «In-Transit».

** Nonrefundable.

Note: Exchange rate is calculated at JD1.00 = USD 1.40.

Import Fees at KHB (Jordanian side)

No.	Item	* Price
1	Escorting	USD 15 / shipment
2	Bayan clearance fees	USD 7 / shipment

* Exchange rate is calculated at JD1.00 = US$ 1.40.

Import Fees at KHB (Israeli Side)

No.	Item	* Price
1	Customs duty	depends on type of cargo, origin and invoice value + VAT 14.5%
	Clearing agent	USD 150 + VAT / shipment
2	Crossing fees	USD 51.75 / truck)
3	Loading/unloading	USD 5.5 + VAT / pallet

* Exchange rate is calculated at USD 1.00 = NIS 4.00

Section Five

Administrative Procedures for Exports & Imports to/from/via Egypt

5.1 Egyptian Gateways Status

5.1.1 Rafah Crossing

Rafah Crossing still remains one of the important transit crossing points from Gaza into Egypt and at some time in the future it can capitalize on its location being adjacent to Egypt and able to enhance the potential of both Gaza sea and air ports. Unfortunately, the current situation has practically closed Rafah Crossing with just a trickle of humanitarian goods and basic supplies getting through. This situation has also encouraged the use of illegal Egypt/Gaza tunnels with the result that there are increased bombing of the tunnel areas by the Israeli Air force.

Rafah Third Gate Crossing Point – From the Gaza Side

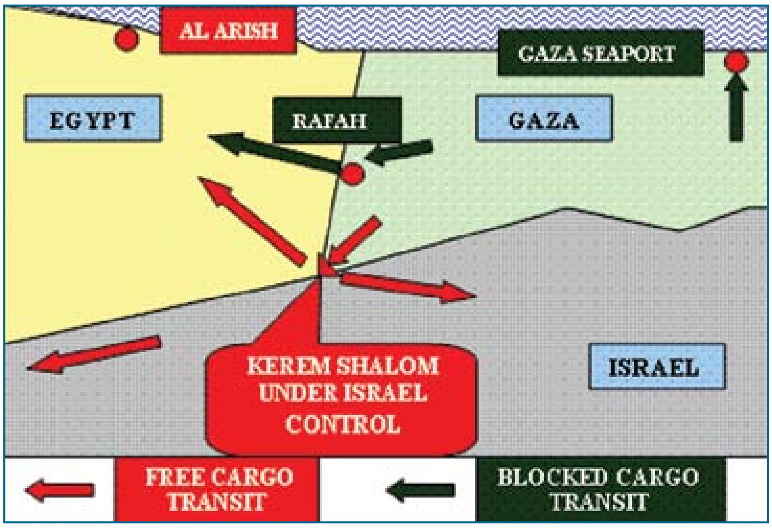
Between 2003 and 2007 hopes were high for some change in the potential of consistent movement of goods both in the West Bank and Gaza. This hope was generated by the Agreement of Movement and Access which perceived radical change for "free-movement people and goods" and at the same time there were other initiatives relating to Economic Zones with the ensuing promise of regular employment. The AMA also included a "free corridor from Gaza to the West Bank".

The Agreement on Movement and Access (AMA)

The Agreement on Movement and Access (AMA) mediated by Condoleezza Rice in November, 2005, gave Palestine direct access to the outside world for the first time, by authorizing the Palestinians and Egyptians to operate Rafah with no direct Israeli control. On the other hand, the agreement also included free movement of passengers, exports, and imports. It also presented articles on a range of issues, which included the opening of a seaport in Gaza and a designated transit corridor for goods and passengers between Gaza and the West Bank. A third party presence by EU BAM was required, as well as Israeli surveillance cameras that monitored all passenger movements.

The Influence of Kerem Shalom Crossing Point – Gaza – Israel - Egypt

Location and Transit Potential from Kerem Shalom



It is worth noting that the development of the crossing point, known as Kerem Shalom, was in the planning stage as early as 2004 and was seen, by the Israeli side, as a solution for the transit of goods from Gaza to Egypt or even Israel. Also it was designed as an alternative or for augmenting the throughput of the Karni Crossing. However, this meant that the whole transit process would be under the complete control of the Israeli Border Agency and managed by the Israeli Airports Authority (IAA) who also managed Karni and Nitzana at that time.

However, during the period from 2003 to 2007, there were some areas of progress in relation to the West Bank and even Karni and Nitzana with improvements in the back-to-back transit system.

