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IMPACT OF ARAB-ISRAELI SHOPPERS IN JENIN AND THE NORTHERN WEST BANK

TRADE FACILITATION PROJECT

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EXECUTIVE SUMMARY

A million people live in the six northernmost governorates of the West Bank. Relative to the rest of the West Bank, the area is poor and isolated. One of the most promising economic potentials for the area is to serve as a venue for shoppers and tourism for Arab-Israelis. Most of the approximately 1.7 million Arab-Israelis are located in the north of Israel, adjacent to the northern West Bank. Their most direct crossing into the West Bank is Jalameh. Arab-Israelis can travel through Jalameh to Jenin, the nearest community, but they have to cross the border on foot and continue to Jenin via local transport, usually bus or taxi. In contrast, both buses and cars can travel through other crossings between Israel and the West Bank.

The Trade Facilitation Project investigated current economic benefits from Arab-Israeli visits to the area and potential benefits from freer access through Jalameh. To that end, in late April 2009, two surveys were conducted of Arab-Israeli shoppers and of store owners in Jenin, the nearest city to Jalameh, as well as a phone survey of Arab-Israelis in northern Israel.

Despite an intentionally conservative analytical approach, it is evident that Arab-Israeli shoppers already are having a significant impact in Jenin. At current levels, it is estimated that Arab-Israeli shoppers spend over $65,000 per weekend, or over $3.4 million annually in Jenin. This is equivalent to $100 per capita for that community. On weekends, most retail sectors report that Arab-Israeli shoppers account for between 40 percent and two-thirds of their revenues.

The potential for growth is impressive, to say the least. The number of buses with Arab-Israeli shoppers for Jenin has mushroomed from 4 buses per weekend in early February 2009 to 20 buses per weekend by late April 2009. In addition, the number of buses during weekdays has been growing, though at a slower pace.

The growth of Arab-Israeli visits could be accelerated through the development of facilities allowing vehicle crossings at Jalameh. Among Arab-Israelis already shopping in Jenin, six out of seven indicated they would go to Jenin more frequently if buses and cars could access the area through Jalameh. The population of potential Arab-Israeli shoppers in Jenin and, indeed, the entire West Bank has been barely tapped. A phone survey of Arab-Israelis in northern Israel revealed that barely one in four had visited the West Bank over the past year. However, over 70 percent indicated that they would make such visits if vehicles could pass through Jalameh.

I. INTRODUCTION

Figure 1. Map of the West Bank

Jenin is the principal community of the West Bank north of Nablus. Even by West Bank standards, it is poor and isolated. The same holds true for virtually all of the West Bank's six northernmost governorates: Jenin, Tubas, Tulkarm, Qalqilya, Nablus, and Salfit (see Figure 1). These six governorates account for 40 percent of the West Bank's population, i.e. approximately 1 million people.[1] Much of the north is rural and agricultural. The landscape is extremely attractive. It is well-watered, relative to many other areas of the West Bank and Israel, with low to moderate hills, and dotted with villages and small cities reminiscent of an earlier time.

One of the most promising economic potentials for this region is to serve as a venue for shopping and tourism for Arab-Israelis. There are approximately 1.7 million Arab-Israelis. Considering the roughly 10-to-1 differential in per capita GDP between Israel and the West Bank, the purchasing power of the Arab-Israelis is between 6 and 7 times that of the entire West Bank, and between 16 and 20 times that of the West Bank's impoverished northern area.

Most Arab-Israelis are located in the north of Israel, adjacent to the northern West Bank (see Figure 2). Unlike non-Arab Israelis, they are allowed to travel throughout much of the West Bank. For Arab-Israelis in northern Israel, the most direct crossing into the West Bank is Jalameh, [2] located north of Jenin. Arab-Israelis can travel through Jalameh to Jenin, the nearest community, but they have to cross the border on foot and continue to Jenin via local transport, usually bus or taxi. In contrast, both buses and cars can travel through other crossings between Israel and the West Bank. It is possible for Arab-Israelis to reach Jenin through alternative routings, but the extent to which they use these more lengthy alternatives is not known. Rather than taking a roundabout routing, many either opt for travel to larger communities to the south, such as East Jerusalem and Hebron, or remain in Israel.

The Trade Facilitation Project is investigating the potential for replicating in the northern West Bank the socioeconomic benefits from freer access that are occurring in Hebron.

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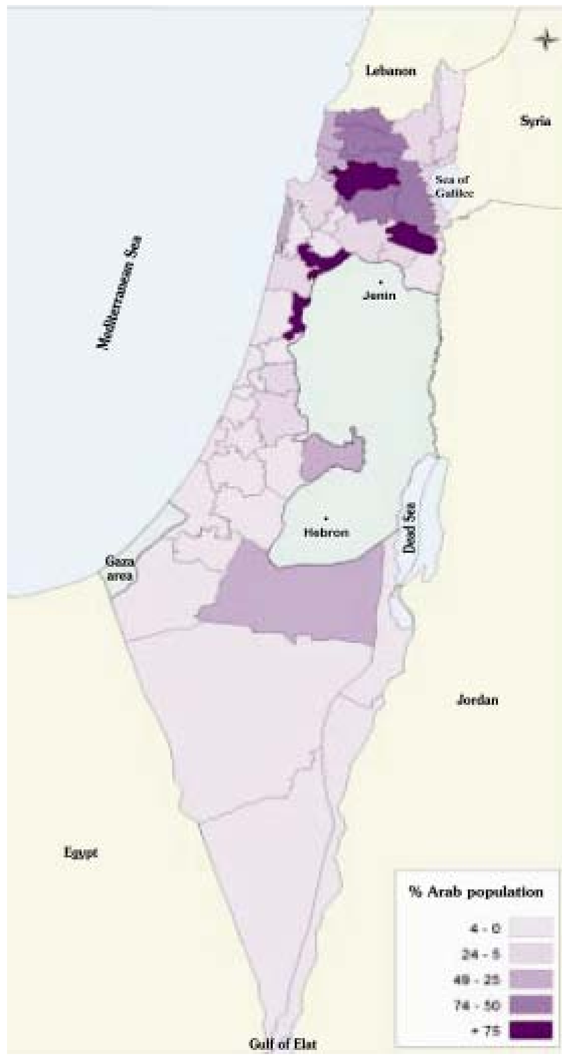
[1] According to a 2005 census reported by the Palestinian Authority Ministry of Health, the populations of these governorates were 245,218 for Jenin; 46,644 for Tubas; 167,873 for Tulkarm; 94,210 for Qalqilya, 326,873 for Nablus; and 62,125 for Salfit. This totals 942,943 for the six governorates. The same census reported 2,372,216 for the entire West Bank.

