Leaders of the Gaza Strip’s manufacturing industries consider the future of trade with the West Bank
1. Introduction

After seven difficult years of closure and following yet another round of hostilities over the summer of 2014, which took a heavy toll and left tremendous devastation, some cautious steps are being taken to rehabilitate Gaza’s economy: Dozens of countries pledged to channel billions of dollars to fund the reconstruction of Gaza and a mechanism was created to facilitate entrance of construction materials to the Strip, the need for which has obviously skyrocketed following last summer; Israel began, for the first time in seven years, to allow the marketing of products from Gaza to the West Bank, and has somewhat expanded the criteria for travel of people to and from the Gaza Strip.

As the months have gone by, it has become clear that even if there were good intentions behind the attempts at and declarations of changes to policy, which followed the military operation, too little is actually happening on the ground. Until now, the approval mechanism for entrance of construction materials has dealt only with private homes that were damaged, not those destroyed; reconstruction work has not yet begun on large residential buildings or civilian infrastructure, such as clinics and schools; rubble removal has taken time and the funding for reconstruction is coming in at a trickle; marketing to the West Bank is still limited and constrained; access to the Israeli market for agricultural produce during the religiously-ordained “sabbath year” or fallow (“shmita”) year may signal a change, but there is still a long way to go before a significant change can be felt on the ground. Most of the restrictions Israel imposes on the travel of Palestinians between Gaza and the West Bank have basically remained intact.

Well before last summer’s hostilities and the subsequent declarations of easings on marketing regulations, Gisha had planned to conduct research among leading professionals in the Gaza Strip representing various industries within the manufacturing sector, to learn about the options available to them in terms of marketing in the West Bank, if and when that was made possible, the difficulties they face, the potential of their industries and their hopes and aspirations for the future. The main purpose was to understand the impact on the policy of separation between Gaza and the West Bank to the Palestinian economy and what would be needed to mend it.

Operation Protective Edge subverted our plans and research could only begin intensively the following fall. We held five focus groups, each one consisting of
representatives of one of the following industries: furniture, food processing, agriculture, textile, and information and communications technology (ICT). The five industries vary in customs, skill levels and types, experiences and challenges. They all share the need for access beyond the boundaries of the Gaza Strip in order to rebuild their sector, develop, recover and grow. The seven, going on eight, years of disconnection from the West Bank have severely harmed the Palestinian economy, especially in Gaza, and the ability of these entrepreneurs to establish themselves and develop in their respective fields. Even if all movement restrictions were lifted, these sectors would still face the substantial challenges of re-adapting to markets, meeting needs that have since been fulfilled by other sources, re-building and building networks of relationships in need of repair and development, and redoubling efforts to gain the knowledge and the trust of buyers and investors.

Despite some changes in policy, the gates have certainly not been opened entirely. The permission to market goods outside of Gaza remains defined by various considerations: security, professional and procedural. Not all industries are allowed to market in the West Bank, and not all products in the permitted industries are given marketing permits. There is still a long road ahead. The conversations in the focus groups indicated the participants’ eagerness to take part in the development of the Palestinian economy and a process that will increase revenues and especially employment opportunities, business and personal relationships and development opportunities – all the things that are stifled by suffocating travel restrictions. Below we share participants’ insights as to what they need in order to maximize their options and potential under optimal conditions. Some conditions are unique to certain industries, and many are common to them all.

We organized the information so as to characterize each industry, as well as the difficulties that need to be addressed and impede several of the industries. The figures that came up in the discussions are not a source for general statistical data. However, as in any qualitative study, and due to the identification of the participants in each group as leaders in their field, the participants’ assessments carry considerable weight. All of the industries require travel; in order to learn the market, meet local merchants, build work ties, undertake professional training, present their products, and make use of social, including familial, ties.

The furniture, agriculture, food processing and ICT industries would face challenges as a result of renewed access to the West Bank markets, not just opportunities. Representatives of the textile industry feel they can return effortlessly; the farmers need better storage conditions at the crossings; speakers across all industries argue that they depend on the continuous and reliable opening of the goods crossing for the professional management of their businesses and to allow proper planning, storage and investment.