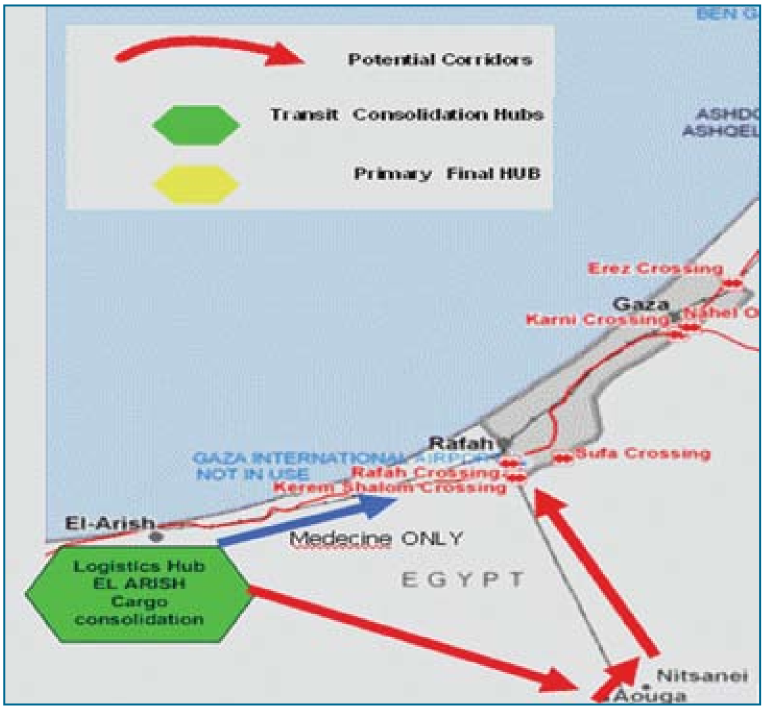
The back-to-back transit system has always been an issue which slows down the whole process of cargo transit, has the potential to damage cargo during the double handling and can produce a confrontational situation due to delays and frustration. This process was used in Rafah for a very short time in 2006.

The introduction of truck X-ray scanners have given the Israeli side an increased confidence in cargo handling and since 2007 there has been a move to use the side-by-side methodology and at the same time reduce the close presence of soldiers and weapons.

The period from 2007 to 2009 in Gaza history has been so traumatic that it still is very problematic to plan or recommend any courses of action that can affect cargo transit to and from the Rafah Crossing. This recent historical background gives a better understanding of the current challenges where the only possibility, for cargo-transit to or from this area of Gaza is the Kerem Shalom Crossing.

Therefore, this greatly reduces transit potential, limits trading opportunities and causes reluctance to invest in transport-related infrastructures such as freight centers and logistics hubs that can serve and link the air and sea ports of Al Arish, Cairo, Port Said East, Damietta and Alexandria.

Diagram: depicting the Current Limited Gaza Cargo-Transit Potential



Main View of Rafah Area

Rafah – Potential

Rafah Crossing, depending on the future security situation, has enormous potential to capitalize on the agricultural and light industry productivity export that once existed. The main exports were:

- Vegetables – peppers and cherry tomatoes;
- Flowers – carnations and other cut-flowers; and
- Clothing – work- and low-cost garments.

From this export base it would be useful to look at alternative routes through Egypt and in particular those routes which are close to Gaza providing that the international trade links could be entered. Al Arish airport could be an ideal focal point for the export of cut flowers and Port Said East, which has Reefer facilities, a convenient departure point which also avoids entering Cairo traffic congestion.

On the import side the current situation, for Palestinian traders, is very limited as they are “forced” to use either Israeli sea/air ports, transit through Jordan or transit from Egypt through the Nitzana crossing point.

Cairo main airport can handle all types of cargo and even has a special centre for chilled produce which would be ideal for flowers, fruit and vegetables from Gaza and the West Bank.

It should be noted that Egypt has all the required sea/air ports to serve both import and export to/from Gaza and even the West Bank but obviously all depends on the current cross-border security situation.

Humanitarian Aid at Kerem Shalom Terminal Waiting to cross into Gaza

5.1.2 Nitzana Crossing

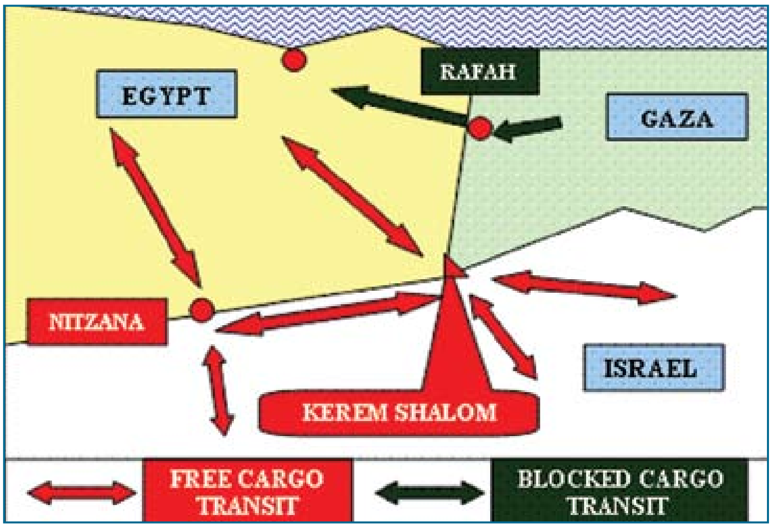
The Nitzana Crossing Point still remains the shortest transit route from Gaza into Egypt due to the uncertainty of the Rafah Crossing. Palestinian traders, many of them Gazans, are trying to find ways of importing goods into Gaza but this is now very problematic due to the Security Situation.