[2] Called "Gilboa" on the Israeli side.

II. METHODOLOGY

The Trade Facilitation Project (TFP) designed three surveys of: (1) Arab-Israeli shoppers in Jenin, (2) Jenin store owners, and (3) Arab-Israelis in northern Israel. The questionnaires were prepared by TFP. These, along with instructions regarding the desired approach for the survey work, were communicated to Alpha International: Research Polling and Informatics, located in Ramallah. Alpha International conducted the actual survey, encoded the data, and transmitted the data to the Trade Facilitation Project for analysis.

Figure 2. Map of Israel and Palestinian Areas



Survey of Arab-Israeli Shoppers

The Shopper Survey was conceived as a random sampling of Arab-Israeli shoppers in Jenin during Saturday, April 25, 2009 and Sunday, April 26, 2009. Saturday and Sunday are believed to have the most Arab-Israeli shoppers during the week. The questionnaire included questions about:

- The size and composition of groups shopping in Jenin. A shopping group is defined (both here and in the interviews to the respondents) as individuals who are coordinating, at least to some extent, their purchases.

- The use of expenditure categories to mitigate potential response bias or refusals regarding estimated total expenditures by the shopping group. In addition, to minimize errors due to faulty recall, shoppers were asked about expenditure levels for the current trip, rather than an estimate of average expenditure levels across all trips to Jenin.

- The frequency of shopping in Jenin.

- Delineation of the route and modes used to go to Jenin.

This information was necessary to derive estimates of the total number of Arab-Israeli shoppers and total expenditures.

Assuming that the sample was random or, at least, representative, the proportion in the sample of those coming to Jenin via bus to Jalameh should approximate that of the population of Arab-Israeli shoppers in Jenin. For example, if 60 percent of the Arab-Israeli shoppers in the sample used buses to go to Jalameh, it can be assumed that 60 percent of all Arab-Israeli shoppers took buses to Jalameh.

Thanks to TFP's contacts with Arab-Israeli bus companies, the total number of those traveling to Jalameh by bus can be determined. With the total number travelling by bus to Jalameh and an estimate of the proportion of all shoppers using the Jalameh Crossing, it is a simple matter to estimate the total number of shoppers. Dividing this estimate by the average size of a shopping group yields an estimate of the total number of shopping groups. Finally, multiplying this by average expenditures per group gives an estimate of total expenditures for the period in Jenin by Arab-Israeli shoppers.

The sample size for the survey of Arab-Israeli shoppers was 288 respondents.

Survey of Jenin Retail Establishments

The ultimate goal of this survey was to gauge the extent to which Arab-Israeli shoppers are impacting the current operations and plans of Jenin's retail sector. As with the Shopper Survey, a representative sampling of retail stores was sought. A sample of 87 respondents was obtained.

Arab-Israeli Phone Survey

A phone survey was conducted of Arab-Israelis in northern Israel to ascertain:

- Current shopping practices throughout the West Bank, including Jenin
- Awareness and use of the new bus services to the Jalameh crossing
- Interest in using the Jalameh crossing if cars and buses could pass through as at other crossings

The survey was conducted during April 2009. A sample size of 269 respondents was obtained.

III. FINDINGS

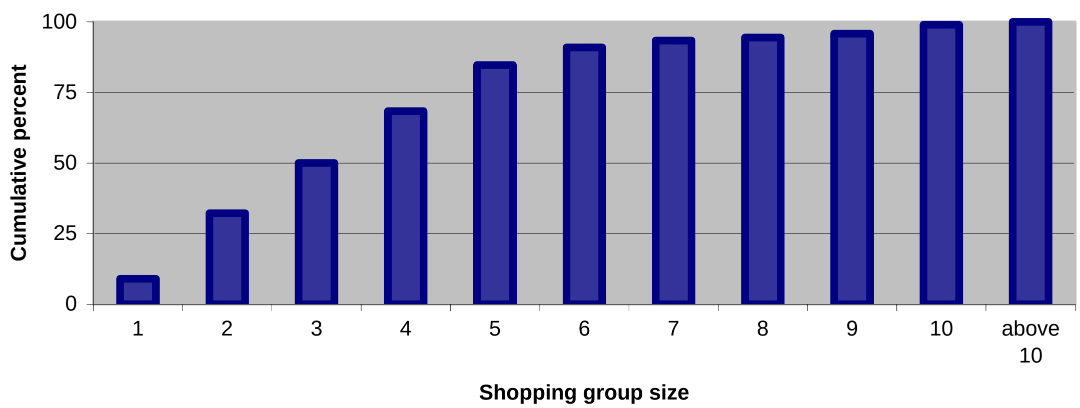
Size and Composition of Arab-Israeli Shopping Groups in Jenin

