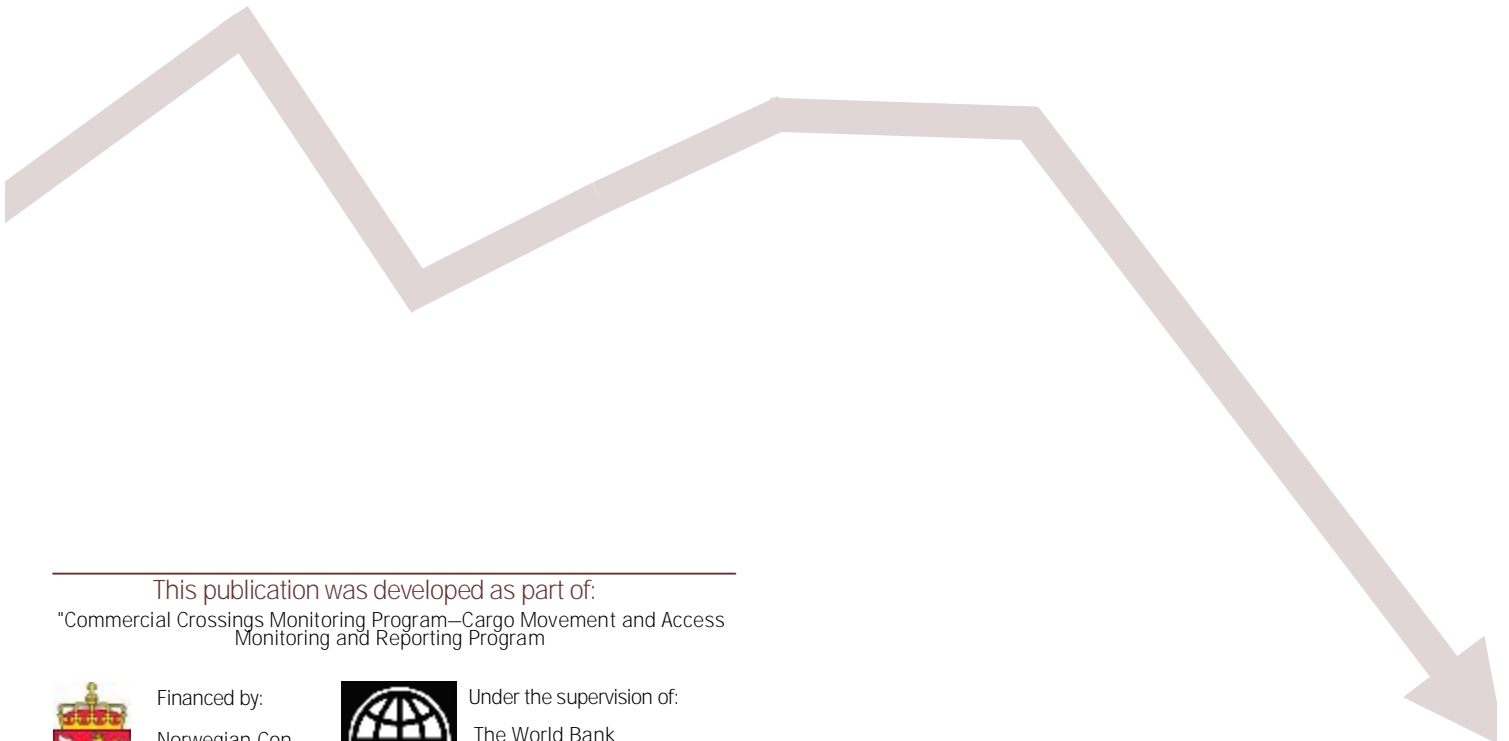




SPECIAL REPORT

GAZA STRIP TWO YEARS THROUGH SIEGE!

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GLOSSARY:

Gaza Crossings : For the names and brief overviews of the Gaza crossings referred to in this report, see Annex 2.

AMA	Agreement on Movement and Access, signed on November 15, 2005 http://www.eubam-rafah.eu/portal/node/11
Basic Commodities	Wheat, flour, rice, sugar, cooking oil, and other non-luxury food supplies.
Conveyer Belt	This refers to a conveyor belt at the Al Montar Crossing which was used before the closure on June 2007 exclusively for transferring aggregates from the Israeli to the Palestinian side. Currently, the conveyer built is the only facility functioning at Al Montar and is used for transferring grains including wheat, pulses, seeds, and animals feed into Gaza.
Commercial Goods	Goods that are imported by commercial establishments in the private sector, and are distributed through commercial outlets in the open market.
Exports	Truckload movements outbound from the Gaza Strip, regardless of destination.
Humanitarian Goods	Basic foods (e.g. rice, cooking oil, etc.), medicines, and other goods brought in by humanitarian agencies.
Imports	Truckload movements inbound to the Gaza Strip, regardless of origin. Includes both commercial and humanitarian goods.
Tunnels	Underground passages between the Gaza Strip and Egypt used for the informal transfer of goods. Use of tunnels increased after the June 2007 closure.