The Nitzana Crossing is located on the border, very close to Gaza, between Egypt and Israel and has very good access roads on both sides of the border. However, it is restricted to only commercial trade with practically no opportunity for light vehicles and passenger/pedestrians to pass.

Until quite recently the Nitzana Crossing was operated and managed by the Israeli Airports Authority (IAA) which was the same management for Kerem Shalom and Karni. With new governments there is usually change and it appears that the military entities will expand their role in border crossing management. Many of the West Bank internal transit crossings are controlled and managed by the Border Crossing Agency of the Israeli Ministry of Defense (IMoD).

The Nitzana crossing is of adequate size to handle current export/import cargo throughput although the facilities and equipment for Cargo X-Ray could be improved. The total cargo area on the Israeli side is 200m in length and 45m wide. It was opened in 1982 as an international border crossing between Oga, Egypt, and Nitzana, Israel. It has an operational working day of Sunday to Thursday and operational opening times between 8:00 a.m. and 5:00 p.m.. It is closed for operations on Fridays and Saturdays, as well as the Jewish and Islamic holidays.

Nitzana Crossing Potential for Import/Export – West Bank & Gaza



Nitzana - Cargo Scanning

The Nitzana Cargo X-Ray facilities were previously improved by the addition of a mobile truck scanner which was able to "security scan" full truckloads without the need for unloading and separation of different commodities. There is also a large pallet scanner but this requires that cargo be unloaded and transported by fork-lift to and from the truck to the pallet scanner which takes time and puts some of the more fragile items at risk of damage.

Cargo items such as fruit juices are very "dense" and difficult to scan and this means there could be a requirement, depending of the level of security, to remove maybe half of the load from the pallet to satisfy the X-Ray operation. Here again there is a risk of damage plus the need to re-package cargo.

It is also possible that, at any time, the mobile truck scanner can be transferred to an alternative crossing point which would leave the Nitzana Crossing Point in a difficult and "slow throughput" situation particularly for import into Israel.

It would be advisable for traders and shippers to ascertain the current situation in Nitzana both in terms of X-Ray capacity and the number of vehicles awaiting entry and exit at the Nitzana facility.

Nitzana - Types of Cargo

Palestinian traders and shippers have, over many years, fully understood which cargoes will transit easily through the Israeli security checks and at the same which cargoes create the minimum of bureaucratic delay and paperwork.

Optimum cargo allowed to pass through includes, but is not limited to:

- Food products (mainly to the Palestinian Territory);
- Fruit juices;
- Chemicals;
- Raw paper products;

- Cement, building materials & glass;
- Seeds and grains;
- Frozen vegetables, chilled fish & spices;
- Textile products;
- Nylon products; and
- Electrical goods.

Of these cargoes mentioned above the statistics show that 98% of exports are of Israeli origin (50% for QIZ and 50% general) and only 2% are Palestinian.

The average volume is estimated to be around 20 trucks per day.

Nitzana – Ease of Transit

Once cleared through security and document/procedure formalities the goods arriving from Israel or the Palestinian Authority Territory are forwarded to their final destinations, whether in Egypt or beyond.

This transit process is usually quite easy providing that no approvals are required from the various Israeli departments. Goods arriving at the Israeli terminal from Egypt are usually forwarded the same day to their final destinations in Israel or the Palestinian Authority Territory.

Nitzana is, for traders and shippers, no different from other Israeli border crossings and only demands that the rules be followed and that prior information on current conditions be known before shipment as this will certainly avoid “known” delays.

5.1.3 Cairo International and other Egyptian Airports

The Cairo International Airport (CAI) was built in 1945, and its first “Cargo Village” was built in 1980. There are plans to construct a new “Cairo Cargo City” (CCC), in order to meet the rising demands of air cargo, which reached 285,677 tons in 2008. These plans include the construction of a cargo terminal capable of handling 170,000 tons, and two forwarders’ buildings. This part is expected to be in full operation by 2011. Phase two will involve new facilities that will add another 150,000 tons.[1]

The Cairo International Airport is open to many carriers and can be perceived as a Regional Hub which is vital in the world of cargo connectivity that requires the optimum journey time, handling capability, onward shipment or excellent local distribution. Obviously one of the main carriers is Egypt Airlines.

Egypt Airlines

Egypt Airlines is the largest single operator in Cairo International Airport for both passenger and cargo transit. Additionally Egypt Air Cargo has 3 cargo terminals in Egypt as follows:

- Cairo cargo terminal;

[1] “Cairo International Airport – Cargo” http://www.cairo-airport.com/cargo.asp

- Alexandria cargo terminal;
- Tenth of Ramadan City cargo terminal; and
- Running a well equipped perishable terminal at Cairo International Airport.

Cairo cargo terminal

Cairo with its distinguished geographical location is considered a favorable hub for trans-shipments on board Egypt Air from/to major cities as well as carrying Egyptian exports and imports from around the world.

Terminal facilities Include:

- Mechanized palletization system;
- Loading & offloading mechanical platforms of 190 meters length allowing 34 vans and 22 heavy trucks to operate at the same time;
- Shaded areas;
- Electronic scales;
- Cold storage from -20 up to +10ºc;
- Strongrooms for valuables;
- Chemical storage;
- Dangerous goods storage;
- Radioactive materials store; and
- X-Ray screening facilities for export cargo.