The survey of Arab-Israeli shoppers took place on Saturday and Sunday, April 25 and 26, 2009. Saturday and Sunday were selected because the large majority of shopping in the West Bank by Arab-Israelis was believed to occur on these days. This assumption was supported by the results of the retail store survey, discussed later in this report, and bus schedules from northern Israeli cities to Jalameh. Between early February and early May 2009, 114 buses went from northern Israeli cities to the Jalameh crossing, 93 of which were on Saturday and Sunday. Beginning in late April, bus service via Jubarah began between northern Israel and Jenin. As of May 2, 2009, 22 buses had made this trip. Of these, 19 were on Saturday and Sunday.

A total of 288 interviews were conducted with Arab-Israeli shoppers. To the degree possible in an anonymous interview, enumerators tried to ensure that only one member of a shopping group was interviewed.

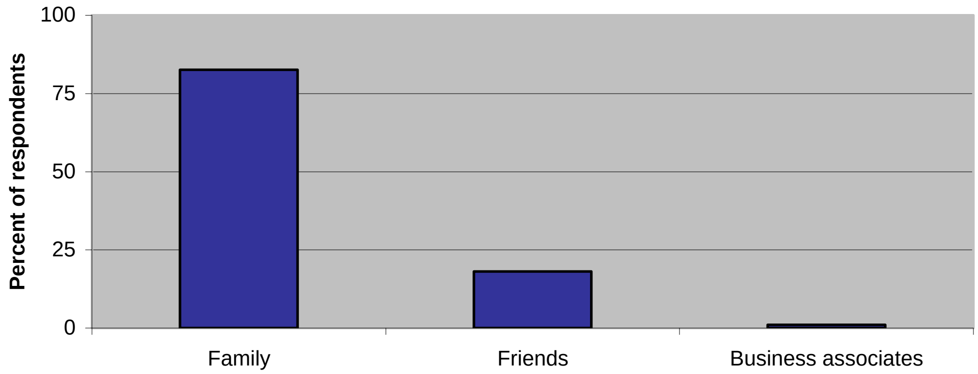
Shopping groups ranged in size from people shopping alone (9 percent of the respondents) to one group of 15 persons. The average size of a shopping group was just under four people. Because of a relatively small number of larger groups, the distribution is quite skewed. As can be seen in Figure 3 below, fully half the shopping groups had three persons or less and barely a quarter had more than four persons.

Figure 3. Arab-Israeli Shopping Group Size: Cumulative Distribution



The shopping groups are overwhelmingly composed of family members; 83 percent of the respondents indicated there were family members in their group (see Figure 4 below). Considering that 9 percent of the respondents were shopping alone, over 90 percent of those shopping in multi-person groups had family members in their groups. Friends were reported as being among the members of 18 percent of all groups (or 20 percent of all multi-person groups). Only 1 percent of the respondents reported having business associates among the membership of the groups.

Figure 4. Composition of Arab-Israeli Shopping Groups to Jenin



Total Number of Arab-Israelis Shopping in Jenin

During the two days of the survey (April 25 and 26, 2009), 13 buses went from northern Israeli cities to Jalameh—9 on Saturday and 4 on Sunday. The bus company indicated that buses have capacities for 53 persons. Successive buses are filled and then released to go to Jalameh. The last bus released must have at least 40 passengers. Based on this practice, the number of tickets sold to Arab-Israelis for passage to and from Jalameh is estimated as.[3]

Sat., March 25	Sun., March 26	Total
(8 * 50) + 40	+ (3 * 50) + 40	= 630 passenger tickets

Passengers with infants and toddlers normally hold them on their laps. As such, it will be assumed that tickets were purchased only for passengers above 4 years of age.

Just over 46 percent of the respondents in the sample indicated they had traveled to the West Bank by bus, entering at Jalameh. Assuming the sample was representative of all Arab-Israelis shopping in Jenin, it is assumed that 46 percent of all those traveling from Israel to Jenin went by bus to Jalameh. Accounting for the average size and composition of the shopping groups using buses to Jalameh,[4] it is estimated that on March 25 and 26, 2009, a total of 345 Arab-Israeli shopping groups, made up of 1,328 individuals, visited Jenin.

[3] This estimate is intentionally conservative. If tickets for all 53 seats on each bus were sold, the total would have been 689 passenger tickets.
[4] The average size of shopping groups using buses to Jalameh was somewhat larger than the overall average. They accounted for around 46 percent of all shopping groups, but just over 51 percent of all individuals.

Expenditure Levels per Group per Visit

To reduce response bias due to reluctance about answering too specific a question about expenditures, respondents were asked to select which of the following categories best described the amount their shopping group would be spending during their visit to Jenin:

