



EXPORT TRENDS – GAZA

MOVEMENT TRENDS OF GAZA STRIP EXPORTS
JANUARY, 2000 – AUGUST, 2006

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1- EXECUTIVE SUMMARY

The main challenges productive sectors face in the Gaza Strip are all based on the political situation, which affects nearly every aspect of the sectors including production development, marketing effectiveness, new financial investments, and management improvement. This negative political situation stems from the control Israel still exercises on the Gaza Strip under the guise of disengagement. Not only does Israel control the borders of the Palestinian Territory and restrict movement within it (movement within the West bank, as well as between the West Bank and the Gaza Strip, but it is also in a position to impact the flow of exports and imports and the supply of electricity, water and fuel to Palestinian population centers.

The main constraints are summarized in the Israeli *prevention of access to new production technologies*, continued Israeli *restrictions on movement of people and goods*; Israeli military maintain checkpoints and other obstacles within and between the West Bank and Gaza, making transport of goods and movement of individuals difficult, *reduced access to the Israeli market*; Israeli restrictions on access of Palestinian businesspeople and goods as a result of the back to back system, restriction of movement, and the separation barrier limits market access, and *access to water and power*; Access to water and power is threatened by Israeli domination of power supply facilities and restrictions imposed on access to water resources.

There are five trade terminals at the Gaza strip borderlines, these terminals are utilized for the crossing in and out of imported commodities and exported goods. Four of the terminals are controlled by the Israeli government, while Rafah terminal is partially controlled by the Palestinian Authority and under the European supervision. Al-Montar/ Karni terminal is considered the main gateway for cargo traffic especially exports since all exports from Gaza Strip from 2000 to 2006 were through this terminal.

Analysis of the Gaza Strip's export trends through the years 2000-2006 reveals that AlMontar/ Karni trade crossing performance was fluctuating in reflection to the overall political developments in the region. Export statistics of the year 2006 (until August) dramatically showed an unprecedented slump in exports, the impact of the current crisis (2006) was severely reflected on the Gaza strip productive sectors, as follows:

- Unemployment in productive sectors (Furniture, Textile & Cash Crops) reached 20,000 laborers.
- Export losses reached US\$ 27.5 million (in comparison with the year 2004/2005)
- Investment emigration: total investment resulting from re-location of industry has reached US\$ 10 million

In conclusion, there is an emphasis to develop the Palestinian private sector and its accessibility to export markets, due to its vital contribution to Palestinian economic development. Al Montar/Karni trade crossing is the lifeline for development of the productive sectors in The Gaza Strip and accordingly overall economic performance.

2- STUDY SCOPE & METHODOLOGY

The trends presented in this report illustrate export values and volumes of the main exporting sectors in the Gaza Strip (furniture, garment and cash crops), and incorporates analytical presentation for the export trend over the past 5 years.

The study methodology was based on data collection and analysis of AlMontar / Karni trade statistics, which are available at PalTrade and through other resources. The study timeframe was focused on the period from January 2000 to August 2006, and methodology included:

- Attaining cargo crossing data from The Ministry of National Economy, data covered the period from January 2000 to July 2005,
- Filtering available crossing data at PalTrade to focus on trade statistics for the period from August 2005- August 2006, data available was collected as part of PalTrade's ongoing monitoring efforts at Al Montar/Karni Terminal, and
- Aforementioned data was accumulated to present comprehensive statistics trend line for export movements of local productive sectors.

Time line of the study has addressed the following years:

Year 2000:	* Starting of Intifada * AlMontar/ Karni has become main cargo terminal
Year 2001:	* Continuous deterioration
Year 2002:	* Continuous deterioration
Year 2003:	* New Palestinian Government, headed by Prime Minister Mahmoud Abbas * Increased strawberries export quota to Europe.
Year 2004:	* Continuous deterioration
Year 2005:	* Disengagement from Gaza Strip / Agreement on Movement & Access (AMA/Nov.)
Year 2006:	* PLC elections * New Government * Restricting or terminating Palestinian labor flow to Israel * Reducing aid flows, and restricting trade access order * Suspending the transfer of tax revenues collected on the PA's behalf

Based on the above process, an information gathering workshop was conducted to present, discuss and verify developed statistics. The workshop was successful in refining the statistics trend line and included private sector representatives, productive sector representatives and related stakeholders.

Export trend statistics of furniture, garment, and cash crop sectors were developed accordingly, and presented in this report.