For trade between Gaza and the West Bank to reach its potential, said the participants, they need more than a permit for the transfer of goods. The restrictions on travel, for instance, block entrepreneurs from the ICT industry, who, contrary to what one might think, cannot make due with a virtual link to with their colleagues and clients alone. They too must have access to the social circles where decisions are made, personal relationships are fostered and business opportunities are identified and cultivated.

These needs are completely reasonable and anyone with influence in shaping the future of the region shares an interest in fulfilling them. The rehabilitation of Gaza’s economy, and as such the Palestinian economy as a whole, is a pre-condition for regional stability, and therefore also paves the way to reaching a viable solution to the conflict.

2. Unique characteristics of Gaza

Our research sought to assess the economic potential of leading industries in the Gaza Strip - once marketing to the West Bank has been permitted - and review the obstacles that stand in the way of realizing that potential. However, it also raises several points about the long-term impact of the closure on the Gaza economy, including, for example, a need which arose to decide whether one’s actions will be motivated by a sense of communal solidarity or rather strict profit-driven interests. From an economic perspective, several points are worth mentioning:
• The importance of informal relationships

As a result of the prolonged closure and economic uncertainty, substantial weight is given to personal relationships in trade. Furniture merchants in Gaza, for instance, note that because of the frequent closure of the Kerem Shalom Crossing, they prefer to work with traders they already know in the West Bank, with whom they have developed trusting relationships as these are likely to be more understanding and forgiving about delays in shipments.

• Extra caution as a result of past experience

The possibility that recent easings in policy are reversible, and that Israel will reimpose past trade restrictions, is always lurking under the surface. According to Mojahed a-Sousi, owner of a furniture factory and showroom, even if he can obtain higher profits in the West Bank and Israel, he plans to maintain at least 10% of his sales to the Gaza market as a cautionary measure. In the past, sales were directed outside of the Strip, such that the closure compelled people to adapt quickly and re-learn the local market. “We will not repeat that mistake”, declares a-Sousi. In other words, the business strategy of some of the participants is to take into consideration the potential for reversals in access policy and renewed restrictions.

• A smaller profit margin and its relationship to function in the community

It appears that the main issue concerning the businessespeople who took part in the focus groups, across all industries, is not necessarily just net profit. Communal considerations rate high as well. The profit margin on products might be so low that higher shipping costs could render entire markets unprofitable, especially when the product’s market price in the West Bank (1 kg of tomatoes, for example) is already very close to its production costs in Gaza. Many businesses do not ask themselves whether it would be better to invest in developing a new production line or in marketing an existing product, but rather how they can avoid firing more workers and how they can bring in enough revenue to cover production and shipping costs.

In the textile industry, for example, speakers reported that because of low production, they do not repair broken machines. Since most of the machinery has been out of use since the closure anyway, the workers simply move to a functioning machine that was not in use. Meanwhile, this means that over time, production capacity in the Gaza Strip is actually being impaired. Other companies might sell the machines and think about how to transition to different fields, but the conversations revealed that many Gaza businessespeople view themselves not only as entrepreneurs but also as part of society at large, and see themselves as having a responsibility to provide employment to their workers.

3. Potential

Each focus group included between four and eight representatives of the industry, who described, among other things, how they view their companies’ advantages and potential in terms of trade with the West Bank. Following is a summary for each industry.