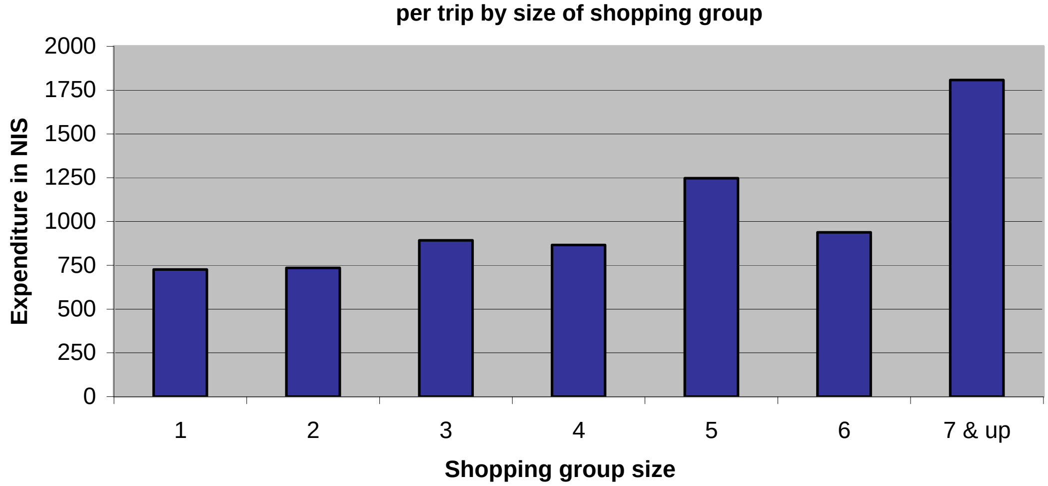
0 – 250 NIS
251 – 500 NIS
501 – 750 NIS
751 – 1,000 NIS
1,001 – 1,500 NIS
1,501 – 2,000 NIS
2,001 – 3,000 NIS
More than 3,000 NIS

Estimates based upon the lower end of each category will be reported because of ambiguity regarding the appropriate upper limit for the top category and to provide conservative estimates of expenditure amounts.

Differences by Group Size, Frequency of Visits, and Intended Uses for Purchases

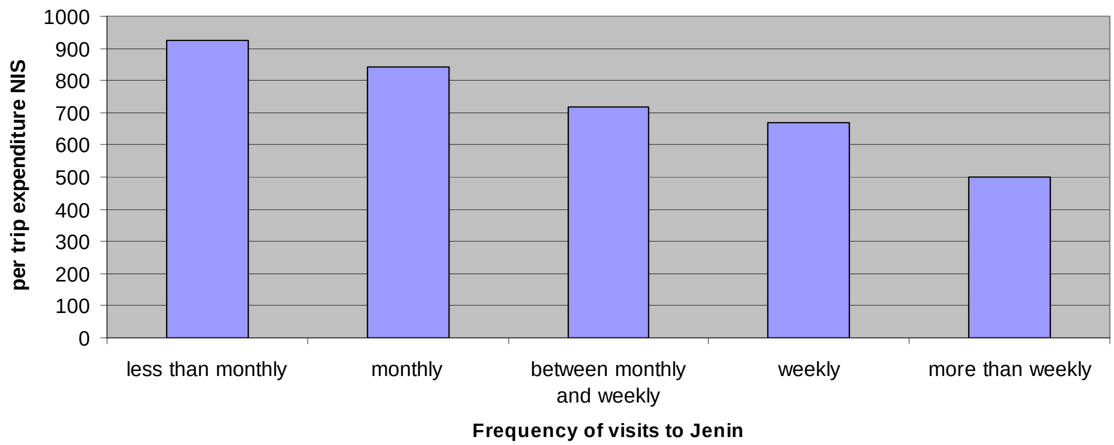
As might be expected, there was some tendency for larger groups to spend more (see Figure 5 below). Groups made up of one or two persons averaged under 750 NIS, while those with five or more persons spent around 1,000 NIS or more.

Figure 5. Average Expenditures by Arab-Israelis, per trip by size of shopping group



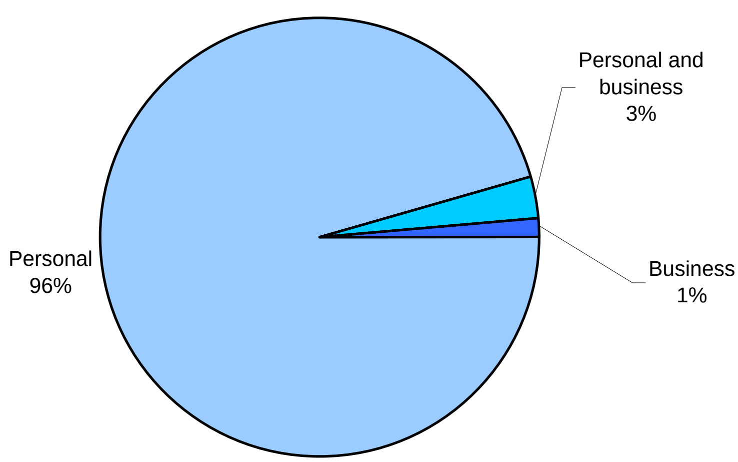
As would be expected, those making less frequent trips to Jenin spent more per trip than those going there more often (see Figure 6 below).

Figure 6. Per Trip Spending and Frequency of Visits to Jenin: Arab-Israeli Shoppers



As noted previously, only 1 percent of the respondents indicated there were business associates in their shopping group. To investigate further the extent to which Arab-Israeli shoppers visited Jenin for business purposes, respondents were asked to characterize the planned uses for their groups' expenditures as personal only, both personal and business, and business only. As can be seen in Figure 7 below, only 4 percent of all respondents indicated that any of their purchases were for business purposes. That somewhat more people indicated some business uses for purchases than had indicated the presence of business associates in their shopping group was expected because an individual does not necessarily need a business associate along to make a purchase for business purposes.