3- COMMERCIAL TERMINALS – GAZA STRIP

There are five trade terminals at the Gaza strip borderlines, these terminals are utilized for the crossing in and out of imported commodities and exported goods. Four of the terminals are controlled by the Israeli government, while Rafah terminal is partially controlled by the Palestinian Authority and under the European supervision. The newly considered Karm Abu Salem (Kerim Shalom) crossing is a temporary trade terminal "as classified in the AMA", the terminal is ought to be utilized for the crossing in of imports coming from Egypt.

An overview for the Gaza Strip trade terminals' function description and location can be found in the following paragraphs,



3.1- Gaza Strip Commercial Terminals

3.1.1 Beit Hanoun/ Erez Terminal:

Beit Hanoun/ Erez terminal is located north of Gaza Strip, is the border crossing between Gaza Strip and Israel West Bank. It primarily serves civilians (diplomats, businessmen, international organizations staff, laborers, medical cases) with permits in and out of Gaza Strip.



As a redundant alternative for AIMontar/ Karni Terminal during the current crisis, Beit Hanoun/ Erez terminal has been recently used for movement of imports into the Gaza Strip. Starting August 23rd, 2006, Beit Hanoun/ Erez Terminal started to receive imports of basic commodities and humanitarian aid. In the past limited goods from Gaza were exported via convoys. The terminal is also used for the imports of cars.

3.1.2 Nahal Oz Entry Point:

Nahal Oz Entry Point is located east of Gaza Strip and is considered a transit terminal restricted for the imports of Liquid Fuels and only from Israel. The point consists of storage Petrol tanks and Gas tanks linked directly with the Israeli side.



3.1.3 Al-Montar/ Karni Terminal:

Al-Montar/ Karni terminal is located east of Gaza Strip and considered the main gateway for cargo traffic. It serves the movement both ways, (goods and cargo only) from/ to Gaza Strip to/from Israel, West Bank and external destinations via Israeli ports.

Based on the November 2005 AMA, the number of export trucks per day to be processed through Karni should be 150, and should reach 400 by end-2006; however the average daily exports reached only 70 trucks.



3.1.4 Sufa Terminal:

Sufa terminal is located south of the Gaza Strip (east of Rafah City) used for the imports of construction materials only (Aggregates/ Building Materials) and in case of the closure of Al-Montar/ Karni terminal, Sufa is used for the imports of live animals and basic commodities.

Sufa Terminal was used as a passage terminal to Israel by Palestinian workers before the Intifada (year 2000).



3.1.5 The Rafah Border Terminal:

The Rafah Border terminal is located south of Gaza Strip (south of Rafah City), is the border crossing between Gaza Strip and Egypt. It serves travelers in and out of Gaza Strip, and was also used as a cargo crossing point for imports from Egypt (until 2005), mainly 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.



Based on the November 2005 AMA, Rafah will also be used for export of goods to or through Egypt. However, since November 2005, Palestinians were not able to export/import cargo goods through Rafah Terminal.

3.1.6 Karem Abu Salem/Kerem Shalom Terminal:

Karem Abu Salem/Kerem Shalom terminal is located South East of Gaza Strip at the Egyptian and Israeli borders. And is around 3.6km from Rafah Terminal, and is considered a temporary terminal for the import of goods from Egypt.

Based on the November 2005 AMA, the terminal will be used temporarily for the imports of goods to Egypt. However, since November 2005 there were no imports through this terminal, and starting March 2006 was only used to get humanitarian aids into Gaza Strip.

3.2-AIMontar/ Karni Movement Performance Trends (2000-2006)

As mentioned earlier Al-Montar/ Karni terminal is considered the main gateway for cargo traffic especially exports since all exports from Gaza Strip from 2000-2006 were through this terminal after the closure of Erez Terminal for exports following the Intifada (year 2000).

3.2.1 Import and Export Trends:

The trends cover total export and import truckloads through AIMontar/ Karni Terminal from the year 2000 until August 31, 2006. During this period the highest imports were in the last quarter of the year 2005, most of the imports were aggregates; this was due to the positive outlook of the disengagement from Gaza Strip. However this high level of imports did not continue in the year 2006 were it dropped by 70% due to the critical economic situation, the reduction of humanitarian aids and continuous closure of borders.