Agriculture

The group included eight people: An expert on agricultural marketing to outside markets, five members of agricultural organizations and cooperatives, and two

The industries that participated in the study

ICT

Software, hardware, and consulting

Food processing

Canneries, candy, snack foods, and ice cream

Furniture

Bedrooms, living rooms, dining rooms, tables, and chairs

Textile

Women’s, children’s, and men’s apparel

Agriculture

Vegetables, strawberries, flowers, and fishery
In recent years, we focused on growing strawberries for export abroad. This year, we hope to grow 500 dunams of strawberries. The crop was damaged during hostilities, which means less export and less revenue. Now I think we can sell 300 tons to the West Bank at 5,000 NIS per ton. That means 1.5 million NIS

During the closure: Most vegetables are grown in the Gaza Strip, in quantities that suffice for internal consumption (of Gaza residents). Most fruit is imported from external markets, primarily Israel. From 2008 to 2014, only 2,898 tons of fruit and vegetables exited Gaza, or about 32 tons per month, almost exclusively to markets abroad.

Before the closure: The group participants used to sell 10-30% of their produce in the West Bank. According to data from the Israeli Ministry of Agriculture, before the closure Gaza farmers sold a monthly average of 2,000 tons of fruit and vegetables to Israel, compared to 680 tons a month to the West Bank.

Potential: Focus group participants estimated that under optimal conditions Gaza could sell 200 truckloads of agricultural produce to the West Bank per month, which constitutes 30% of their agricultural produce. One participant estimated that a profit of 7 million NIS per season could be earned from selling strawberries in the West Bank.

Advantages: Diversity - because of the weather and soil conditions, produce that is difficult to grow in the West Bank can be grown in the Gaza Strip.

Challenges: Movement restrictions; irregular operation of the border crossings; a cumbersome conveying procedure at the Kerem Shalom Crossing, which can harm the produce; crossing expenses, in part because of the limits on the height of pallets placed on the truck beds; competition with West Bank produce and Israeli produce sold in the West Bank; the need to re-learn the West Bank market.

Advantages: The ability to grow crops in Gaza that cannot be grown in the West Bank; a skilled labor force; competitive prices.

Potential: The participants estimate that 30% of their agricultural produce could be sold in the West Bank.
Skilled labor – Since 2007, many Gaza farmers have been trained with the partial funding of the Dutch government as part of a project to strengthen agriculture in the Gaza Strip and develop trade relations between Gaza and Europe. Many of the farmers who were trained received Global Gap certificates, an international standard of agricultural quality, and the crops they grew – especially strawberries, peppers, cherry tomatoes, herbs and flowers – were sold abroad.

Competitive prices – Manufacturing costs in Gaza are lower than in Israel and the group participants believe that even with the current very high shipping costs, they can still sell produce in the West Bank at competitive prices. One participant estimated that whereas at the beginning of the season it would be more profitable to sell strawberries to European markets, sales to the West Bank or Israel, to which the shipping costs are considerably lower than to Europe, would be more profitable from the middle to the end of the season, when the price of strawberries starts dropping.

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An opportunity to increase crop diversity – Whereas the group participants expressed concern over the need to re-learn the West Bank market, some claimed this was an opportunity. Learning the needs in the West Bank could spark demand for new crops, which would in turn improve the industry’s ability to sell its products to new markets.

**Textile**

The group included four owners of large clothing manufacturing companies.

**During the closure:** Since the closure was imposed in 2007, the number of employees in the focus group participants’ companies dropped by 85%. Today they are operating at no more than 25% of their capacity before the closure.

**Before the closure:** In 2005, the number of workers in the

**Challenges:** Movement restrictions; the need to re-learn the West Bank market and develop relationships.

**Advantages:** Skilled workforce; high-quality products; competitive prices; short delivery time.

**Potential:** Marketing to the West Bank could increase output by 40-50%.

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<td><strong>No. of workers before the closure in 2007</strong></td>
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*The figures are valid for the four companies that participated in the focus group in October 2014.*
industry was estimated at 25,000 and in 2000 at 37,000.

**Potential:** Even though the textile industry sold mainly to the Israeli market in the past, opening marketing possibilities to the West Bank might still help them recover. The participants estimated that marketing to the West Bank could help them reach 40-50% of their output before the closure, and the industry chairman estimated that Gaza textile companies could issue 30 truckloads of clothes to the West Bank per month. The participants estimated that they could sell children’s clothes, women’s clothes, jeans and men’s suits in the West Bank.