SECTION 1: INTRODUCTION

A OVERVIEW

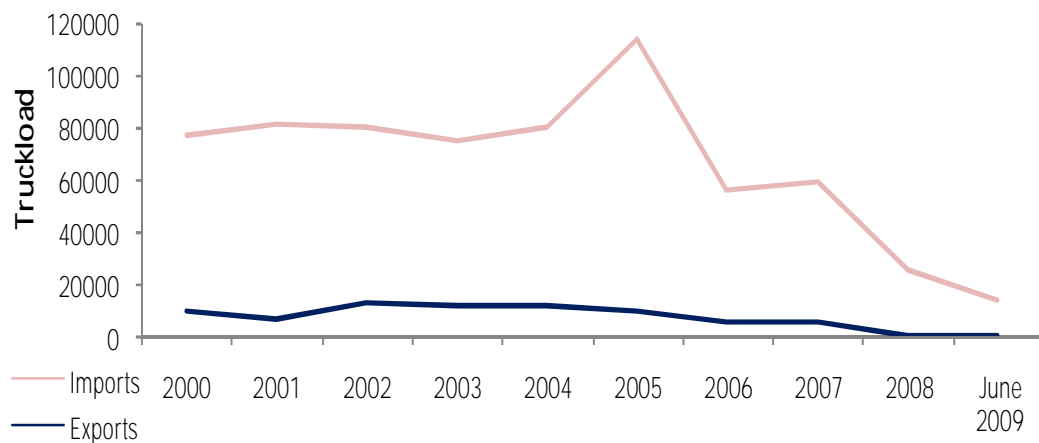
June 14, 2009 marks the second year of closure of the Gaza Strip for movement of both people and goods. The large majority of these movements are classified under the humanitarian functions with only limited quantities of exports mainly cash crops. This in turn has materialized in high unemployment specifically in the industrial sector, complete or partial closure of industrial establishments as well as tremendous increase in obtaining production inputs through the tunnels.

After two years of closure, punctuated by the Gaza War, there has been no improvement at the crossings. The ability to rebuild Gaza and revitalize its economy is dependent on fully opening the commercial crossings to permit inbound movements of industrial inputs, construction materials, and equipment, as well as outbound movement of finished products into local and external markets. The opening of the crossings is not yet occurring.

In short, the Palestinian private sector in Gaza has lost its competitive edge in the local and external markets which has become more difficult and costly to reverse. Most Gaza industries are export-oriented and used to have purchase and supply contracts with Israeli and other firms.

Before closure, Gaza manufacturers imported 95% of their inputs. About 76% of their furniture products, 90% of their garments and 20% of their food products were exported to Israel, and some to the West Bank.

Figure (1): Comparison of Gaza Strip Total Annual Imports and Exports



This report highlights the status of the Gaza Crossings during the two years closure period during different stages vis-à-vis the period before the closure.

SECTION 1: INTRODUCTION *continued*

B KEY HIGHLIGHTS

- è Almost no exports have been allowed—A total of for 138 truckloads were exported during the two year closure period vis-à-vis 70 exported truckloads per day before closure (January 2005 - May 2007)
- è Current imports are around a quarter (25%) of their pre closure levels (i.e., before June 2007). Before closure, average number of daily imports was 630 truckloads; of which 52% was construction materials.
- è Average percent of humanitarian imports reached 27% of total imports vis -à-vis 5% before the siege.
- è The percentage of imports from the West Bank dropped from 19% to 3% of the total imports volume.
- è Only 35 types of goods are allowed to enter Gaza Strip (under humanitarian causes) vis -à-vis 4,000 types had been imported before the siege.
- è No construction materials or any raw materials have been allowed into Gaza since June 14, 2006. Except for limited quantity of construction materials during the 6 months truce period, were a total of 5371 truckloads of disintegrated types were allowed (i.e 89% were aggregates)
- è No commercial petrol nor diesel have been allowed into the Gaza Strip since November 2008.
- è US\$10 million is the estimated total loss as a result of banning the clearance of 1700 containers that are stuck at Israeli ports and their final destination is Gaza.
- è 95% of industrial establishments (i.e. 3750 establishments) are closed and/or destroyed (236 establishments were destroyed), and 94% of their workers (i.e. 40 thousands) are job-less.
- è Capacity utilization barely reached 20-50% of total capacity in the working establishments (5%).
- è Around 70% of construction materials factories were heavily hit and damaged by the two -year siege and by the 23-day war in Gaza (20 out of 29 available factories).
- è Sufa Crossing has been closed since September 12, 2008 , and Karem Abu Salem had been closed totally for four months during this two year period.