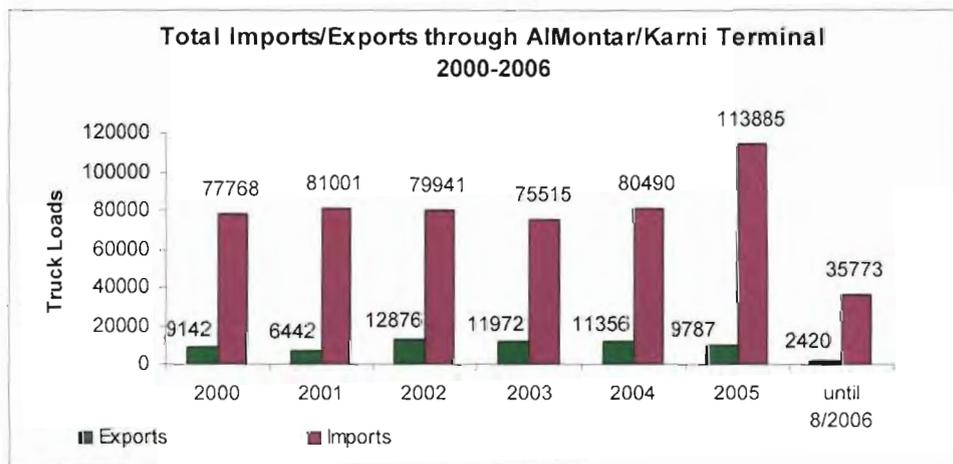
The highest exports were in the year 2002, were the EU have increased the quota of imports of Palestinian strawberries. The level of exports dropped from the year 2002 to August, 2006 by 80% due to the critical economic situation and continuous closure of borders.

Imports:

- The main import products were Cement, Aggregates, Fruits and Vegetables.
- The highest daily imports reached 431 truckloads in year 2005.
- The lowest daily imports were 294 trucks in year 2000.
- The average daily imports in year 2006 (until 8/31/2006) was 203 trucks.

Exports:

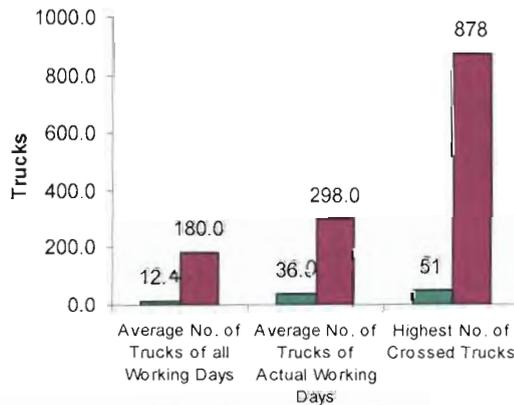
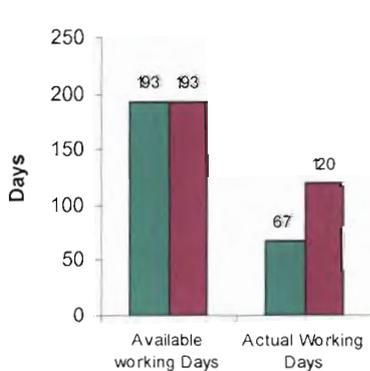
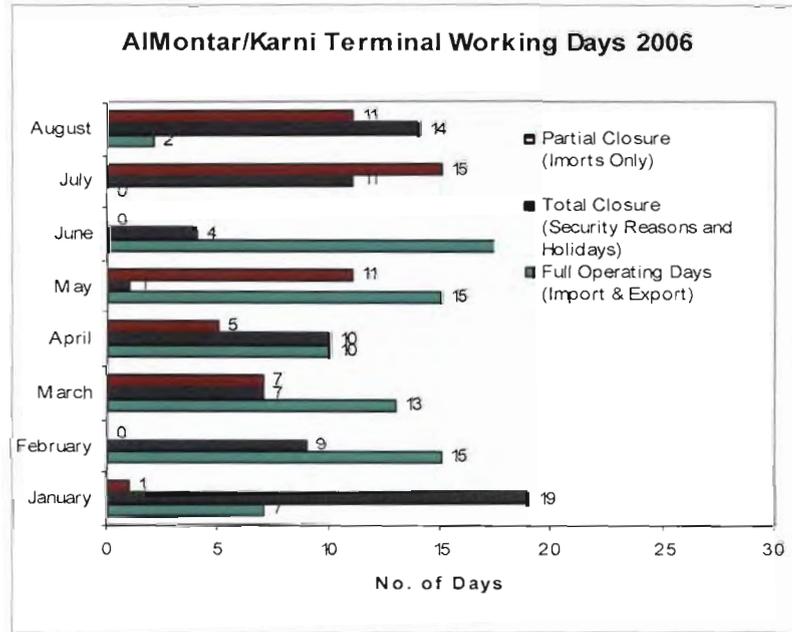
- The main export products were Cash Crops, Garment, and Furniture.
- The highest daily exports reached 48 truckloads in year 2002. (Average daily exports pre-intifada was between 100 to 150 truckloads per day)
- The lowest daily exports were 24 trucks in year 2001.
- The average daily exports in year 2006 (until 8/31/2006) were 13.75 trucks.
- The highest level of exports was on 12/15/2006 were the terminal working hours reached 14 hours and total crossed trucks were 100 (70% Agriculture produce – 30% Industrial Products)