Alexandria cargo terminal

To cope with growing market and customer need, a second terminal, with a storage capacity of 20,000 tons per annum, was inaugurated in September 1991 at Alexandria International Airport, with all facilities to better serve the northern region of the Delta.

Terminal facilities Include:

- General cargo warehouses;
- Refrigerators;
- Dangerous goods storage;
- Extended platform with total length 50m & 4m width;
- Valuables saferoom;
- Trucking service to/from cargo terminal in Cairo; and
- Government authorities
  - Customs authorities
  - Export / import control
  - Agriculture control

Tenth of Ramadan City cargo terminal

A third cargo terminal has been constructed at the heart of the industrial zone, 10 th of Ramadan city 30 minutes from Cairo International Airport - a hub of 600 industrial factories producing garments, pharmaceutical products, furniture, crystal, ceramics and foodstuffs which proved to have very good export markets all over the world.

With a storage capacity of 30,000 tons per annum the complex contains an annex for cargo agent offices, bank sales offices for both passenger and cargo as well as all the warehousing facilities as follows:

- General cargo facilities;
- Dangerous goods storage;
- Refrigerators;
- Valuables saferoom;
- Electronics scales;
- Delivery office;
- Cargo sales office;
- Passenger ticket sales office;
- Extended platform with total length 63m and 7.6m width;
- Internal broadcasting and sound system;
- Central air conditioning;
- Telecom office;
- Trucking service to/from the Cairo cargo terminal;
- Governmental authorities;
- Export/import quality control;
- Agriculture, phytosanitary control;
- Food sanitary control;
- Bank branch;
- 26 cargo agents & export offices; and
- Parking area.

Perishable Terminal - Cairo Airport Horticultural Terminal - HEIA

The HEIA facility, operated and managed by Egypt Air Cargo Company, encompasses one-stop-shop services for all airlines through a harmonized processing system. This includes synchronized customs and phytosanitary clearance procedures which increases the effectiveness of the whole transit process for the traders and the airlines.

The also use total quality management (TQM) principles together with simplified documentation.

It is interesting to note that a very small volume of cut flowers was handled in spite of the fact that they had the facilities. This is seen as an opportunity for the growers from Gaza to eventually capitalize in this sector. Traditionally, the Israeli growers have handled all flowers from Gaza and Israel and exported worldwide, but particularly to Europe.

Competitive Practices

In the areas of competition the Egyptians are relying on the Gaza or West Bank products to be solely "in transit" to other countries and therefore do not pose a problem for the Egyptian home market.

The total area of the facility is 24,000 square meters with a ground-plan cooled area of over 4,000 square meters. The handling capacity is in excess of 500 tons per day.

This allows the maintenance of the 'cool-chain' from the growers to the international market.

Photo showing the main front entrance of the HEIA Terminal

Photo showing one of the main handling areas

Photo showing the scanning equipment to comply with aircraft security

Potential of HEIA Terminal for Palestinian Traders, Shippers and Growers

There is a significant potential for Palestinian traders, shippers and growers for exports in that the seasonal differential between the Gaza, West Bank and Egypt could create an opportunity whereby each country could use the same markets but at a different seasonal period.

Additionally, the operators of the HEIA Terminal stated that they have sufficient capacity to handle all of the Gaza and West Bank products should the opportunity arise.

There could also be a potential of partnering Egypt Air in Al Arish Airport transit initiatives.

Photos Egypt Air Cargo Operations – Cairo International Airport

Cairo International Airport - Other Cargo Airlines:

There are over 65 airlines that use Cairo International Airport and this includes charter airlines and 9 cargo airlines.

The cargo airlines are listed in the table below:

Airlines	Airport Destination
Air France Cargo	Bahrain, Paris-Charles de Gaulle
Cargo Lux	Luxembourg, Hong Kong
Egypt Air Cargo	Châteauroux, Eldoret, Frankfurt-Hahn, Khartoum, Kent-Manston, Nairobi, Ostend, Sharjah
Ethiopian Airlines	Addis Ababa, Liège
MK Airlines	Kent-Manston, Ostend
Qatar Airways Cargo	Doha
Royal Jordanian Cargo	Amman
Saudi Arabian Airlines Cargo	Jeddah, Riyadh
Tristar Air	Amsterdam, Düsseldorf, Kent-Manston, Tripoli

5.1.4 Seaports

Egyptian Seaports – General

For sustainable trade from the Palestinian Territories there are five excellent sea-route options using Egyptian seaports via Rafah or Nitzana. For Gaza and West Bank trade there are two ports, Al Arish and Port Said East, which are reasonably close and other ports such as Port Said, Damietta and Alexandria which demand longer transport journeys and the difficulties of negotiating heavy Cairo or Delta traffic. However, distance from a seaport is not the only criteria for successful trade.

The five seaport options are as follows:

- Al Arish;
- Port Said East;
- Port Said;
- Damietta; and
- Alexandria.

Each of the five seaports has its advantages and disadvantages and much will depend on the criteria of cargo type, volume, packaging and destination of the shipment. This is the same if it be for import or export.