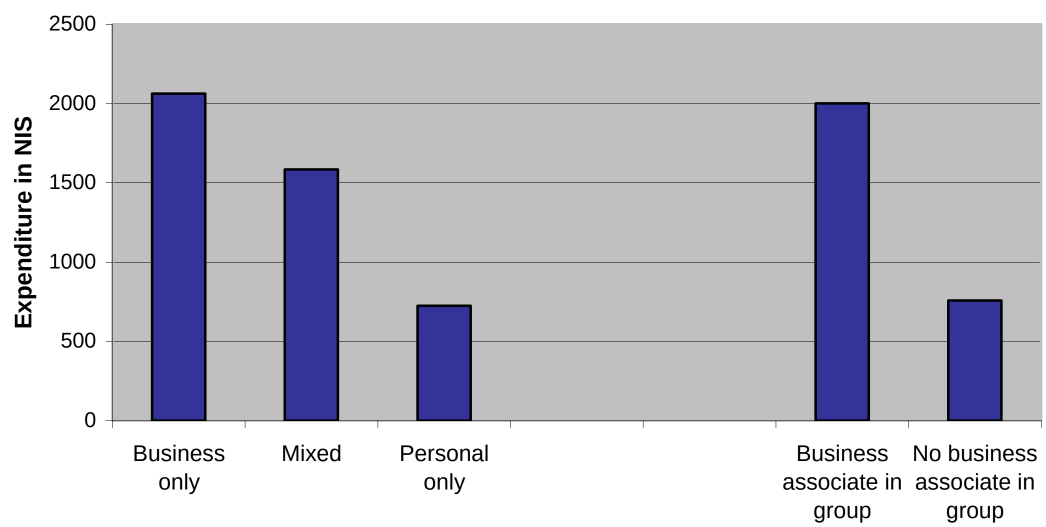
Figure 7. Uses of Purchases by Arab-Israeli Shoppers



Other things being equal, average expenditures would be expected to be larger for business than personal uses. If the self-reporting was candid about the presence of business associates in the shopping groups and intended uses for goods purchased, differences in average expenditures would be expected. This is exactly what was found. Average expenditures for groups purchasing strictly for business purposes averaged nearly four times that of groups purchasing only for personal consumption (see Figure 8). Similarly, groups with business associates present had average expenditures roughly three times higher than groups without business associates.

It should be stressed that only a few percent of all respondents reported either the presence of business associates or intent to use any of the goods purchased in Jenin for business purposes.

Figure 8. Expenditure per Trip by Planned Use and Presence of a Business Associate



Frequency of Visits to Jenin

Perhaps the most surprising aspect of the findings is the reported frequency of visits to Jenin. Over a quarter (27 percent) of the respondents indicated that this was their first visit to Jenin. It is believed that this reflects growth in new visitors, many of whom may continue to come in the future, rather than a series of one-time visitors.[5] Of those making repeat visits to Jenin, just under 40 percent reported that members of their shopping group visit Jenin at least once per week and 47 percent reported frequencies less than

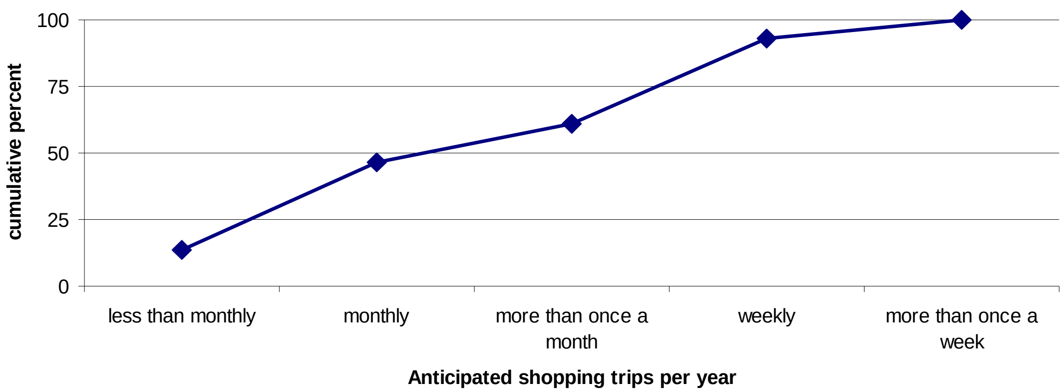
[5] This assumption is supported by the rapid growth in bus service to Jenin from northern Israel. For example, on the weekend of February 7 and 8, the earliest dates for which we have data, four buses went to Jenin or Jalameh. By comparison, on the weekend of April 25 and 26, 20 buses went to Jenin (via Jabarah) and Jalameh. Another indication that these are not one-time visitors is that 91 percent indicated they would come "more frequently" if there was freer access through Jalameh.

weekly, but at least monthly. The cumulative distribution of anticipated visit frequencies are presented in Figure 9.

While the high frequency of visits was of some surprise, it is credible considering:

- The close proximity of Jenin to the cities of northern Israel
- Potentially lower prices, at least for some commodities
- Non-monetary inducements, such as visiting relatives and experiencing a more traditional cultural setting

Figure 9. Anticipated Number of Trips per Year to Jenin by Arab-Israeli Shoppers, Excluding First-Time Visitors: Cumulative Distribution



Overall Expenditures by Arab-Israeli Shoppers in Jenin

Bringing together the estimates regarding visit frequencies, numbers of shopping groups, and per visit expenditures, it is possible to develop estimates of overall expenditure levels by Arab-Israeli shoppers in Jenin.

Annual Expenditures per Shopping Group

To estimate average annual expenditures per shopping group, the following was assumed:

Anticipated frequency of visits	Actual frequency of visits
Less than monthly	The number reported by the respondent.
Monthly	12
More than once a month	18
Weekly	52
More than once a week	76

Because of the need to include visit frequency information, first-time visitors were eliminated from this part of the analysis. As previously shown, those visiting more frequently tend to expend less per visit. Accounting for this effect, it is estimated that the average shopping group spends 19,291 NIS or $4,823 annually in Jenin.