The year 2006 witnessed appalling records of both imports and export!

3.2.2- Terminal Operation Performance in Year 2006:

- The terminal was totally closed for 19 days in January which is the peak time for agriculture exports season for two consecutive years, which led to high losses in the sector.
- The terminal was totally closed for 11 days in July, and 14 days in August which is an active export season for industrial sectors.
- The loss for each day terminal closure was estimated to be US\$600,000 for each closure day.
- The terminal was totally closed for 73 days from 1/1/2006 until 8/31/2006.
- The terminal actual working days were 120 days were it was open for exports only 55% of these days, the total exported trucks were 2420 trucks.



The available working days from 1/1/2006 until 31/8/2006 were calculated to be 193 days for both imports and exports, the terminal was actually open 120 days for imports and exports, of which only 67 days were opened for exports.

- The highest number of crossed truckloads observed in 2006 was 878 of imports and 51 of exports.
- The average no. of crossed trucks (actual working days) was calculated to be 298 trucks for imports and 36 trucks for exports.

4- PRODUCTIVE SECTORS' EXPORT TRENDS – GAZA STRIP

4-1 The Furniture Sector

4.1.1 Furniture Sector Overview:

Furniture sector is one of the oldest sectors in the region, and has flourished during the last few years to become one of the major promising Palestinian productive sectors. Prior to the political crisis and economic recession beginning in 2000, the sector witnessed the establishment of many firms as a result of the growth of the Palestinian economy and the development of this industry to include new categories like interior design, hospitality and commercial furnishings. In addition, advancements took place in design and manufacturing.

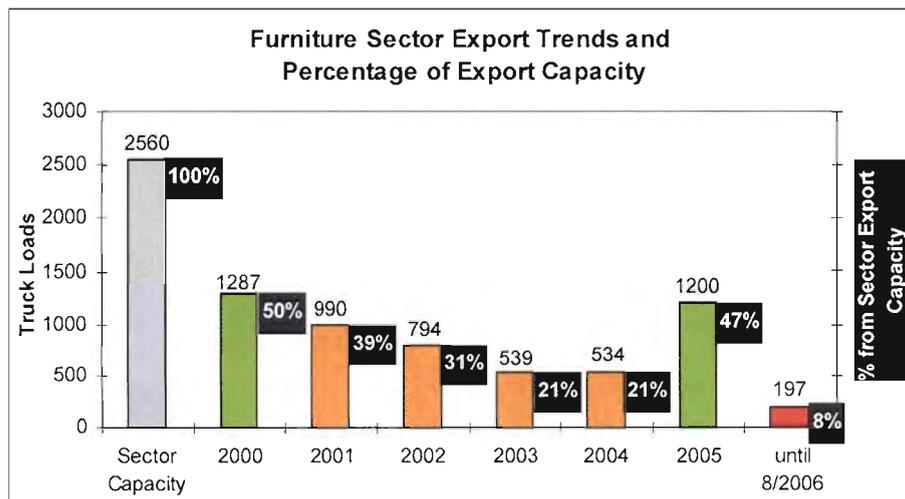


Furniture Products include:
Household Furniture, Office Furniture, Accessories, Foam, fabrics, cushions, mattresses, paints, and metal work, Contract Furniture, Construction wood works