**Advantages:** High product quality – Many of the Gaza textile manufacturers worked with Israeli companies in the past. In the 1980s and 90s they provided sewed patterns and designs ordered by Israeli companies, but since 2000 most of the companies whose representatives participated in the discussion also began to manufacture original patterns and designs. These companies acquired knowledge and expertise, which give them an advantage over companies in the West Bank, as well as potentially enabling them to compete with companies from Turkey and China that have entered the market since Gaza manufacturers were excluded from it.

Competitive prices – Despite the high product quality and skilled workforce, the prices of goods manufactured in Gaza are still lower than other foreign markets as well as Israel and the West Bank.

Geographical proximity – Gaza and the West Bank are only a few dozen kilometers from each other. The participants in the group hoped that besides the relatively low shipping costs, the short order delivery time compared to more distant markets would be another advantage. In the past, we’ve heard West Bank businesspeople note that in terms of accessibility, China is closer to them than Gaza due to the closure.

According to one participant, “[In the West Bank] they buy only a handful of items from Israel. If we offer them better prices, they will become ‘millionaires’. There are merchants from the West Bank who don’t want to import from China, who are used to buying from Syria, and now we can be an alternative, because we are closer and the shipping costs are lower”.

A high level of interest in the West Bank - Some of the participants in the group said that after merchants in the West Bank saw samples of their merchandise, they expressed enthusiastic interest in purchasing it. “One of the important merchants in Hebron met our representative, who pulled samples out of his suitcase and showed him what we know how to do. The merchant from Hebron was very enthusiastic. Why? Because that model had not come out yet, not even in Israel. Our company has been in the market for 15 years already. Before 2007, when we sold to Israel, we designed the clothes, we didn’t only sew them”.

**Furniture**

Four furniture company owners and a leading figure in the furniture industry in the Gaza Strip participated in the focus group. The companies manufacture furniture for bedrooms, living rooms, dining rooms, tables, and chairs.

**During the closure:** In 2007, when the closure was imposed on the Gaza Strip, the output of the companies owned by the participants in the group dropped to 10-30% of what it was before. The number of employees in those companies dropped by 80%.

**Before the closure:** In 2005, there were 600 factories and workshops operating in the Gaza Strip, employing more than 5,500 employees. That year, the annual sales turnover in the industry was estimated at $55 million. Some 33% of the products were marketed to Israel or to other markets via

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**Advantages:** Larger variety of products compared to pre-2007.

**Potential:** Marketing to the West Bank could increase output by 30-40%, and one company even estimated 100%; new companies could enter to supply products to the Gaza market once existing companies shift their sales to the West Bank.
Israel, and 15% of the products were marketed in the West Bank. The rest of the products were sold in the Gaza Strip. Sixty-seven percent of the workshop owners specialized in household furniture, 21% in office furniture, and 12% in construction-related products (door frames, doors, etc).

If we could market in Israel or the West Bank, it would be an opportunity for all of the factories and companies in Gaza. Other companies would get the opportunity to market more inside Gaza.

Potential: There was agreement among the participants that opening the West Bank market to furniture from Gaza would go a long way towards the industry’s recovery, although each participant had a different estimate of the degree of the impact. Mr. Mohsen a-Sarahi estimated that were he allowed to market in the West Bank, he could return to full production and sell 8 -10 truckloads of furniture in the West Bank per month. Presently, a-Sarahi’s company’s production is 15% of what it was before the closure, because the West Bank was his company’s main market.

Two other participants said that their main market in the past was Israel, and they are still hoping the ban on sales to Israel will be lifted. However, the participants said that marketing to the West Bank would increase their output several times over, and that they would have to increase the number of their employees by 50%. They estimated they could market 2-5 truckloads to the West Bank per month. The participants estimated their joint potential to market in the West Bank in the range of 15-20 trucks per month, with a sales turnover that could range from 1.5-2.3 million NIS. According to one participant, “If we could market in Israel or the West Bank, it would be an opportunity for all of the factories and companies in Gaza. Other companies would get the opportunity to market more inside Gaza”.