The nearest port to Gaza and the West Bank via Rafah or Nitzana is Al Arish but the use of this port would require the organization of specific routes for the cargo and finding sufficient volume for those routes. This highlights the problem of seaports in general because most of them are served by shipping Lines or single-owned vessels that look for profitable cargoes. This means that they usually stay on specific routes and keep to specific timetables.

The next nearest port is that of Port Said East which has been recently developed as a container hub and is operated by a single management. This means the port is looking for “containerized” cargo that, once again, demands well used cargo origins and destinations.

Note: It was hoped, in 2006, that a container/truck Ro-Ro service could be established between Gaza Seaport and Port Said East as a "security acceptable" first-steps to open seas trade for Gaza.

The main seaport of Port Said is somewhat further and has a tendency to service larger volumes and transit cargoes from the Suez Canal.

The next seaport is Damietta which, although distant, does cater for smaller and varied cargoes so the possibilities of this seaport for Gaza and West Bank trade are quite positive.

Alexandria is similar to Damietta in that it handles "general cargo" and containers. It should be noted that the majority of modern ports have facilities to handle "refrigerated cargo" and Reefer trucks or trailers.

Seaports Distance Table

Distance Table in Kilometers	Rafah	Al Arish	Al Arish A/P	PESP	PTS	Dam	Cairo
Rafah	000						
Al Arish Port	55	000					
Al Arish Air Port	65	10	000				
Port Said East	229	180	190	000			
Port Said Port	245	196	206	16	000		
Damietta	292	282	237	79	63	000	
Cairo	354	305	320	183	192	256	000

Port Said Port:

- Total Area 3 km2 = 3,000.895 sq.meters
- Water Area 1.7 km2 = 1,733.800 sq.meters
- Land Area 1.3 km2 = 1,267.095 sq.meters
- Total Warehouse Area= 90.000 sq.meters
- Container Yard Area = 435.000 sq.meters
- Total Customs Zone port boundaries
- Cisterns Area= 109.473,4 sq.meters

Total Area of General Cargo Storage Warehouses 500,000 sq. meters.[2]

Port Said Port has facilities capable of handling storage and managing containers in transit, and is highly recommended to Palestinian businessmen.

DISTANCE TO THE BORDER: 245km (with average time 6 hours)

Port-Said East Port (PSEP):

This port is considered to be the most efficient hub port in the Mediterranean Sea for the following reasons:

- It is the only container terminal in Sinai;
- High service standards include smart-port applications, electronic gates, online-tracking for all incoming shipments;
- High handling capacity; and
- High operational standards.

Distance to the border: 229 km (With average time 7- 8 hrs).

5.2 Standard Operating Procedures

These are the Standard Operating Procedures (SOPs) of the transit gateways in Egypt by land, by sea and by air:

5.2.1 Export from Palestine

Export from Palestine (Final Destination is Egypt)

Required Documents:

a. Commercial invoice;
b. Packing list;

[2] http://www.psdports.org/e-ptsport.asp

c. Certificate of Origin; and
d. Any other documents depending on the type of goods (i.e. phytosanitary, health,,etc.)

Customs Process:

1. Upon arrival of goods, together with the shipping documents, the customs broker arranges the customs declaration. The customs computer system automatically picks a line for the product:
   - Red Line (must be physically inspected)
   - Green Line (immediate release of the goods);
2. Shipment registration in the 46 Registry Book for all incoming shipments to the Egyptian customs;
3. After customs inspection, customs evaluations take place as per the declared tariff, and then another evaluation is done electronically;
4. Finalization of other department issues (health, agriculture, etc.); and
5. Payment of customs duty, providing a gate pass for exit.

Approvals from at least one of various departments will be required for all cargo destined for Egypt. For example, a sample may be required for testing by the Ministry of Health or the Ministry of Agriculture. In this case, the cargo will be released on temporary admission, and can not be sold until final clearance is received from the required authorities. In addition, all incoming cargo should be palletized. Pallets must be fumigated and stamped.

Fees:

a. USD 185.00 (official receipts)/shipment;
b. USD 553/shipment storage fees, documentation & photocopying;
c. Customs clearance fees USD 305.00/shipment; and
d. In addition to the customs fees which the Egyptian importer will pay.

5.2.2 Export from Palestine (In transit goods)

Required Documents:

a. Commercial invoice;
b. Packing list;
c. Certificate of Origin; and
d. Any other documents depending on the type of goods (i.e. phytosanitary, health, etc.)

Customs Process:

1. Upon arrival of goods together with the shipping documents, the customs

broker arranges the customs declaration. The customs computer system automatically picks a line for the product:

a. Red Line (must be physically inspected)

b. Green Line (immediate release of the goods);

2. Shipment registration in the 46 Registry Book for all incoming shipments to the Egyptian customs;
3. After customs inspection, customs evaluations take place as per the declared tariff, and then another evaluation is done electronically;
4. Finalization of other department issues (health, agriculture, etc.);
5. Payment of customs duty, providing a gate pass for exit;
6. Customs calculate the bank guarantee (depending on the value of the goods and duties); and
7. Truck is sealed and issued a gate pass for exit.