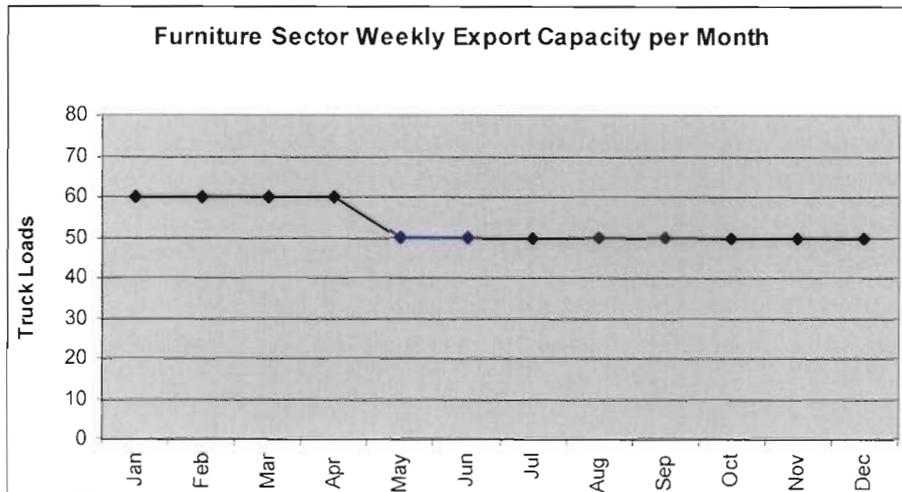
The industry has developed significantly in Gaza to include 600 establishments that utilize advanced manufacturing techniques and employ more than 5500 labors, the estimated annual sales of Gaza manufacturers is US\$ 44 million.

4.1.2 Export Trends and Capacity:

The total annual sector export capacity is 2560 truckloads, the highest level of exports was around 50% of the total sector export capacity, and that was in the years 2000 and 2005, from the years 2001 until 2004 the total exports dropped from 40% to 20% of the total sector export capacity. The year 2006 witnessed an unprecedented drop in the level of exports, which reached only 8% of the total sector export capacity.



The export season of furniture is from January to April, where the sector's weekly export capacity is 60 truckloads, and for the rest of the year; the sector weekly export capacity is 50 truckloads.



4.1.3 Impact of Current Crisis (2006):

- Temporary closure of manufacturers' establishments reached 80% - (of total 600 establishments in the sector)
- Capacity utilization is 20% of the working establishments.
- Unemployment reached 80% - (of total 6000 employees in the sector)
- Export losses reached US\$ 9 million (in comparison with the year 2005)
- Investment transfer: total investment in new external locations reached US\$ 3 million which included establishing six new factories in Egypt employing 300 Egyptian laborers which target the Israeli market.

4-2 The Garment and Textile Sector

4.2.1 Garment and Textile Sector Overview:



Garment and Textile combined make up the largest sector of industrial activity in the Gaza strip. The industry in Gaza involves 550 firms employing around 10000 workers in various activities, ranging from home textile, fabric and garments 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 as cutting and sewing establishments, or as cutting, sewing, and trimming factories. These products are then sold in Israel for the Israeli market or to be re-exported to foreign markets.

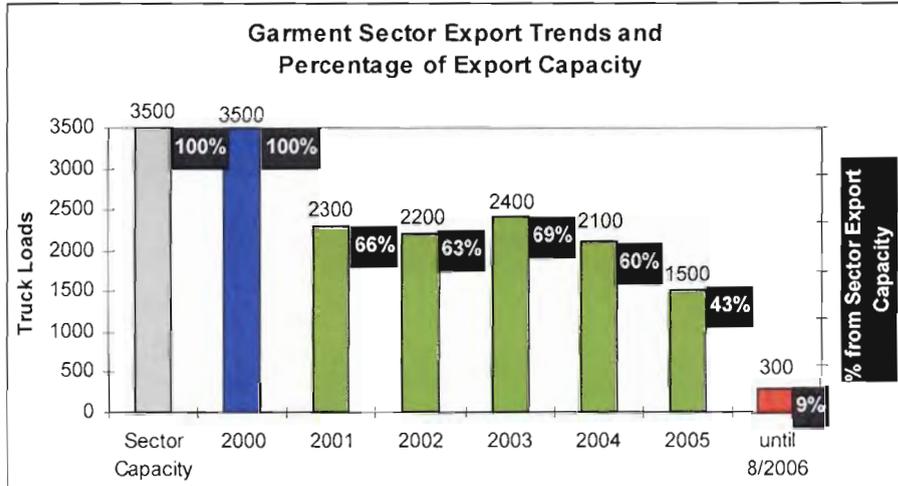
The remaining of the garment firms produce for the local market. The quality of their products is generally medium. Cutting, sewing, and trimming are the functions produced in the local firms; however no pattern making or original designs are produced. Regarding the textile production, circular knitting is the largest manufacturing activity, with 13 factories producing a limited range of fabrics. The production is marketed in the Gaza and the West Bank markets, with only 10% sold to the Israeli market.