Advantages: Skilled workforce – The participants in the discussion emphasized that the workers in the industry in Gaza are more skilled than in the West Bank. Even though the West Bank had to find substitutes for goods from Gaza, both by purchasing from external markets (including Israel) and advancing local industry, they have not yet reached the production quality of furniture companies in the Gaza Strip.

Competitive prices – The participants claimed that goods from Gaza are still cheaper than products from other markets.

Variety of products – All of the participants said that the need to market only inside Gaza during the closure has forced them to increase the variety of products they offer the consumer. Those who once specialized only in...
bedrooms now also manufacture dining rooms and living rooms so that they can compete in the small Gaza market. Therefore, Gaza manufacturers can offer the West Bank traders a wider variety of products than in the past.

**Food processing**

The four focus group participants own food processing factories and manufacture canned foods (tomato concentrate, hummus, broad beans, beans, and sauces), candy, snacks, and ice cream.

**During the closure:** The company owners who participated in the focus group are working at 20-40% of their full capacity and employ only about 550 workers between them. The participants estimate that the Gaza market cannot absorb more than 25-30% of their pre-closure output.

**Before the closure:** In 2005, there were about 100 food processing companies in the Gaza Strip (not including bakeries), employing 2,500 workers. An average of 155 truckloads of goods passed through the Karni Crossing every month. Before the closure, the companies represented in the group employed 1,670 workers between them, and the West Bank was their main market. Two of the group participants’ companies sold, by their estimate, 90% of their products to the West Bank. The other two companies sold 50-60% of their products to the West Bank.

**Potential:** The participants estimated that once the West Bank market is opened to products from Gaza, they will be able to sell up to 60% of their merchandise in the West Bank. They estimated that sales in the West Bank would enable them to increase their output by up to 70-90% of its pre-closure level.

**Advantages:** Connection to the West Bank – all of the companies whose representatives participated in the discussion have agents in the West Bank. Some of the companies maintain warehouses in the West Bank and ties with merchants. They estimated that maintaining relationships would help them to re-enter the West Bank markets. Food processing factory

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**Advantages:** Existing ties with the West Bank which would facilitate a return to the market; competitive prices; high quality products.  
**Potential:** Marketing to the West Bank could increase output by 70-90%. Some 60% of the products could be sold in the West Bank.

| No. of workers before the closure in 2007 | 1,672 |
| No. of workers in October 2014 | 570  |

*The figures are valid for the four companies that participated in the focus group in October 2014.*
market. One participant mentioned that during the time his company operated in the West Bank, their sales experienced yearly growth. He believes this to be a sign that his company’s branding in the West Bank has succeeded and that it satisfied local tastes. He evaluated his chances of succeeding in the West Bank again as good.

Competitive prices and product quality: All of the participants estimated that, despite their products’ high quality, they are still able to maintain lower prices than companies whose products are manufactured in the West Bank and Israel due to a relatively cheaper manufacturing process in the Strip.

**Information and Communications Technology (ICT)**

This focus group included seven owners of ICT companies.

**During the closure:** Since the ICT industry is not limited by checkpoints and border crossings, companies in this industry had a certain capacity to maintain working relations with the West Bank, due to the fact that some of their modernization, adjustments and sales could be done online. Some of the participants evaluated that they sell 15% of their products and services in the West Bank, but others claimed that because of travel restrictions, they had replaced their West Bank markets with those in European and Arab countries.

**Before the closure:** Even though the ICT industry developed in Gaza mainly over the past few years, some of the companies owned by the group participants also operated before the closure. One company supplied hardware to the West Bank, and other companies worked with small and large clients in the West Bank.

**Potential:** The participants in the group estimated that, if it were possible for them and their employees to travel to the West Bank, they could sell 30-40% of their products and services there. One participant reported that he sells 15% of his company’s products to the West Bank market but estimated that, if he could go to the West Bank and meet people relevant to his business, he could double his sales there.