Total Expenditures in Jenin per Week and per Year by Arab-Israeli Shoppers

Assuming no growth in the number of shopping groups or changes in their compositions, it is estimated that total expenditures in Jenin by Arab-Israeli shoppers are:

Time period	NIS	USD
Week	260,820	$65,205
Year	13,849,680	$3,462,420

These estimates are conservative in at least two regards. First, the rapid increase in buses to Jenin and Jalameh and the large numbers of first-time visitors both suggest that there will be continued growth. Second, it seems likely that some Arab-Israelis tend to visit Jenin only during weekdays. This activity is not factored into the above estimates.

Impacts on Jenin's Retail Sector

To gauge the extent the retail sector is being impacted by Arab-Israeli shoppers, a sample of 87 retail establishments were surveyed. These included:

Store Type	Percent of Sample
Food stores (incl. groceries, bakeries, sweet shops)	16
Restaurant/café	15
Clothing and shoes	41
Household (incl. appliances and carpet)	11

Other establishments included were pharmacies, taxi services, barbers/hairdressers, automobile repair, cosmetics supplies, dentists, and money changers.

Importance of Arab-Israeli Shoppers

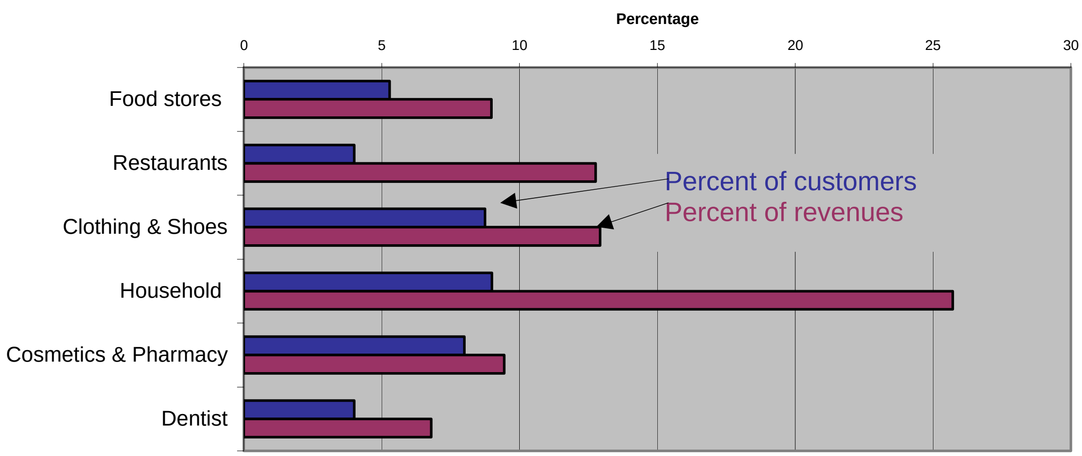
Store owners were asked to estimate the percentage of their customers who are Arab-Israelis. To investigate the extent to which Arab-Israelis tend to shop on weekends versus weekdays, estimates were asked for two periods: (1) Saturday and Sunday and (2) Monday through Thursday. In addition, store owners were asked to compare average per-customer spending levels between their local customers and Arab-Israelis. Employing these two estimates (i.e. the percent of customers and relative per customer expenditure levels), it is possible to estimate the share of revenues accounted for by Arab-Israeli shoppers.[6]

[6] Let A = the percentage of all customers who are Arab-Israelis; P = the percentage of all customers who are local = 100 – A; and I = an index of relative spending levels, for example, I = 1.35 if the average Arab-Israeli customer spends 35 percent more than the average local customer. Then, the percent of revenues accounted for by Arab-Israeli customers = 100 * A*I/ (A*I + P).

Monday through Thursday

During the weekdays, Arab-Israeli shoppers account for 5 to 10 percent of all customers for most types of stores (see Figure 10 below). Due to their generally higher average purchase amounts relative to local customers, the contribution of Arab-Israelis to total revenues is more significant. This is particularly true regarding stores selling household and related goods, for which Arab-Israeli customers account for just over a quarter of all revenues. About an eighth of revenues at restaurants as well as clothing and shoe stores are from Arab-Israelis.

Figure 10. Percent of Customers and Revenues from Arab-Israeli Shoppers in Jenin Stores: Monday through Thursday