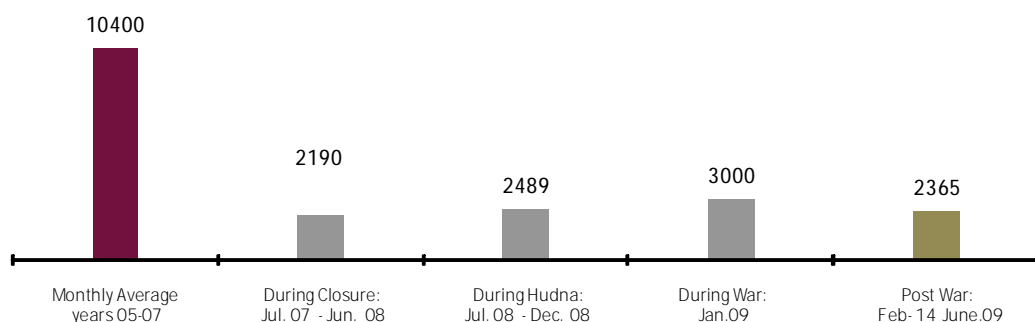
SECTION 1: INTRODUCTION *continued*

C GAZA CROSSINGS TIMELINE

The following is a review of the various stages between June 2005 and June 2009 :

- è **Before The Closure** (before June 14 2007): AlMontar crossing was the main crossing of the Gaza Strip for both imports and exports. An average of 450 truckloads a day used to be imported, and an average of 70 truckloads a day were exported. Sufa was used exclusively for the imports of construction materials, with an average of about 160 truckloads per day, and the Karem Abu Salem crossing was used for the crossing of humanitarian aids that comes from or through Egypt with an average of 20 truckloads per day. Beit Hanoun/Erez crossing was used occasionally for imports of medical supplies.
- è **The Closure Period** started on June 14, 2007: where the AlMontar crossing was closed for both imports and exports. The "conveyor belt" at the crossing reopened on June 28, 2007 for limited imports of grains and animals feed. Since then, Sufa and Karem Abu Salem crossings have also been used, primarily for imports of humanitarian goods, including basic food commodities (e.g. wheat flour, rice, pulses, cooking oil), animals feed and medical equipment. Beit Hanoun crossing was used on rare occasions for imports of medical supplies.
- è **Truce or Hudna Period** started on June 19, 2008 and ended on December 19, 2008 , during which commercial goods were allowed to enter Gaza Strip including aggregates, cement, construction metal, wood, car tires, clothes, shoes, and fruit juice. The quantities of imported goods were very limited. For example during this six month period, only three truckloads of construction metal were imported.
- è **War Period**, starting from December 27, 2009 to January 18, 2009, The restrictions on trade activities did not change during the 23-day war in Gaza. An average of 90 truckloads a day were imported, about 70% of the imports were humanitarian goods, and 30% were commercial cargos deemed essential to avoid a humanitarian crisis. The Rafah crossing was also used during the war for the imports of humanitarian supplies.
- è **Post War Period**, from January 19 to June 2009 , no improvements were witnessed on the crossings performance, where statistics illustrate that an average of daily 95 truckloads of commercial goods (mostly food) and humanitarian aids enters into Gaza, export were still banned for the exception of the minimal exports of 14 truckloads of carnation flowers.

Figure (2): Comparison of Average Monthly imports during the Different Periods



SECTION 2: PERFORMANCE of the CROSSINGS

A CROSSINGS PERFORMANCE TRENDS

The performance of Gaza commercial crossings has changed during the two-year period. First, AlMontar/Karni have shifted from being the main crossing for imports and exports (An average of 450 truckloads a day used to be imported, and an average of 70 truckloads a day were exported) to a secondary crossing for the limited imports of grains and animal feeds (see figure 3 below). Sufa Crossing has been transferred from being the main crossing for imports of construction materials to being totally closed since September 12, 2008 (see figure 4 below). Finally, Karem Abu Salem/Kerem Shalom, has been transferred from being a small crossing for imports of humanitarian aids from / through Egypt to the main crossing for most of Gaza's imports from Israel and other countries (see figure 5 below).