Mr. Ashraf Yazouri, one of the focus group participants and owner of the Vision Plus company, which provides ICT consulting and training, said that trade between Gaza and the West Bank could help the industry in both areas:

“A direct meeting between experts from Gaza and the West Bank would jumpstart the ICT industry in Palestine and build bridges necessary to understanding the conditions in which the industry operates in each part of the territory. There are different capacities, experts and professionals in the two areas and it would be powerful to conduct a ‘meeting of the minds’, share knowledge and experience between them.

**Advantages:** Quality products – The participants estimated that despite the closure, companies in the Gaza Strip could provide a product of the same quality as competing companies in the West Bank.

Competitive prices – Since the production process in the Gaza Strip is cheaper than in the West Bank in the ICT industry as well, and labor is cheaper, Gaza companies can offer lower prices than equivalent companies and successfully compete in West Bank markets.

4. Challenges

Along with the advantages and potential, there are concrete obstacles to realizing potential in all sectors,
primarily the restrictions imposed by Israel on the movement of people and goods. The following are some of the difficulties specified by the focus group participants.

**Transferring goods through the crossings:**

Goods passing from the Gaza Strip to the West Bank have to go through two Israeli-controlled crossings: Kerem Shalom on the Israel-Gaza border, to exit one part of the Palestinian territory, and one of the crossings between Israel and the West Bank, to enter the other part of the Palestinian territory. The representatives of most of the industries claim that the process of transferring goods is slow, cumbersome, expensive and poses a serious challenge to the profitability of marketing goods outside of Gaza.

For example, the working procedures at the Kerem Shalom Crossing require unloading and reloading the merchandise three times, in an unshaded area, where the product can be damaged by weather conditions. The participants in the agriculture focus group in particular emphasized this problem. “We used to sell even spinach to the West Bank”, said one participant. “We arranged it on the platform and wrapped it in nylon. Now they tell us: ‘Try to only export produce that can survive the conditions of the border crossing and transit’. Eighty percent of our cabbage and cauliflower crops, for instance, used to be sold to the West Bank. Today, it is hard to send these products to the border crossing due to potentially harsh weather conditions, such as exposure to the sun. The problem”, he continued, “is that there are a lot of transitions. At the Kerem Shalom Crossing the loading area is open and it affects the vegetables. Therefore, it is hard to export that kind of produce today as it won’t survive the crossing conditions, including the multiple unloading and reloading, and then crossing into the West Bank, through Qalandia or Tarkumiya”.

The participants from the furniture industry also said that the repeated unloading and re-loading of the goods at the Kerem Shalom Crossing increases the risk of damaging the merchandise. One participant said that he had exported goods to Jordan, and that all of the items were either scratched or damaged at the crossing. We heard similar complaints from the food processing industry, where participants claimed that the product’s quality is very susceptible to damage by delays at the crossings. All three groups repeated complaints about high shipping costs as well.

**Affected industries:** Agriculture, furniture, food processing

**Pallet height:**

One of Israel’s conditions for transferring goods through Kerem Shalom Crossing is that their arrangement on pallets cannot exceed one meter in height, as Israel claims that this...

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**Challenges and restrictions**

- **Transferring goods through the crossings**: The process of conveying goods is slow, cumbersome, expensive and poses a serious challenge to the profitability of marketing goods outside of Gaza.

- **Pallet height**: The height restriction of merchandise on truckbeds requires the merchants to pay for two trucks to transport goods that could have been loaded onto a single truck.

- **Regular operation of the crossing**: Irregular operation of the crossings prevents planning of manufacturing and could reduce the quality of agricultural produce.

- **Re-entrance into the West Bank markets**: The disconnection since 2007 requires renewal of ties and trust between the merchants.

- **Competition with products from Israel**: The ban on marketing products from Gaza in the West Bank created a shortage in the West Bank that was filled by Israeli merchants. They have obvious advantages over their old-new competitors from Gaza.

