The Economic Freedom in Palestine ..still long road to go

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Palestine

- Palestinian territories (West Bank, Gaza Strip, EAST Jerusalem) 6450 km²
- Population: 4.17 million., 2.58 million in the West Bank and 1.59 million in the Gaza Strip.
- 1978: Camp David Egyptian-Israeli peace.
- 1993: Oslo agreement between Israel & PLO
- May 1994 the birth of PA



- 1996, first Palestinian elections.
- August 2005, Israel withdrew unilaterally from the Gaza Strip.
- January 2006, Hamas won the legislative elections and formed a government.
- June 2007 Hamas took control of the Gaza Strip ,where full blockade was imposed.
- Since June 2007 the Gaza Strip is under Hamas rule while PA is ruling in the West Bank
- 2011 the Palestinian factions signed a reconciliation agreement which ended four years of division, yet the reconciliation has not implemented on the ground.





Gaza strip Crossings



Gaza strip has six crossing points for the crossing of imported commodities and exported goods, most of them controlled by Israel.



Siege and closure of the Gaza Strip's border crossings

In June 2007 Israel imposed blockade on the Gaza strip , the closure of crossings and the war caused huge deterioration of the Palestinian economy.



Gaza Tunnels " the BLACK economy "



- Siege and closure of the Strip's border crossings urged to encourage the smuggling of goods from Egypt through tunnels.
- No. of tunnels comes to about 1000 in a strip of no more than 8 kilometers -an average of 8 meters between each tunnel

Trade Before and After the Siege



Trade Volume was US\$ 30 Million Trade Volume became US\$ 670 Million

Trade Volume was US\$ 1,200 Million Trade Volume became US\$ 200 Million



Yasser Arafat International Airport



The airport opened in 1998, but it closed in 2001 after being severely damaged by Israeli military forces.



West bank Barriers and checkpoints



In 2010, there was a monthly average of 92 permanently and partially staffed checkpoints, 519 staffed obstacles, and an additional 414 "flying" or random checkpoints in the West Bank, reports <u>OCHA</u>. Israel split west bank six major geographical units: North, Center, South, the Jordan Valley and northern Dead Sea, the enclaves resulting from the Separation Wall, and East Jerusalem.



The Separation Wall



- Length: 786 Km
- Heights: 2.5 9 m
- The wall uses 43.5% from the West Bank lands

1) Business freedom

Ease of Doing Business in West Bank and Gaza

TOPIC RANKINGS	DB 2011 Rank	DB 2010 Rank	Change in Rank
Starting a Business	173	175	+ 2
Dealing with Construction Permits	157	154	+ -3
Registering Property	76	74	+ -2
Getting Credit	168	167	+ -1
Protecting Investors	44	41	+ -3
Paying Taxes	28	28	No change
Trading Across Borders	111	94	+ -17
Enforcing Contracts	93	112	÷ 19
Closing a Business	183	183	No change

Source: world Bank http://www.doingbusiness.org/data/exploreeconomies/west-bank-and-gaza

Economic Indicators West bank and Gaza:

source: World Statistics Pocketbook/ united nations statistics division

Unemployment (2004-2010)

GDP \$B (2004-2010)



	Area	Indicator	2006	2008	2010
	Gaza Strip	Poverty	79.3	66.7	80
		Unemployment	35.6	41.3	37.8
	West Bank	Poverty	49.1	36.4	19.4
		Unemployment	17.4	20.7	17.2

1)Foreign Trade Zones/Free Ports:

There are no foreign trade zones or free ports in West Bank or Gaza.

Crossings and Transport:

The crossings use a back-to-back cargo transit arrangement:

- Trucks are not allowed to enter the Palestinian areas.
- Upon reaching a terminal the cargo is unloaded and then re-loaded onto another truck.

• Exporters and importers from Gaza Strip must use Israeli transport companies when goods are going to or leaving Gaza Strip through Israel.