Figure (3): Gaza Imports & Exports in the period between Jan 2007–14 June 2009 through Al Montar Crossing

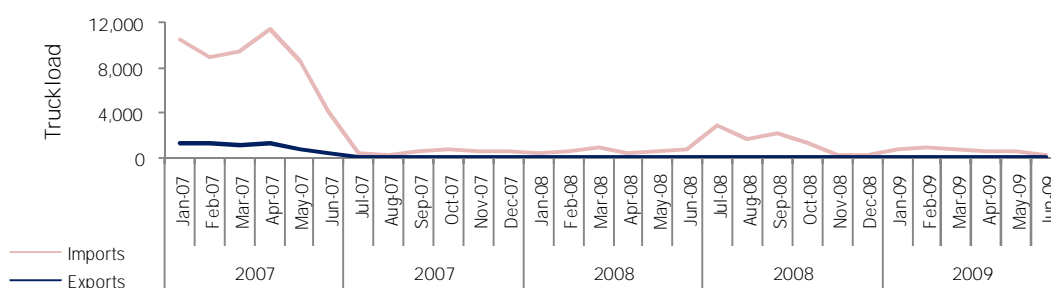


Figure (4): Gaza Imports in the period between Jan 2007–14 June 2009 through Sufa Crossing

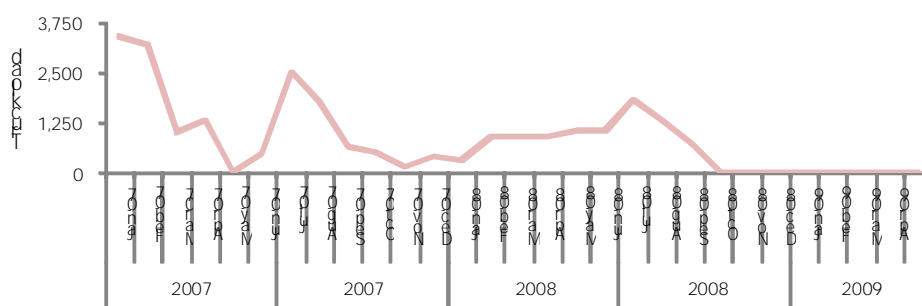


Figure (5): Gaza Imports & Exports in the period between Jan 2007–14 June 2009 through Karem Abu Salem Crossing



Table 1: Comparison of Average Daily Exports and Imports During the Different Periods

Crossing	Average Daily Exports				Average Daily Imports			
	Before June 2007	After June 2007	During Truce 2008	After War 2009	Before June 2007	After June 2007	During Truce 2008	After War 2009
AlMontar	70	0	0	0	450	62	55	30
Karem Abu Salem ¹	0	0	0	0	20	28	23	65
Sufa	0	0	0	0	160	65	26	0

¹ A total of 138 truckloads of cash crops were exported from June 2007 to June 2009

SECTION 2: PERFORMANCE at the CROSSINGS continued

B CARGO EXPORT ACTIVITY

Before the closure, monthly average of exported goods in 2005 were approximately 1,380 truckloads (70 truckloads per day), composed of furniture, garment, cash crops, vegetables, processed food, metal products, handicrafts, and other types. Since the start of the closure regime in June 2007, no export activity was allowed except for a total of 138 truckloads of cash crops which were exported through Karem Abu Salem Crossing.

See figure 6 for the annual export trends from June 2006 – June 2009 and figure 7 for the export trends for the key export sectors.

Figure (6): Total Annual Export Volume (by truckloads)