- **Movement of people**: Without the ability for merchants and professionals to move between the two parts of the territory, there is no way for them to learn the West Bank market, renew relationships, train professionally and initiate cooperation.
limitation is necessary for security inspection. Since pallets cannot be stacked, the amount of merchandise that can be loaded onto each truck is reduced, forcing merchants to pay, for example, for two trucks to transport goods that could have been loaded onto a single truck. Added to that are the transport costs at Kerem Shalom, which are higher than other crossings at 1,200 NIS per truck leaving the Gaza Strip (see illustration).

Affected industries: Agriculture, processed food, furniture

Regular operation of the crossings:

The participants complained repeatedly about their inability to anticipate the closure of the crossing or the terms for transferring goods. This problem is especially significant for the agriculture industry, where the produce must remain fresh and any delay can reduce its value. Representatives from the agriculture sector said that, in recent months, merchandise that should have left Gaza had been sent back a number of times due to the closure of the crossing or because officials at the crossing prevented the goods’ exit for other reasons. “We want clear and unconditional easings”, said one participant. “This is agricultural produce, the prices change. Prices in the West Bank or Jordan, Israel or the Gulf can suddenly jump. I need guaranteed freedom of movement so that if a merchant from the West Bank calls to ask for produce, I can send it to him quickly. If obstacles are placed in our way, we cannot get the right produce out while its price is high.”

The furniture suppliers also mentioned the uncertainty caused by the closure of the crossings, which makes it hard for them to plan for the long-term and affects the trust between them and their West Bank clients. “This problem [of the crossing closure] caused permanent shortages for the merchants – our clients in the West Bank. The shortage of goods built up, and they were forced to buy merchandise from other sources”, said one participant.

Since 2007, merchants and industrialists in Gaza have been disconnected from the West Bank market. Over the years, the West Bank merchants found alternatives, whether by importing from Israel and other markets or by independent industry

Renewed entrance into the West Bank market:

Since 2007, merchants and industrialists in Gaza have been disconnected from the West Bank market. Over the years, the West Bank merchants found alternatives, whether by importing from Israel and other markets or by independent industry. Some of the severed trade relations will never be renewed, and it will take time and effort to

Tons of agricultural produce exiting Gaza before and during the closure

*From March 2015 some goods began to be marketed to Israel as well

Source: 2006-2009 figures, Israeli Ministry of Agriculture; 2010-2014 figures, Gisha
establish new trade relations and learn the territory. This is true for the furniture industry, which developed in recent years in the West Bank; now, furniture manufacturers in Gaza are finding it difficult to find their way back to it. However, some relationships remain. “There are merchants [in the West Bank] who can’t wait for us to send them 90% of our produce again, and I am in constant and steady contact with them”, said one merchant.

Members of the agriculture industry also mentioned the long-term disconnection from the West Bank as a significant challenge. “Since 2007, there has been no contact with the West Bank and things have changed. Before 2007, the West Bank market relied on products from Gaza. After the closure, they adjusted or began to produce the missing products themselves. If we are allowed to market there, we will have to check those markets all over again”, said Jamal Abu Naja of the Gaza Vegetable Production and Export Association, which grows and sells vegetables and flowers abroad. “There has been a great development in growing vegetables in the West Bank and in greenhouses, such as peppers and cucumbers”, added one of the experts on agricultural marketing. “We used to sell guavas, for example, to the West Bank, but in the last months, they themselves exported large quantities to Jordan. Last month, they exported 160 tons”.

Participants in the food processing industry said it would take them time to restore buyers’ confidence in their products. In the hi-tech industry, one participant said that the large companies in the West Bank find it difficult to take the Gaza market into account partly because of the uncertainty at the border crossings. Contrary to the situation pre-2007 closure, some West Bank companies – for example, the banks and the Palestinian telecom company – do not include Gaza hi-tech companies in their tenders. 