• Shipments have to be reloaded at the crossing points with Israel and are subjected to special screening procedures.

Remark: An Israeli can get his goods to market in 18 hours, but it may take up to four days for a Palestinian.

2) Trade and investment freedom

- PA suffers huge trade deficit, financed by remittances, international aid, and income of Palestinian labor in Israel.
- Most Palestinian trade is with Israel. Trading with Arab countries is barely noticed.
- **Foreign Direct Investment is slight.**

Bilateral Investment and trade Agreements:

- The Palestinian enterprises have not been able to make significant advances in the international trade arena, mostly due to the barriers placed on the execution of these agreements by Israel.
- Palestinian Authority cannot sign a Free Trade Agreement with a partner country unless Israel has done so before.
- It has trade agreement with Israel (1994), Egypt (1994), Jordan 1995, United States 1996, EFTA 1997, Canada 1999, Turkey 2004.

3) Government spending

- Government expenditure reached around 52% of GDP.
- PNA employment increased to more than 25% of the labor force.
- Spending on social protection increased significantly.
- subsidization of utilities services remains high.

4) Property Rights

- Different sets of laws applied to West Bank & Gaza.
- key laws and regulations are old and outdated, needs to be finalized and implemented.
- Court system suffers shortage of judges, prosecutors, and other staff.

5) Monetary Freedom

• PMA was established in 1995 as part of the Paris Protocol, which regulates monetary issues in PT.

PMA does not have currency. Currency in use : \$, JD, NIS

6) Taxes:

Income tax and customs duties: The corporate tax rate is 15 percent.

Custom duties – customs and tariffs are in line with Israeli rates:

Base: On the value of imports. / Rates: From zero to 340 percent for food, animal and

agriculture products; and zero to 22 percent for all other products.

Value added tax: / Base: all imported goods. / Rates: 16 percent.

Source: Investment Climate Statement- US state department report, March 2011.

7) Labor freedom

- Unemployment: Unemployment in the West Bank stood at 17.2 % in the third quarter of 2010. The official jobless rate in Gaza was 37.8 % but unofficial estimates says that 80 percent of Gaza residents live in poverty.
- The highest percentage of unemployment is concentrated among youth aged 20-24 years.
 - The average daily wage in the West Bank is NIS 102 (about USD 28) and in Gaza NIS 58 (about USD 16)



The PA Plan for Free and Competitive Economy:

Strategic Objectives*: These strategies inform public policy and expenditure in the following national sectors: industrial modernization and business promotion, foreign trade and investment, consumer protection, employment and worker protection, agriculture and rural development, telecommunications and IT, and tourism and antiquities.

- 1. To ensure a positive investment environment in Palestine.
- 2. To enhance the competitiveness of Palestinian products and services.
- 3. To promote economic integration and access to external markets.
- 4. To ensure a vibrant labor market and combat unemployment.
- 5. To strengthen consumer protection institutions.

^{*} Extract from National Development Plan (2011-2013)

Challenges and Constraints Facing the Palestinian Economy:

- The borders, air, sea and communications are under Israeli control.
- People in the West bank are deprived access to the Access to the land, water and natural resources.
- Investors' ability to enter Israel, the West Bank and Gaza is erratic.
- Expansion of Israeli settlement.
- Static political progress
- Total closure of Palestinian areas and the establishment of military roadblocks, checkpoints, separation of the governorates of the West Bank from the Gaza Strip, separation wall, Gaza blockade.

Challenges and Constraints Facing the Palestinian Economy:

- * Obstacles Israel put in front of the import and export from and to the Palestinian territories such as:
- Close the international border crossings, "Karama, Rafah, Gaza airport".
- Do not allow Palestinian trucks in the West Bank to move between close areas without obtaining special permits, and prevent any contact between Gaza and the West Bank.
- Deny the Palestinian Authority some revenue from customs duties which Israel collects pursuant to Oslo agreement.
- Freeze and destroy industrial zones and commercial lines.