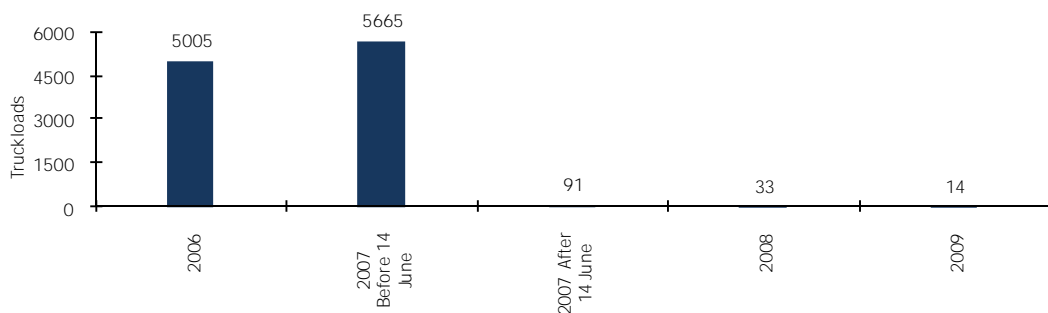
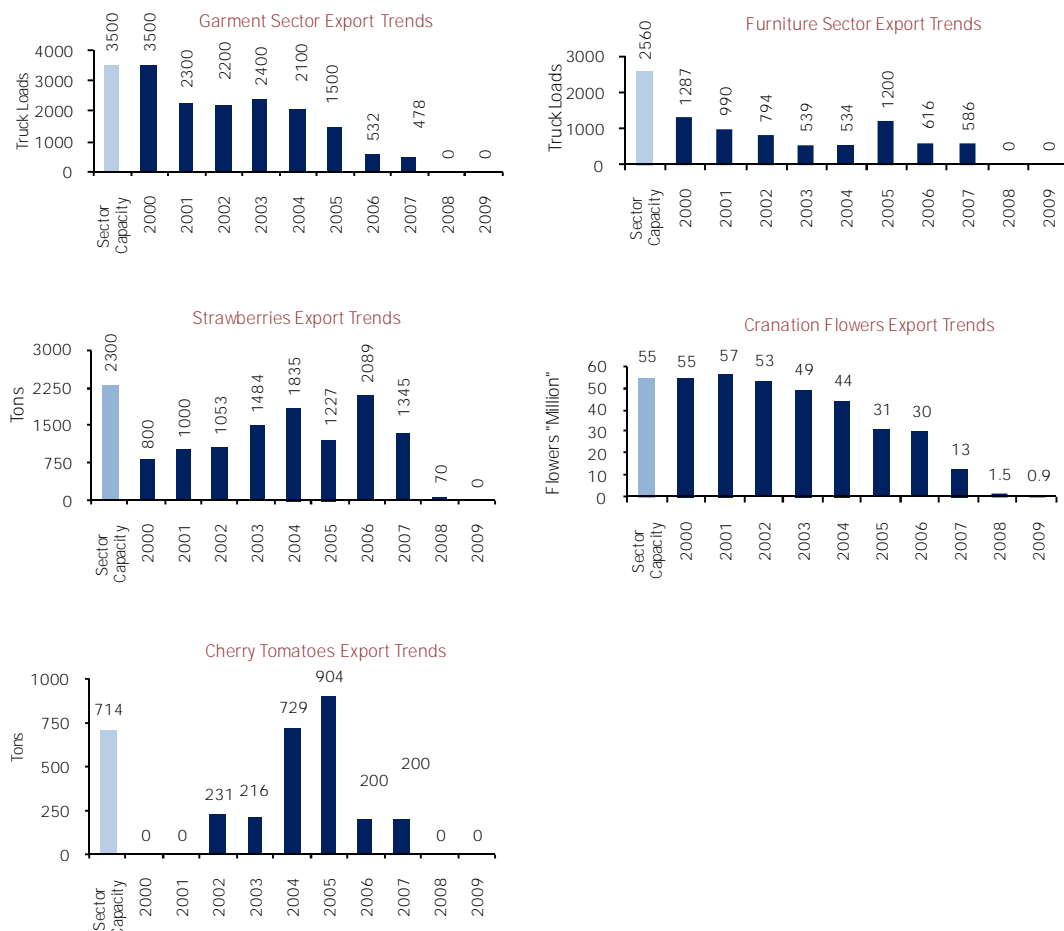


Figure (7): Total Annual Export Volume vis-à-vis sector export capacity per each key sector (by truckloads)



SECTION 2: PERFORMANCE at the CROSSINGS continued

C CARGO IMPORT ACTIVITY

Since June 14, 2007, import volumes have been between 2% and 33% of pre-closure levels, (see figure 8) in terms of both volume and types of goods. An import list of around 35 types does not include any construction/raw materials; see figure 9 that illustrates types of allowed imported goods through different periods. The dire economic and humanitarian implications of this are obvious.

As can be seen in the pie charts below (figure 9), humanitarian aid increased from 3% (pre closure) to 26%, and construction and raw materials decreased from 65% (pre closure) to zilch since November 2008. The current closure in general and the lack of imported materials in particular have altered Gaza economy from a manufacturing-based one and has become an economy that is more aid dependent, to illustrate the number of Gaza residents who depend on humanitarian aid for their livelihood is growing and currently amounts to 76% of the residents (according to U.N. figures).

Figure (8): Total Imports into Gaza in Jan 2007 – 14 Jun 2009 for all Gaza Crossings