The truck is ready to leave Rafah to the final transit gate in sea ports or CIAP escorting with customs officer and police officer as well).

Fees:

a. USD 185.00 (official receipts)/shipment;
b. USD 553/shipment storage fees, documentation & photocopying;
c. Customs clearance fees USD 305.00/shipment;
d. Customs escort is mandatory USD 181.000/truck (official receipt); and
e. Transit bank guarantee fees: 0.5% of the goods value.

Fees at Final Transit Destinations (Port Said, Border or Cairo Int'l airport)

Customs clearance charges:

- USD 40 for 1st 100kgs + USD 15 for each additional 100 kgs or part
- Customs declaration USD 7
- Customs escort USD 100 per truck
- Police escort USD 100 per truck
- Official representation USD 50.
- Bank letter of guarantee: 0.5% from required amount with min. USD150/ shipment.
- Boxed shape light truck: 1 ton USD 175.3 tons (volumetric cargo) USD 225, 5 tons USD300. In addition, there is a sales tax of 10%
- Truck detention US$100/day

Container Terminal Rates at Port Said:

Terminal handling charges (payable by consignee/shipper)

	20'ft	40' ft / 45' ft
Full containers – load (export)	$ 30	$ 45
Full containers – discharge (import)	$ 50	$ 75
Full containers –transit (import/export)	$ 30	$ 45
LCL – per ton or per CBM, whichever is higher	$ 5	

Note: For containers that are in transit, bill of lading must read, "In-Transit."

5.3 Import to Palestine

5.3.1 Imports of Egyptian Origin (EGYPTIAN EXPORTS):

Required documents

a. Commercial Invoice;
b. Packing list;
c. Certificate of Origin; and
d. Any other documents depending on the type of goods (i.e. phytosanitary, health, etc.)

Customs procedures:

Approximate fees at Rafah border crossing:

a. Transit fees: 0.5% of the total cost of cargo;
b. Clearance fees $ 220/shipment; and
c. Customs escort is mandatory, $ 181/truck.

From Cairo Int'l Airport:[3]

Procedures

1. Arrival of goods to the airport;
2. Upon arrival of goods together with the shipping documents, the customs broker arranges the customs declaration;

[3] The statistical scenario of having Karni/Al Montar and Rafah terminals closed was not added to this or followed tables, since the results will be zero.

3. All cargo coming to CIAP must be inspected manually;
4. After the inspection, proceed for customs evaluation;
5. Customs calculate the bank guarantee (depending on the value of the goods and customs duties for air cargo only);
6. Truck is sealed and issued a gate pass for exit;
7. The truck is ready to leave CIAP to Rafah; and
8. Note: For certain commodities the truck will be escorted by a customs officer and a police delegate.

Fees at CIAP:

Customs clearance charges:

- $ 40 for 1st 100kgs + $ 15 for each additional 100 kgs or part;
- Customs declaration $ 7;
- Customs escort $ 100 per truck;
- Police delegate $ 100 per truck;
- Official representation $ 50;
- Bank letter of guarantee: 0.5% from required amount with min. $150/shipment;
- Boxed shape light truck: 1 ton $ 175, 3 tons (volumetric cargo) $ 225, 5 tons $ 300. In addition, there will be a 10% sales tax.
- Truck detention, $ 100/day.

Section Six

Impediments

Introduction

KHB and Rafah Crossing are considered the cornerstone for any sustainable trade development since Palestine is a *de facto* land-locked area. These two crossings are the only Palestinian crossings with Jordan and Egypt, and they play a vital role for the future Palestinian state. Moreover, the importance of these two crossings increased after the second Intifada due to Israeli's new security measures, which brought the Palestinian economy to a complete halt. Thus, KHB and Rafah Crossing are essential for diversifying Palestinian trade and could hold great potential if they are run properly, especially with the regional countries and Arab World. With the current status of these two crossings, the Palestinian private sector will remain hesitant to use them as the level of uncertainty is high.

6.1 Rafah Crossing

Rafah Crossing has never operated as a commercial crossing for exports, with the exception of a few attempts. In contrast, Rafah Crossing operated as a commercial crossing only for imports until the Israeli disengagement from the Gaza Strip in September, 2005. Despite the fact that the AMA stated that exports must be processed through Rafah Crossing, no exports or imports have been witnessed at Rafah Crossing except for few attempts. Following the last war on Gaza Strip in January, 2009, humanitarian aid was granted permission to pass through Rafah Crossing from the Egyptian side to the Palestinian side.

Based on the past experience and attempts, Palestinian importers and exporters encounter the following obstacles:

a. Currently, Rafah Crossing is entirely closed;

b. The AMA provisions on Rafah Crossing not only have never been implemented, but also were vague and ambiguous; and

c. No commercial infrastructure is available on Rafah Crossing.

