

Managing Transit and Trade across the Israeli/Palestinian Borders: Technical Negotiations

Proposed Solutions to Unresolved Issues

Secure and efficient Palestinian trade is essential to both the PA and Israel. The World Bank/Quartet Special Envoy Office Team (the Team) is convinced that sound approaches exist that will protect the legitimate interests of the two parties. Israel's commitment to more efficient Palestinian trade is manifest in its ambitious and costly program of border terminal reconstruction. If this program is accompanied by terminal management system reform, the Palestinian economy stands to benefit significantly. New infrastructure and equipment alone, however, will not guarantee this result.

Intense and sometimes fruitful negotiations were held between August 4th and September 5th, at which point they ceased. This delay is hard to understand, and has been costly. If satisfactory technical solutions are to be agreed and implemented with the necessary speed, greater flexibility is now needed from both parties than has been shown up to now in these negotiations.

In order to bring the negotiations to a rapid conclusion, the Quartet Special Envoy (QSE) has asked the Team to propose answers to the more controversial remaining issues. He is in agreement with the contents of this note. The QSE and the Team believe that these and other less controversial issues can be wrapped up in 2-3 days of intense discussion, providing there is a will to coalesce around sensible solutions.

The situation at the Gaza passages has deteriorated dramatically since Disengagement. Erez was processing c. 6,500 workers per day in the months prior to September; that number has fallen to some 100. Karni was processing an average of 35 export trucks per day; after Disengagement, the daily average has dropped to around a dozen.

The key contentious issues, and the Team's proposed solutions to them, are as follows:

- **Closure and Redundancy**---Cargo must flow at all times if Gaza and the West Bank are to compete in international and Israeli markets. This has two implications. First, GOI should no longer close border passages as part of a broad response to Palestinian violence, but should do so only when a passage is specifically endangered. Redundancy---or the ability to switch cargo operations from one passage to another---will provide a second level of assurance that trade will continue. Thus, if one passage

has to be closed, an alternate needs to be opened at once. A specific GOI statement on closure and redundancy would do a great deal to build confidence.

- **Truck Targets/Service Standards**---Both parties have agreed that each passage should establish daily targets for the number of truckloads to be processed (import, export); that these targets will be monitored; and that the results of the monitoring process should be made public. Initial discussion has focused on an export service standard for Karni, where throughput had declined to an historic low of 35 trucks per day this year prior to disengagement. Export demand is estimated by the Bank at 150 trucks per day were movement unconstrained. The Team is satisfied that this figure can be achieved rapidly at Karni under today's security strictures, through a combination of extended hours, better capacity utilization and the adoption of standardized pallet sizes; it is therefore recommended that 150 trucks per day be established as the initial Karni Export Service Standard, effective January 1st. Thereafter, this standard should be subject to regular review to ensure that market demand is being met (this is projected by the Bank at 220 trucks per day from Gaza by mid-2006, and 400 per day by mid-2007 under optimistic economic growth assumptions).
- **The Use of the New Generation of Scanners**---USAID has agreed in principle to supply a mix of relocatable, mobile and pallet scanners to equip Karni, Erez, Tarkumiya, Shar Efraim/Tulkarem (and potentially several other West Bank Green Line crossings); a final decision will be made following agreement on the border management system, and additional clarity by GOI on how the new technology will be used. GOI has already indicated it will use the new relocatables/mobiles to scan containers, supplemented when needed by manual inspection. Most Palestinian cargo, however, is carried in palletized form. USAID, Bank and QSEO experts all agree that the new 6/9 MeV technology is able to scan trailers (once again, supplemented as needed by manual inspection). GOI should commit to using the new equipment to facilitate 'trailer exchange', i.e. swapping cabs at the border, as soon as it has been installed. The PA has advocated the through passage of trucks and drivers; this involves additional security and transit issues, however. It should be piloted initially in the context of truck convoys between Gaza and the West Bank.
- **Agricultural Exports**---it is vital that this season's agricultural products, including those crops being grown in the greenhouses in the former Gaza settlements, reach market in a condition that meets ISO and EuropGap standards. This requires immediate action on two fronts. First, additional cells and cold chain continuity need to be added at Karni; USAID is currently working on this. Due to Karni's cramped and dirty conditions, this solution is not optimal, and a fall-back is also needed. A new passage dedicated to agriculture should be opened as soon as possible in the southern part of Gaza.

- **Dispute Resolution**---a reference and recourse system is needed, but neither party's proposal is acceptable to the other. The Team suggests that an acceptable compromise can be reached by using the bilateral Terminal Management Committees that will be created at each passage, along with the appointment of a "terminal facilitator" by each side (whose job it is to deal with day-to-day blockages on the shop floor). Serious issues that cannot be resolved locally can be surfaced to the proposed Program Technical Coordination Committee (see below).
- **The Palestinian Border System**---up to now, the PA has placed nothing on the table to indicate how, in specific terms, it intends to provide security, organize its own cargo operations, develop its infrastructure and coordinate operations with GOI. In this context, the PA Cabinet decision of October 20th to create an independent, unifying Palestinian Border Management Agency (PBMA) is an important development. It needs to lead rapidly to decisions about the governance of the PBMA and to clear proposals about how the passages will operate and what is needed from the international community. It is recommended that these proposals be shared with GOI and the donors by November 15th at the latest.

Following this next round, the Quartet Special Envoy plans to issue a note which will summarize agreements reached and any residual areas of disagreement, and to invite both parties to countersign it as representing an accurate record.

Further detailed discussions will then be needed on each passage in order to agree appropriate service standards and operational procedures. These discussions should be concluded for Karni, Rafah, Erez, Shar Efraim/Tulkarem, Jalame, Tarkumiya and Hasam Ta'ove/Bisan by December 31st, 2005.

The implementation of the program of passage management should be facilitated by a bilateral Program Technical Coordination Committee at the central level. This committee should meet regularly and should include as technical consultants the donors who are contributing to the passages program (at this stage, USAID, the World Bank and the European Commission).

Immediately following this round of negotiations, or in parallel to it, negotiations on convoys need to take place. It is proposed that the initial target be to establish bus convoys for passengers between Gaza and the West Bank by November 30. A paper on Convoys is available (*Convoy Operations for Buses, Personal Vehicles and Trucks*, World Bank Technical Team and Quartet Special Envoy's Office, September 30, 2005).