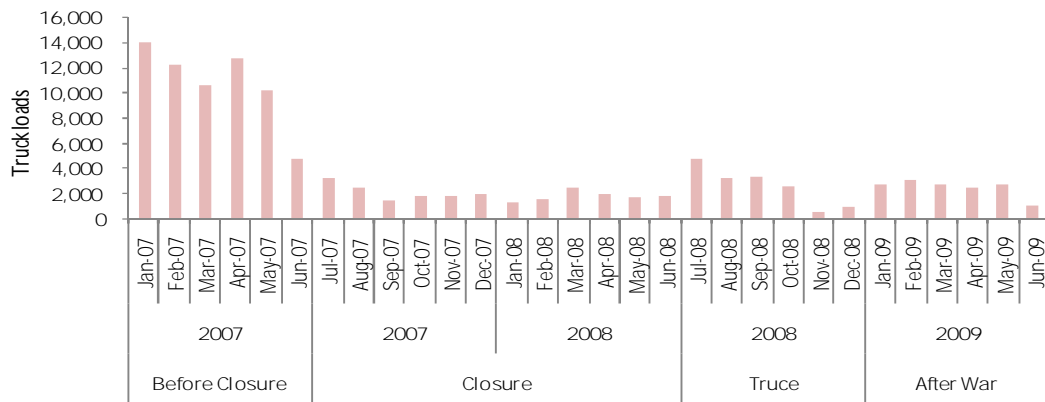
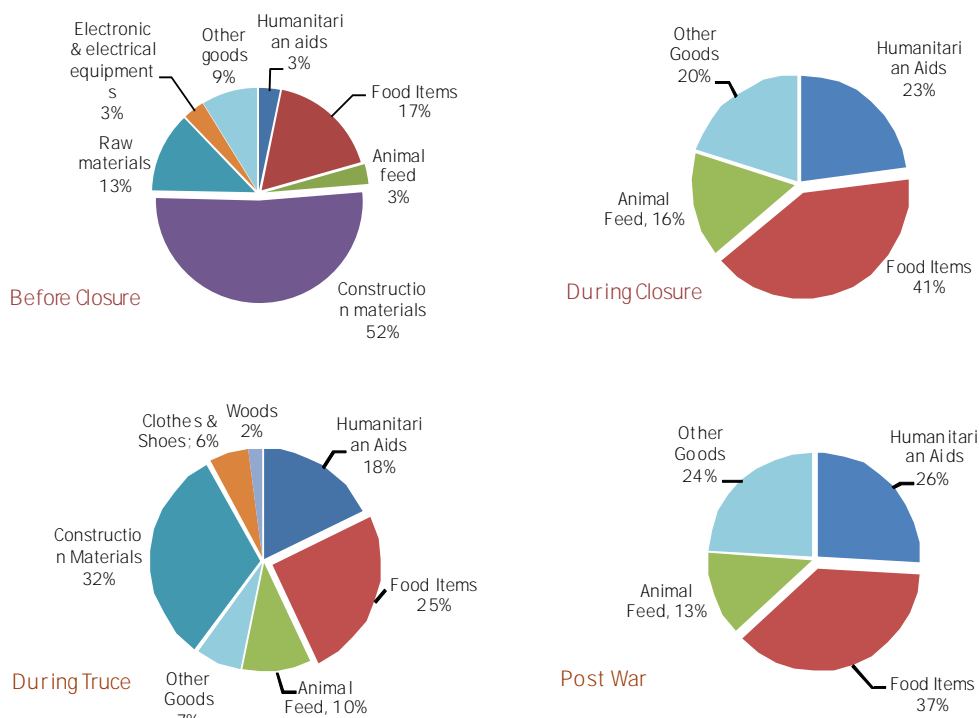


Figure (9): A Comparison of the Types of Imported Goods through All Crossings in the Different Periods



SECTION 2: PERFORMANCE at the CROSSINGS continued

D FUEL IMPORTS PERFORMANCE

Severe shortages in fuel supplies have been experienced since October 2007, where the Government of Israel banned imports of Petrol and Diesel and limited supplies of cooking gas for household uses and power plant oil. Except through special arrangements by the United Nations Relief and Works Agency (UNRWA) and Ministry of Health (MOH), diesel and Petrol have not been allowed into Gaza since November 2008. Monthly Fuel imports vis -à-vis monthly needs are presented in figures 10–13.

Undetermined amounts of fuel were smuggled into Gaza via the tunnels from Egypt. The smuggling primarily involved Petrol and diesel, but also included some cooking gas.

Figure (10): Monthly Petrol Imports since January 2007 versus Monthly Needs.

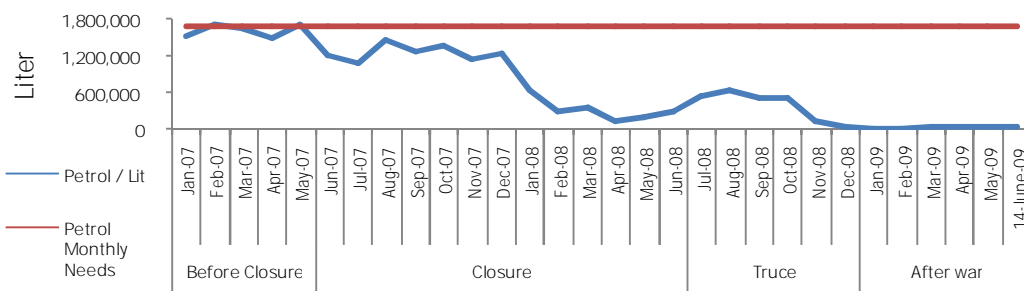


Figure (11): Monthly Diesel Imports since January 2007 versus Monthly Needs.