If Rafah Crossing becomes operational as a commercial crossing in the future, there will be several issues to be addressed when utilizing the Egyptian gateways as follows:

a. The Suez Canal Container Terminal (SCCT) does not allow imported containers (in Transit to Rafah or Oga) to be un-stuffed when crossing the Suez Canal. This will add extra cost of clearing and returning the containers back empty;

b. The back to back system will add extra expenses and damages to the cargo;

c. Currently, the Egyptian Customs Authority imposes additional charges i.e. customs escort and security escort to accompany the transit goods crossing the borders; and

d. There is no logistics center for packing and re-packing goods on the Egyptian side of Rafah Crossing.

6.2 King Hussein Bridge

After extensive meetings with various stakeholders, workshops, and desk research, the impediments that face Palestinian trade utilizing KHB and Jordanian gateways can be categorized as follows:

6.2.1 Palestinian Side

Since the Palestinian National Authority has no control over KHB, Palestinian exporters and importers only face impediments related to the following:

1. *Long issuance time of drug registration certificate; this takes (6-18 months) due to requirements of bioequivalence studies and handling of foreign and local products by one office.* This time consuming process has a direct impact on both import and export of pharmaceutical products, and is limiting business opportunities;

2. There is no published guide clarifying the procedures and documents that are required for the import and export process. This results in delay, miscommunication, and increased cost as many of these required documents are not issued on time, or are sent to irrelevant departments;

3. The Palestinian Standards Institute has not established any authorized labs capable of handling all of the required tests for export and import;

4. The Palestinian National Authority usually takes more than one year to refund Palestinian exporters and importers, i.e. there are customs duties on imported raw materials which have been manufactured for export. Under the Investment Promotion Law, there are also certain products that should be exempt from customs duties, and the PA is responsible for refunding them. These refunds can also take longer than a year; and

5. The Palestinian National Authority has not written/specified any procedures for re-valuation of imports. Furthermore, the current valuators are not qualified.

6.2.2 Israeli Side

The closure of Damia Bridge is considered one of the main impediments to Palestinian trade to/from and via Jordan. In the past, the Bridge was designated for Palestinian exports only. Since the closure of the Bridge in 2003, all Palestinian export cargo has been diverted to KHB. (It should be taken into consideration that the infrastructure at KHB, which will be discussed later, is inadequate to handle both exports and imports.) As a result, Palestinian trade to/from and via Jordan encounters the following impediments:

1. *Inadequate infrastructure at King Hussein Bridge makes Palestinian businessmen hesitant to use this crossing for export and import:*

    a. The current scanner is insufficient to handle objects that cannot be palletized. As a result, such objects must be sent to other Israeli ports for inspection, adding time and cost to the logistical chain. The transaction cost is increased by US$750, half going towards customs escort and the other half for transportation;

    b. No storage or cooling facilities are available, aside from one small and insecure warehouse. This makes it very difficult to store goods that need to be stored until clearance;

    c. Current infrastructure of King Hussein Bridge is insufficient for higher export and import volumes, especially considering that survey results show an expected increase in export and import during 2009 and 2010 by 30% and 50% respectively. In addition, the Agro-Industrial Park will become operational in the near future, and this will also increase the export demands on KHB; and

    d. The current loading and unloading area is insufficient because of its complete exposure to outdoor conditions. This itself does not meet the international standards regarding trade terminals.

2. *The administrative procedures at KHB are hindering normal trade-flow:*

    a. The "back-to-back" system creates multiple hardships for Palestinian businesses, no matter how efficiently it is run. The cross loading and manual inspections add extra expenses and substantial damage to the cargo, not only for perishables, but for all products. In addition to creating delays and uncertainties, the loading and unloading process that takes place during the "back-to-back" system is itself against international standards. For example, herbs must be kept at a certain temperature during export, but the "back-to-back" system at KHB does not comply with this requirement, especially during summer;

b. Containers are not allowed to cross to the Jordanian side and be imported from the Jordanian side. This adds time and costs due to the loading and unloading at several stages. It also increases the risk for damage to produce. Furthermore, the lack of containerization prevents the import or export of certain products, such as furniture; and

c. The maximum pallet height is restricted to 1.8 m and to one type of product, increasing the transaction cost.

3. *The Paris Protocol stipulates that KHB should be managed by both Israel and the Palestinian National Authority, but since 2002 Israel banned the presence of the PNA from KHB. This has led to:*

a. No accurate statistics for export and import are available regarding the Palestinian trade flow through KHB;

b. No guides are available for export and import via KHB and subsequently no dissemination mechanism for changes in procedures is available, thus increasing uncertainty; and

c. No Palestinian point of contact at the bridge for inquiries and coordination on the status of shipments and crossing procedures.

4. *Unrecognize trade agreements signed by the Palestinian Liberation Organization adds cost to commercial transactions op the Palestinian merchants.* For instance, Palestinians imports from Europe are required to pay duties at the bridge when the Euro 1 states that it has been issued pursuant to the PLO and Europe Interim Association Agreemen, although that the Interim Association Agreement provides for zero tariff on such imports. This measure has a direct impact on the Palestinian economy and clearly plays a negative role in terms of competitiveness between Palestinian and Israeli importers.