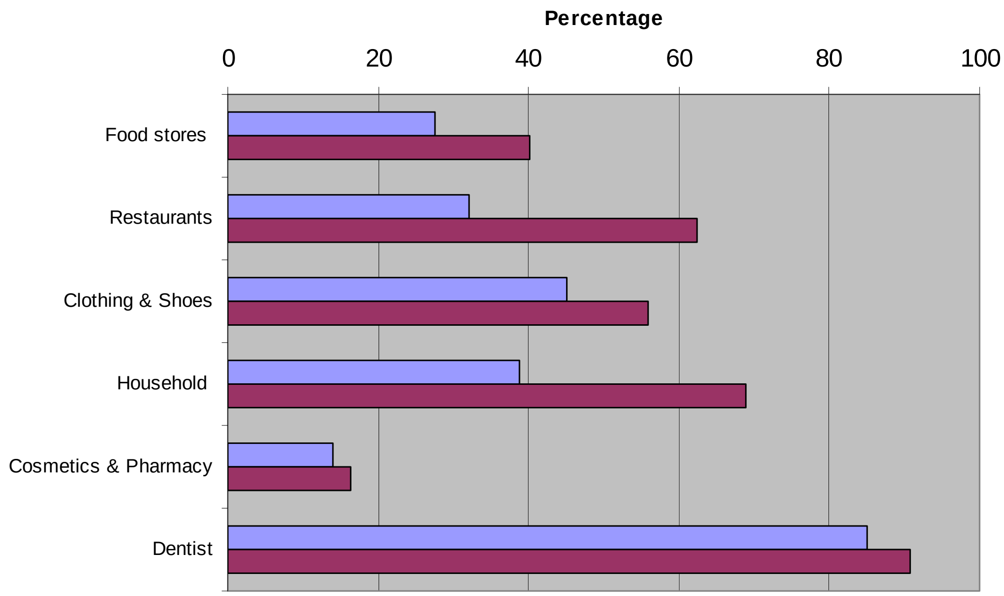


Saturday and Sunday

As expected, Arab-Israeli shoppers are of much more importance during Saturday and Sunday than during weekdays. For food stores, restaurants, clothing and shoe, and household goods stores, Arab-Israeli shoppers account for between a quarter-and-a-half of all customers and between 40 percent and two-thirds of total revenues (see Figure 11 below). Only for cosmetics and pharmacy stores are Arab-Israeli shoppers of relatively little importance.

The sub-sample of dentists was very small. Their very high estimates of Arab-Israeli importance may be an artifact of the small sample size or indicative of a strong comparative advantage in marketing medical services to Arab-Israelis.

Figure 11. Percent of Customers and Revenues from Arab-Israeli Shoppers in Jenin Stores: Saturday and Sunday



Operational Changes

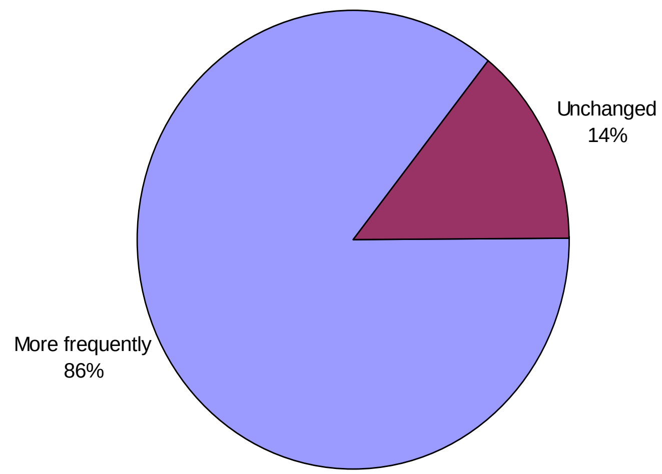
Not surprisingly, given the importance and growth of Arab-Israeli shoppers, some retail establishments are beginning to adjust their operations. A fifth of the establishments are changing the range and/or quality of goods they market to accommodate better Arab-Israeli tastes. Nearly 10 percent are increasing the number of employees and/or increasing the hours of current employees. Finally, around 8 percent of the establishments are increasing advertising, primarily by radio or by printing fliers to hand out to shoppers.

Potential Impact of Freer Access through Jalameh

The Government of Israel is considering the development of facilities to allow buses and cars to pass through the Jalameh crossing. The results of both the Arab-Israeli shopper survey and the phone survey of Arab-Israelis suggest high levels of interest.

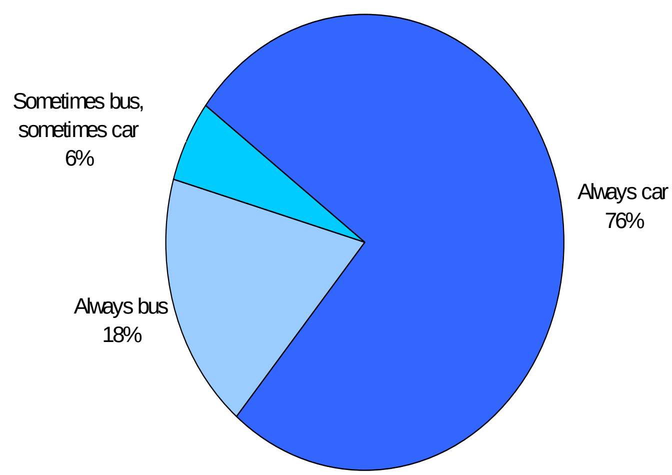
Arab-Israeli shoppers were asked if they would come to Jenin more frequently if cars and buses could pass through Jalameh, to which 86 percent responded affirmatively (see Figure 12 below).

Figure 12. Anticipated Frequency of Visits to Jenin if Cars and Buses Could Pass through: Arab-Israeli Shoppers



Of those who would come more frequently, the large majority would use cars exclusively or alternating with buses (see Figure 13).

Figure 13. Choice of Transportation Mode if Buses and Cars Could Pass through Jalameh: Arab-Israeli Shoppers



In some respects, the phone survey of Arab-Israelis in northern Israel was even more impressive regarding the potential demand for vehicle access through Jalameh. Only about a quarter of those surveyed had visited the West Bank over the past 12 months. However, nearly three quarters indicated that they would make use of the Jalameh crossing to visit the West Bank if vehicles could pass through (see Figure 14 below).