Garment Products include:

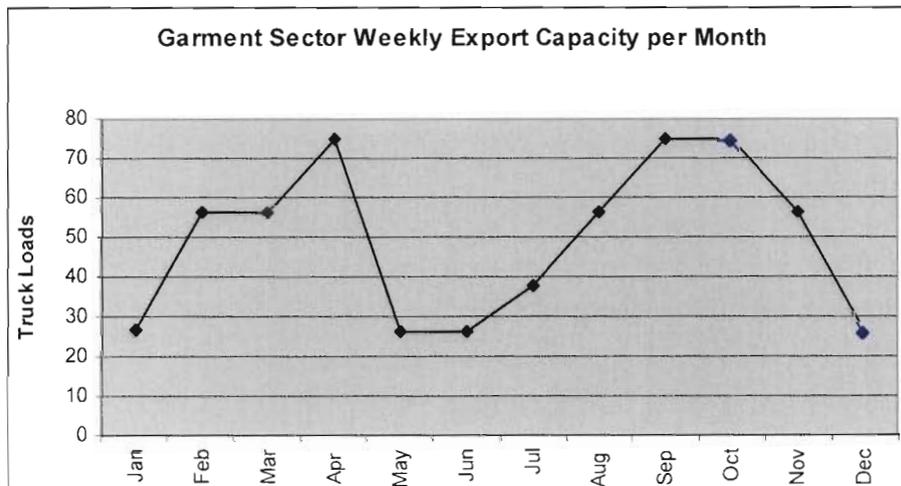
Jeans, Casual Wear/Ladies, Underwear/Men, Shirts, Jackets, Elegant Men Trousers, Formal Suits/Men, Work Uniforms, School wear, Bed covers, Linens, Pillows, Cushioning

4.2.2 Export Trends and Capacity:

The total annual sector export capacity is 3500 truckloads, and that was reached in the year 2000, the crossing volumes during the years 2001 – 2004 were around the average of 65% of the total sector export capacity, the year 2005 has witnessed deterioration to 43%, while the trend of the 2006 has reached dramatic unprecedented level (i.e. 9% only of the total sector export capacity).



The export season of Garment & Textile sector is in the months of April, September and October, where the sector weekly export capacity is 75 truckloads, for the rest of the year the sector weekly export capacity is fluctuating between 25 to 55 truckloads.



4.2.3 Impact of Current Crisis (2006):

- Temporary closure of manufacturers' establishments reached 90% - (of total 550 establishments in the sector)
- Capacity utilization is 5% of the working establishments.
- Unemployment reached 90% - (of total 10000 employees in the sector)
- Export losses reached US\$ 14 million (in comparison with the year 2005)
- Investment transfer: total investment in new external locations reached US\$ 6 million which included establishing 16 new factories in Egypt and Jordan employing 2000 Egyptian and foreign laborers which target the Israeli market.

4-3 The Cash Crops Sector

4.3.1 Cash Crops Sector Overview:

Strawberries

Farmers started growing strawberries in the 1970s in Gaza Strip. Most of the Gaza strawberry farms and farmers are concentrated in the north of Gaza Strip, in the town of Beit Lahia. Today, the strawberry planted areas are estimated to be 2,224 dunums, with further potential plans for expansion. Farmers have progressively developed their cultivation, harvesting and post-harvest methods. Gazan farmers currently grow three varieties of strawberry: 328, Sweet Charlie and 329. Strawberries are grown off-season in Palestine, and can reach European markets as early as late November, bringing in 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