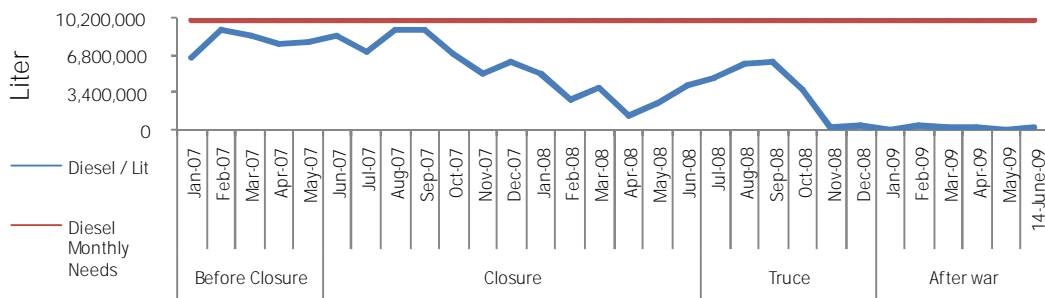


Figure (12): Monthly Power Plant Oil Imports since January 2007 versus Monthly Needs.

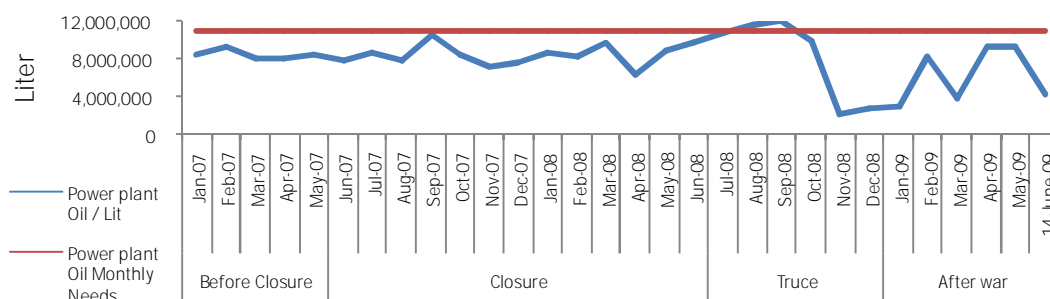
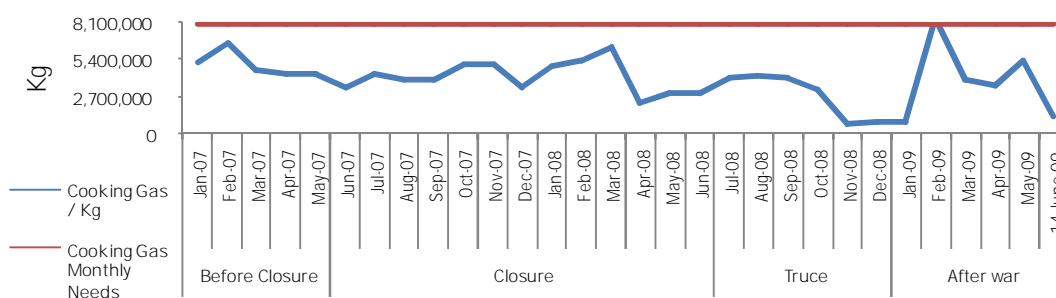


Figure (13): Monthly Cooking Gas Imports since January 2007 versus Monthly Needs.



SECTION 3: THE CURRENT STATUS OF THE PRIVATE SECTOR

OVERVIEW of the PRIVATE SECTOR after the GAZA WAR

Gaza's private sector has suffered greatly from the strict limitations on imports and near total banning of exports since June 2007. This has contributed to the closure of an estimated 95% of industrial establishments (i.e. 3,750 establishments) and reduced operations among virtually all of the remaining 5%. Approximately 94% of the private sector workforce have been laid off, a total of 120,000 workers.

The 23-day war in Gaza (Dec 27, 2008—Jan 19, 2009) further worsened the situation. An estimated 700 private sector establishments were partially or completely destroyed (432 and 368 establishments, respectively). Direct losses from this destruction are estimated at US\$139 million.¹ In addition, the agriculture and fishing sector is estimated to have direct losses of US\$170 million.²

Data on employment, firm numbers, and exports for the furniture, garment, and processed food sectors before the Closure, during the Closure, and since the War are presented in Table (3):

Table (2): Summary of the key sectors situation during three different periods

Industry	Normal Situation 2005			During the closure 2008			After Gaza War 2009			
	<i>Employment</i>	<i>Establishments</i>	<i>Monthly exports</i>	<i>Employment</i>	<i>Establishments</i>	<i>Monthly exports</i>	<i>Employment</i>	<i>Establishments</i>	<i>Monthly exports</i>	<i>losses in US Million \$</i>
Furniture	6500	600	168	100	30	0	70	26	0	6.51
Garment	25000	660	172	500	60	0	110	10	0	0.77
Processed Food	2500	100	140	300	30	0	144	16	0	37.1

Source: Palestinian Federation of Industries "PFI".

¹ Private Sector Coordination Council-Gaza Governates, Gaza Private Sector– Post War Status and Needs" Gaza City, Palestine, 2009..