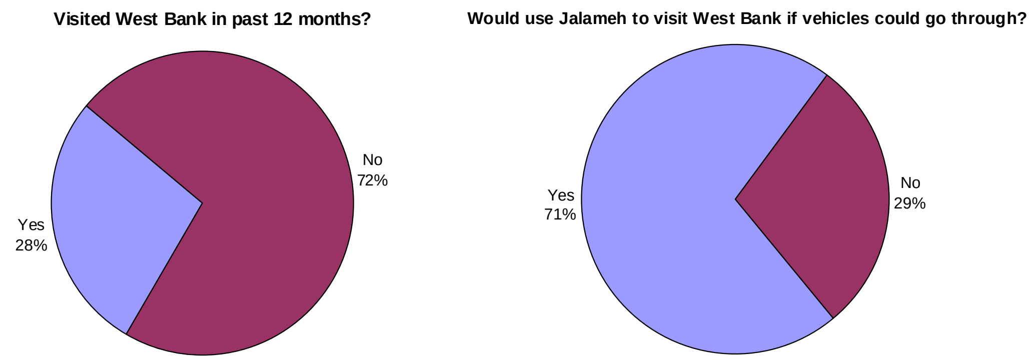
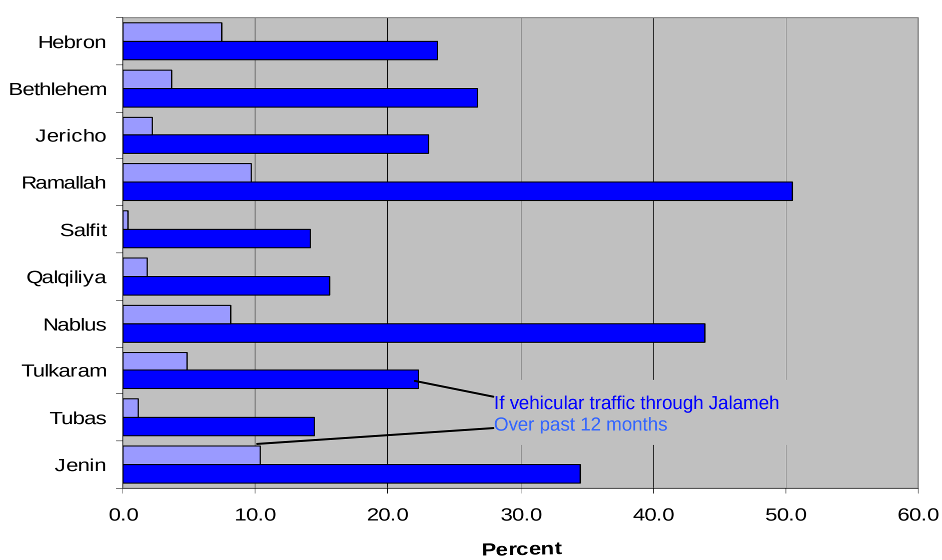


Figure 14. Potential Demand for Vehicle Access through Jalameh

The benefits of having Jalameh open for vehicular traffic would be felt throughout the entire West Bank. In Figure 15 below, the percentages of respondents who had visited West Bank cites are displayed (light blue) along with the percentages indicating they would visit the West Bank if Jalameh were open to vehicle traffic (dark blue). For every city, a much higher proportion of Arab-Israelis indicated they would visit than have in the past.

Figure 15. Visits by Arab-Israeli Respondents to West Bank Cities: Past 12 Months and Intended if Vehicles Able to Cross through Jalameh



Summing Up the Current and Potential Importance of Arab-Israeli Visits to Jenin

The analysis presented in this report was intentionally conservative. The expenditure estimates presented were based on the low end of the expenditure categories reported by Arab-Israeli shoppers. For example, it was assumed that Arab-Israeli visitors who indicated they were spending between 0 and 250 NIS in Jenin actually made no purchases. At the other end of the spectrum, those indicating spending more than 3,000 NIS were assumed to have spent 3,001 NIS. Even employing the very modest figure of 5,000 NIS for the upper limit of the highest expenditure category, expenditure estimates based on average and high-end values for the expenditure categories would be, respectively, a third and 60 percent higher than the low-end estimates that were presented.[7]

Despite the conservative nature of these estimates, it is evident that Arab-Israeli shoppers already are having a significant impact in Jenin. At current levels, it is estimated that Arab-Israeli shoppers spend over $65,000 per weekend, or over $3.4 million annually in Jenin. This is equivalent to $100 per capita for that community. On weekends, most retail sectors report that Arab-Israeli shoppers account for between 40 percent and two-thirds of their revenues. Not included in these estimates are expenditures during weekdays, which, though lower, are still significant, particularly with regard to household goods, clothing and shoes, and restaurants.

The prospects and potential for growth are impressive, to say the least. The number of buses with Arab-Israeli shoppers for Jenin has mushroomed from 4 buses per weekend in early February 2009 to 20 buses per weekend by late April 2009. In addition, the number of buses during weekdays has been growing, though at a slower pace. Indicative of very rapid growth, over a quarter of the Arab-Israeli shoppers interviewed in Jenin indicated that this was their first visit.

The growth of Arab-Israeli visits could be accelerated through development of facilities allowing vehicle crossings at Jalameh. Among Arab-Israelis already shopping in Jenin, six out of seven indicated they would go to Jenin more frequently if buses and cars could access the area through Jalameh. The population of potential Arab-Israeli shoppers in Jenin and, indeed, the entire West Bank has barely been tapped. The phone survey of Arab-Israelis in northern Israel revealed that only one in four had visited the West Bank over the past year. However, over 70 percent indicated that they would make such visits if vehicles could pass through Jalameh.

[7] In addition, responses regarding trip frequencies were interpreted conservatively. The frequency category "Once every two or three weeks," which literally means between 1.433 and 2.15 times per month (based on an average month of 4.3 weeks) was assumed to be 1.5 times per month. The frequency category "More than once per week" was assumed to be 1.5 times per week.