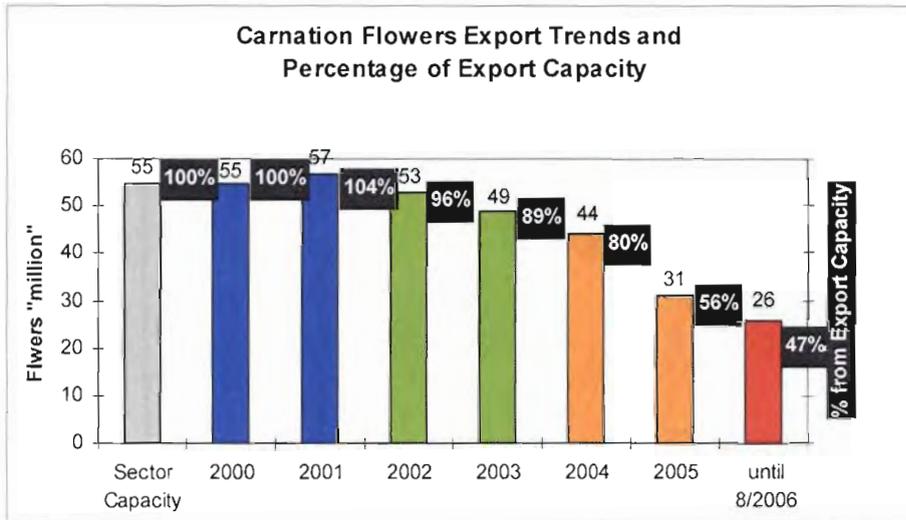
Farmers began cultivating carnations in the early 1990s. Today, the Palestinian carnation is one of the unique agricultural exports that Gaza Strip continues to offer. Today, the carnations planted areas are estimated to be 500 dunums, in which there are plans for expansion. Gaza mostly exports red Jouri, red Didi, red Dizio, and orange Magic. The Palestinian Carnation is an off-season produce that is rated by European importers among the best in the world today. The primary market for Palestinian carnations is the Netherlands, where carnations are mostly re-exported to other markets in the EU.

Cherry Tomato

Cherry tomato cultivation is a relatively recent development in the Gaza Strip. Cherry tomato cultivation is estimated at 335 dunums with room for expansion. Farmers grow a number of cherry tomato varieties including TC 30740, TC 495, TC 496 and 522. It is also an off-season produce in which cherry tomato lovers in the EU can enjoy it before the rest of the world with exports reaching Europe as early as late November.

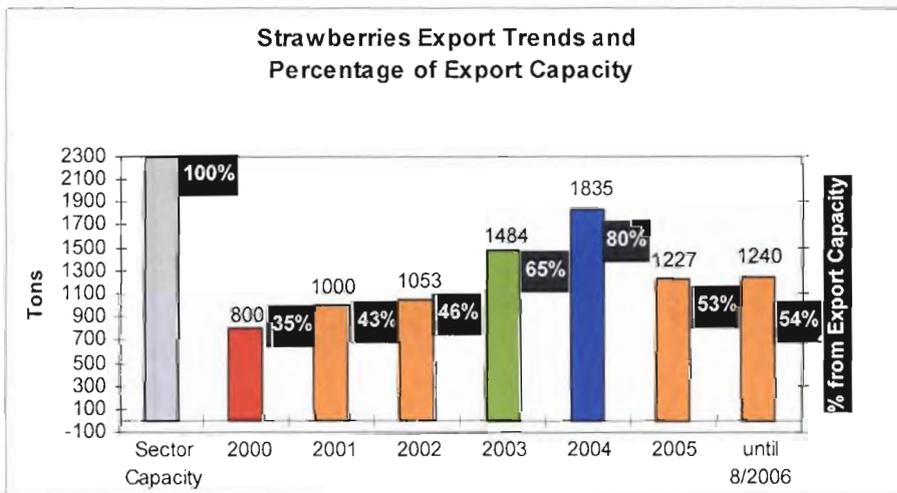
4.3.2 Carnation Flowers Export Trends and Capacity (2000- 2006)

The carnation flowers export capacity is 55 million flower in the season (239 truckloads) [the export capacity per day is 1.8 truckloads (230,000 flowers)]. The export season for carnation flowers starts from November 15 until May 15 (132 working days). In the years 2000 and 2001, carnation exports were of the total capacity; however from the year 2002 to the year 2004 the carnations export volumes dropped from 96% to 80% for the total export capacity, export volumes were dramatically deteriorated in the years 2005 and 2006, were the exported truckloads counted for 56% and 47% respectively of the total export capacity, and that is attributed to the continuous closure of AlMontar/Karni terminal during the high season (peak export period).