6.2.3 Jordanian Side

1. The Jordanian government does not allow containers to cross the border for trans-loading;

2. Jordanian customs imposes transit fees, JD 73, for goods in transit that cross the border to Aqaba and Umari and JD 40 to QAIA;

3. Sometimes on Thursdays, un-cleared cargo must remain at King Hussein Bridge until Sunday, when the Jordan customs re-open;

4. For certain transit commodities, Jordanian customs require an escort from border to transit gateways and in opposite direction. They require an escort despite the fact that there is already a bank guarantee;

5. At Queen Alia Airport, exports that require immediate handling (i.e. herbs) take more than two hours to be processed by RJ, the official handling agent;

6. The cost of transportation from KHB to Aqaba is considerably higher than transportation from the West Bank to the Israeli ports; and

7. The Jordanian Ministry of Agriculture at KHB requires certain certificates (i.e. health certificate). For Palestinian cargo in transit, despite the fact that these documents are not required by the importing countries.

Section Seven

Recommendations

These are the following recommendations regarding the impediments described above:

7.1 Rafah Crossing

The initial requirements are:

1. Rafah Crossing must be re-opened for trade to/from/via Egypt;
2. The AMA must be revised and implemented immediately;
3. Upon the re-opening of Rafah Crossing, the following issues will need to be addressed regarding the usage of Egyptian gateways:
   a. Allow imported containers to be palletized when in-transit to Rafah or Oga through the Suez Canal Container Terminal (SCCT);
   b. Adopt the door to door system at Rafah Crossing instead of the back to back;
   c. Reduce or wave customs and security escort for Palestinian cargo in-transit; and
   d. Construct a logistics center for packing and re-packing goods on the Egyptian side of Rafah Crossing These are the following requirements regarding facilitation of trade flow through KHB.

7.2 King Hussein Bridge

1. Damia Bridge must be re-opened under full Palestinian management, as stipulated in the Paris Protocol of 1994.

Until the re-opening of Damia Bridge, the following must be implemented to ease the congestion at KHB, and improve its operational capacity:

1. Containerize KHB;
2. Implement the door to door system at KHB instead of the back to back;
3. Lift the ban on the presence of Palestinian Customs at KHB;
4. Create a joint Jordanian-Palestinian committee responsible for pressuring Israel to lift all non-trade barriers;
5. The international community must pressure Israel to lift all restrictions on trade between Palestine and Jordan; and
6. Construction of a logistics center at KHB that contains all essential facilities and infrastructure, such as cooling facilities and warehouses.

The following recommendation reflect the requirements of the private sector and the three parties involved in facilitating trade between Jordan and Palestine, using KHB and Jordanian gateways.

7.2.1 Palestinian Side:

a. A one-stop shop must be established in order to simplify the current import/export procedures. There is a severe overlap between the various ministries and departments;

b. The Palestinian Standards Institute should shorten the time-frame that is needed to examine imports in the internal or external accredited labs;

c. There must be an advance exemption of the customs duties for all raw materials used in the manufacturing of exports. (Those importing raw-materials for manufacturing purposes, for export, are required to pay customs duties. These customs duties are refundable, but often times the PA takes more than a year to refund the payment);

d. The government should establish the needed mechanisms to pay the private sector its due tax returns and the customs duties returns levied on imports from the GAFTA within 45 days of imports; and

e. Palestinian Evaluators must be qualified for the task, and an objective evaluation should take place.

7.2.2 Israeli Side

Upgrading of infrastructure and procedures at KHB include:

1. Containerization of KHB to:
   a. Increase the volume of export/import;
   b. Cut in costs by $250-$300 per container for export; and
   c. Diversify products like furniture & perishables.
2. Installment of a mobile scanner along with the current palletized scanner;
3. Provision of sufficient and secure warehouses and cooling facilities;
4. Replacement of the current door to door system with the back to back;
5. Implementation of international standards regarding border management;
6. Unification of opening hours at both sides;
7. Increase the operating days to 6 days a week;
8. An *unambiguous* administrative procedures guide;
9. Publication of statistics on the volume and types of goods crossing KHB (export and import). This will enable us to specifically identify infrastructure priorities; and
10. Israeli recognition of trade agreements signed by the PLO, most importantly the Great Arab Free Trade Agreement.

7.2.3 Jordanian Side

1. A memorandum of understanding should be made between the Palestinian and Jordanian authorities in order to:
   a. Take advantage of the facilities applicable to the various ports of Jordan; and
   b. Form a technical team from Jordan and Palestinian-related entities, including the private sector of both countries, which can present technical solutions to current and arising impediments to trade flow, reducing time and cost, and maintaining the quality of products.
2. Set a meeting with the Jordanian Ministry of Transport to allow containers to cross the border for trans-loading to the Israeli side;
3. Set a meeting with both Jordanian Customs and the Ministry of Transport to waive the JD 73.000 transit fees and the JD 40 customs escort fees on Palestinian cargo;
4. Arrange Jordanian customs to open on Friday in order to clear cargo that is left behind;

5. Discuss and verify the customs escort procedures with Jordanian customs. This will include a confirmation that goods will be escorted as soon as they are cleared; and

6. Discuss the transportation costs between KHB and Aqaba with the Ministry of Transport in Jordan. It is necessary that we allocate a joint Jordanian-Palestinian venture company that can transfer Palestinian shipments to Aqaba at competitive price.