² United Nations Development Programme preliminary results for the agricultural sector damages

ANNEX 1: PROJECT OVERVIEW

Commercial Crossings Monitoring Program—Cargo Movement and Access Monitoring and Reporting Program

Because of its designation as the National Trade Development Organization, PalTrade is the private sector institution with a mandate to promote trade development. PalTrade is a founder and member of the Private Sector Coordinating Council (PSCC), a consortium of all major private sector institutions, and an important partner of industry and service associations. As such, PalTrade has been a member of the Gaza withdrawal technical committees and negotiations team; especially providing the private sector perspectives of the Access and Movement Agreement (AMA) for the cargo movement at the crossings. PalTrade is also a private sector representative in the Crossings' Steering Committee which was formed by the President of the Palestinian Authority to act as the coordination body for the reform and development of the border crossings.

As part of the World Bank project "Facilitating Trade Flows between WBGs and Israel" and the previous "Private Sector Participation in Gaza Withdrawal Coordination Process" project, PalTrade has maintained a physical presence at Al Montar/Karni since August 24th, 2005. As such, PalTrade is the only independent source of crossings information which is used by the Quartet, the World Bank, the US Security Coordinator, UN OCHA and others.

PalTrade's work regarding the Crossings includes monitoring, collection and data analysis.

Financing for the border monitoring activities in the:

- First year; was through a World Bank grant to the PA in association with emergency support during the Gazan disengagement.
- Second year; was through a Post Conflict Fund grant which was closed in September 2007.
- Third and Fourth year; is being provided by the Norwegian Consultant Trust Fund under the supervision of the World Bank (MNSD Finance and Private Sector Unit).



Financed by:
Norwegian Consultant Trust
Fund



Under the supervision of:
The World Bank
(MNSD) Finance and Private Sector

ANNEX 2: GAZA CROSSINGS OVERVIEW

There are six crossings at the Gaza strip boundaries to facilitate imports and exports. Four of the crossings are controlled by the Israeli government. The Rafah crossing is under the joint control of the Palestinian Authority and the European Union. The recently constructed Karem Abu Salem/Kerem Shalom crossing is temporarily being employed for movements between Israel and Gaza, but is intended for trade between, on the one hand, Egypt and, on the other hand, Gaza and Israel.

AlMontar/Karni

Al Montar/Karni crossing is considered to be the primary portal for Gaza's imports and exports. Unfortunately, in recent years its operations have been marred by inefficiency and security threats. As a result, its performance through early 2007 was only a small fraction of that projected by the Access and Movement Agreement (AMA). AMA projected that the crossing should have been able to handle 400 exports per day by the end of 2006, but never averaged more than 70 per day.

Sufa

Sufa, located in the south of the Gaza Strip (east of Rafah City), was used for the imports of construction materials and as a standby for other imports in case of the closure of the Al Montar/Karni crossing. The future of this crossing is uncertain given recent indications from Israel that they intend to abandon the facility.

Karem Abu Salem/Kerem Shalom

The Karem Abu Salem/Kerem Shalom crossing is located in the southeast of the Gaza Strip, 3.6 Km from the Rafah Crossing. Karem Abu Salem/Kerem Shalom is a temporarily being used for movements between Israel and Gaza. The facility is intended for trade between, on the one hand, Egypt, and, on the other hand, Gaza and Israel.

Nahal Oz

Nahal Oz is located east of Gaza City and is used exclusively to facilitate imports of Liquid Fuels and Gas from Israel. The facility consists of storage tanks for petrol and gas on the Palestinian side linked to pipelines from Israel.



Beit Hanoun/Erez

The Beit Hanoun/Erez crossing is located in the north of the Gaza Strip. It is employed, primarily, for processing movements between Gaza and the West Bank. In addition to cargos, the crossing processes civilians, diplomats, businessmen, international organization staff, laborers, and others in and out of Gaza Strip. The crossing is also used for the imports of cars.

Rafah

The Rafah Crossing is located south of Rafah City). It is the only operating border crossing between the Gaza Strip and Egypt. It processes both travelers and cargos. The cargos consist, primarily, of aggregates and food items. Jurisdiction over the border crossing was transferred to the Palestinian Authority in November 2005, after Israel's disengagement from the Gaza Strip.

ANNEX 3: REFERENCES AND SOURCES

- n United Nations Office for the Coordination of Humanitarian Affairs (OCHA)
- n United Nation Special Coordinator Office (UNSCO)
- n The Borders and Passages General Department
- n Agricultural Marketing Cooperatives/Associations
- n Wood Industries Union (WIU)
- n The Sewing Factory Owners Union (SFOU)
- n Informal sources
- n The Palestinian General Petroleum Company (PGPC)
- n Petroleum & Gas Station Owners Association-Gaza
- n Joint Humanitarian Coordination
- n Private Sector Coordination Council-Gaza Governorates.
- n Palestinian Federation of Industries (PFI)
- n Palestinian Chambers of Commerce—Gaza Governates