Affected industries: Furniture, agriculture, food processing, ICT

Competition with Israel and other countries:

The farmers expressed concern mixed with optimism as to competition with Israeli products. Some of the agriculturalists claimed that the competition with Israel reduces the West Bank’s market potential, but they hoped that the low price of the merchandise would help them to re-enter the market there. Furthermore, demand in the West Bank market that Gaza manufacturers could no longer fill during the closure years have been filled by manufacturers from the Far East, in the textile industry for example, and Turkey, in the furniture industry.

Affected industries: Agriculture, textile, furniture

Movement of people:

Most of the focus groups reiterated the difficulty of creating and maintaining trade relations considering the severe restrictions on the passage of people between Gaza and the West Bank. One participant in the textile group said that, if he could, he would open a factory in the West Bank and bring workers from Gaza there: “The closure brought them [in the West Bank] a lot more work in the industry, but they don’t have enough labor in textile. Somebody from the West Bank asked me if we could get them 10,000 workers from Gaza. They don’t have enough skilled labor that can cover the needs of the Israeli market. Israeli companies found an alternative, working with companies in Irbid (Jordan), Turkey, and China. Workers in the industry in the West Bank do not have the capacity to supply goods of the quality consumed in Israel”.

However, in most industries, they emphasized especially restrictions on the travel of merchants between Gaza and the West Bank. In February 2015, Israel announced that it would allow 800 merchants to exit through the Erez Crossing every day. In practice, during the month of February, only 350 exits of merchants were recorded every day on average. One of the conditions for receiving a merchant permit is proof that the applicant imports goods to Gaza through the Kerem Shalom Crossing and sells 100,000 NIS worth of goods per year. Some of the merchants are not importers and need a merchant permit to develop their commercial ties in the West Bank and learn the market needs there.

A participant from the textile industry said: ‘First they should open the border crossings, that’s the first step. The next day, I can take samples of our products and go to the West Bank to test the market. We still have good relationships, both as an industry, with our counterparts in the West Bank, and as a private company with traders there’. In the furniture
industry as well, participants emphasized the need to go to the West Bank to re-map the market, understand needs and meet merchants. Participants from the ICT industry emphasized that travel to the West Bank is important to develop Gaza workers’ skills, as well as for trade purposes. The travel restrictions, according to the participants from the ICT industry, prevent them from attending tenders of big companies in the West Bank, such as banks and telecom companies, and from creating business partnerships.

“I want to put myself in their shoes”, said Mr. Himam Nabahin, owner of the Nafras company. “In Hebron, for instance, they look at my offer and say, ‘Who is that? Somebody from Gaza?’ He says, ‘how nice that you sent us this offer‘, he calls and says ‘are you okay there in Gaza?’ He felt sorry for me [...], emotionally and psychologically, that’s how they see us. They say ‘your offer is great but give me your partner in the West Bank so I can work with him’. What? Even in my own country I need a local partner?”

In the food processing industry, participants emphasized the need for people to enter Gaza. They say they need experts from abroad and from the West Bank, ranging from engineers to food experts, in order to improve their production lines and final product.

*Affected industries: Furniture, food processing, ICT*

5. The bottom line

By giving voice to the various needs of the ambitious and capable manufacturing and productive sectors operating in the Gaza Strip, we hoped to illustrate a sample of the population’s diverse needs. It is clear that while some of the travel restrictions between Gaza and the West Bank arise from legitimate security needs, most of them are arbitrary and, as it is occasionally demonstrated by changes in policy, are easy to remove and require nothing more than political will. Israel must examine how it can reduce shipping costs, guarantee regular operation of the border crossings, and allow regular travel of people. These changes, many of which are small and trivial, could begin to lead to economic recovery.

The Gaza Strip is a short drive from the West Bank. The separation between them has nothing to do with geography. Those in Israel who recognize that the effort to separate the parts of the Palestinian territory does not serve military or political needs, should exert all efforts to lift the barriers that prevent the Palestinian economy from realizing its potential. That would be both the right and wise thing to do. Until that happens, for all intents and purposes, manufacturers and merchants in Gaza will remain farther away from the West Bank than China.