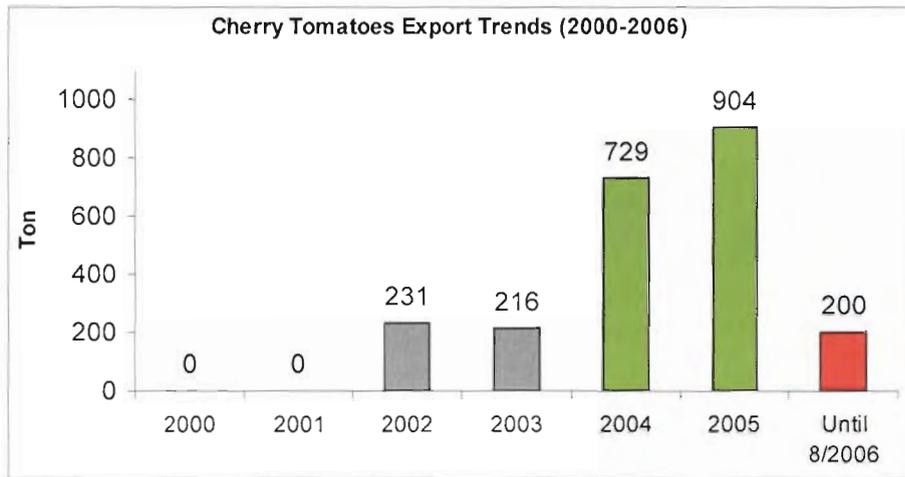
4.3.3 Strawberry Export Trends and Capacity (2000- 2006)

Export capacity for strawberries is 2300 tons in the season (239 truckloads) [the export capacity per day is 9 truckloads (3.85 tons per truck)]. The export season for strawberries starts from November 15 until February 15 (66 working days). The export trend of strawberries was inclining through the years 2000 – 2004; this increase was related to the expanded quota offered for Palestinian strawberries in the European markets, nevertheless, export volumes were declining through the years 2005-2006 due to the imposed closure at the export season.



4.3.4 Cherry Tomatoes Export Trends and Capacity (2000- 2006)

The cherry tomatoes planting started in the year 2002 in the Gaza strip fields, and that was mainly related to the increasing demand for cherry tomatoes in the world markets. The Palestinian exports of cherry tomatoes started in the year 2002, were export volume of that season was estimated at 231 tons, hence, the export capacity was increased afterwards to reach 904 tons in the year 2004, which is positively beyond the annual expected export capacity of 714 ton (223 truckloads) [the expected export capacity per day is 2.9 truckloads (3.2 tons per truck)]. The export season for cherry tomatoes starts from November 15 until March 31 (77working day).



4.3.5 Impact of Current Crisis – 2006 (carnation, strawberries and cherry tomatoes)

- Planted area reached 50% (of total cultivated land is 3211)
- Unemployment reached 80% - (of total 2000 laborers in the sector)
- Export losses reached US\$ 4.5 million (in comparison with the year 2004)
- Investment transfer: 10 main farmers transferred their investments in new external locations which included plantation of 500 dunums in Egypt employing 700 Egyptian laborers which target the European market.

Note: The aforementioned losses and estimations do not include the losses related to the x-settlements fields.

5- CONCLUSION & RECOMMENDATIONS

In conclusion, there is a serious need to develop the Palestinian private sector and its accessibility to export markets, due to its vital contribution to Palestinian economic development. Al Montar/Karni trade crossing is the lifeline for the development of the productive sectors in The Gaza Strip and accordingly the overall economic performance.

Analysis of the Gaza Strip export trends through the years 2000-2006 reveals that AlMontar/Karni trade crossing performance was fluctuating as a reflection of the overall political developments in the region. Export statistics for the year 2006 (until August) were dramatic to show an unprecedented slump in export trends, the impact of the current crisis (2006) was severely reflected on the Gaza strip productive sectors, as follows:

- Unemployment reached 20,000 laborers
- Export losses reached US\$ 27.5 million (in comparison with the year 2004/2005)
- Investment immigration: total investment in new external locations reached US\$ 10 million

We recommend quick action to develop and establish a unified border authority to manage and facilitate the cargo movement through the trade crossings, the private sector should be involved in the process to develop and monitor the authority's mandate and performance. It is crucial to consider the trade terminals as the lifeline for economic development and sustainability and hence to exclude terminals from any political conflict and maintain appropriate operation environment at crossing areas.

The private sector urges the Palestinian government and international community to activate the signed agreements related to the Gaza Strip trade movement (mainly AMA), and to raise the participation level of the private sector in development and monitoring of movement agreements.

In order to improve the crossing quality, it is fundamental to improve the infrastructure of trade crossings to include appropriate facilities that reserve goods condition, and mainly the agricultural produces. The private sector has also recommended forming Palestinian – Israeli private sector joint committee to act as a lobbying force to sustain the mutual interest and cooperation levels.