Industrial Estates

The Services Group / USAID and World Bank

Technical Paper II – Industrial Estates[1]

Summary

After a promising start in the late 1990s, industrial estates (IEs) in the West Bank and Gaza have suffered significantly from political uncertainty and the movement restrictions imposed on Palestinian goods and people since the start of the *intifada*. Reviving the Industrial Estates Program requires a dependable operating environment regarding both access and procedures, which is contingent upon actions by the Government of Israel and the Palestinian Authority. Under the right conditions, and if driven by investor demand, IEs can help foster Palestinian economic recovery, particularly given the duty-free access to the United States and European Union markets. Their contribution toward employment generation, however, is likely to be limited in the near-term. The currently only operating IE employs less than 700 workers. Under today's policy framework, industrial estates would create no more than about 8,500 new jobs by the end of 2008.

I – Introduction

1. **Palestinian economic recovery will depend on creating an export-based economy with unimpeded access to global markets.** As discussed in **Technical Paper I**, this requires a secure, predictable and efficient border crossing regime to help build Palestinian competitiveness and attract investors. It will also depend on the Palestinian Authority (PA) creating a business-friendly and secure environment, and on a revitalization of commercial cooperation with Israel – which is likely to remain the Palestinians' main trading partner for some time to come.

2. **In an improved operating environment, Palestinian entrepreneurs and foreign investors will look for well-serviced industrial land and supporting infrastructure.** They will also seek a regulatory regime with a minimum of 'red tape' and with clear procedures for conducting business. Industrial estates (IEs), particularly those on the border between Palestinian and Israeli territory, can fulfill this need and thereby play an important role in supporting export-based growth.

3. **The Gaza Industrial Estate and the Erez Industrial Estate illustrate how border estates can be effective in facilitating Palestinian trade with Israel and third country markets.** However, experience at both IEs makes it clear that without a predictable and efficient regime for moving goods across borders there is little future in such initiatives.

4. **As part of the strategy of separation, the Government of Israel (GOI) intends to stop issuing work permits to Palestinians by the end of 2008.** Compared to 2004 figures, this would imply a net loss of about 30,000 jobs. GOI has expressed an interest in the expansion of the industrial estates program in the West Bank and Gaza in order to replace this lost employment.

II – Industrial Estates in the West Bank and Gaza

Erez Industrial Estate

5. **The first IE in the West Bank and Gaza was set up in the early 1970s to provide investment opportunities for Palestinian and Israeli businesses, and employment for Palestinian workers in**

Gaza. The Erez Industrial Estate (EIE) is located on the northern tip of the Gaza Strip adjacent to the Erez crossing point, on Palestinian land but under Israeli control. Over time, the EIE has expanded to cover 47 hectares. About 200 enterprises have been established, approximately half of them Palestinian-owned, in a wide mix of industries – textiles and garments, plastics and chemicals, wood furniture, metal working, service and repair shops. These enterprises employed more than 4,000 workers as recently as April 2004.

6. **The ambiguous administrative status of the EIE has allowed it to operate outside both Palestinian and Israeli regulatory oversight.** As a result, several environmental issues warrant immediate action. These include uncontrolled wastewater discharges, problems of storm water collection and discharge, polluted air emissions, occupational health risks arising from asbestos materials, and chemical and industrial hazards caused by the production processes of some tenants.

7. **After several suicide attacks at the EIE and the Erez crossing in 2004, the estate has been virtually shut down.** Employment levels have dropped to 600 before EIE was closed on August 31 and remains closed as of this writing. Israel intends to close and abandon the estate, but has suggested to hand it over to Palestinian control[2].

Palestinian Industrial Estates Program

8. **Industrial estates have been viewed as a potential source of economic growth and employment generation since the 1990s.** The Palestinian Industrial Estates Program (IEP) was launched in 1999 with a view to increasing private-sector employment, attracting foreign and inward private investment (including from Israel, the Palestinian diaspora and Arab countries), contributing to the growth of Palestinian economy, and generating foreign exchange earnings by promoting non-traditional exports[3].

9. **The IEP sought to address the physical need for expanded, accessible, and well-serviced industrial land.** It also sought to establish a sound policy framework under which IEs were to operate. This framework, captured in the Palestinian Industrial Estate and Free Zone Law (PIEFZL), is based on a public-private partnership concept[4]. In addition, PIEFZL established an "industrial free zone" model, whereby enterprises that produce goods primarily for export are exempt from customs and other taxes[5] if they operate on an industrial estate which is part of the IEP[6].

10. **This private-public partnership became a reality with the construction of the Gaza Industrial Estate (GIE) at the Karni (Al Montar) border crossing[7].** PIEDCO[8], a private developer, signed a long-term lease agreement to develop and operate the GIE. At the same time a regulatory authority, the Palestinian Industrial Estates Free Zones Authority (PIEFZA), was established to oversee site development and operations. Today the GIE offers tenants over 40 hectares of first-rate infrastructure, including a fully dedicated 10 megawatt power supply with emergency backup, reverse osmosis-treated water supply, solid waste disposal services, a well-lit and maintained internal road network and on-site security services.

11. **Five years after the launch of the IEP, the GIE remains the only industrial estate of the nine originally identified that has actually opened.** After a promising start[9], the GIE has been unable to meet its objectives because of the closure regime and the impossibility of moving goods in and out of the estate on any predictable schedule. Furthermore, interventions by the Israeli Defense Forces (IDF) have constrained site development, and have signaled that GIE's special status is no guarantee that continuous production is assured[10]. By mid-2004, only 16 enterprises remain, employing

less than 700 workers – a decline by half since 2000, and a fraction of the estate's potential[11]. Investor demand is now very low and comes mainly from those who have no other option than continuing to operate in Gaza[12]. As a result, only 23% of existing capacity is being utilized.

Municipal Industrial Zones

12. **A number of municipal industrial zones have been set up by local authorities inside the West Bank,** principally to create more suitable industrial space for smaller workshops and entrepreneurs in the cities[13]. The main ones are in Ramallah, Al-Bireh, Nablus, Hebron, Bethlehem, Jenin and Tulkarm. With few exceptions, all are for domestic market production.

13. **All municipal industrial zones are currently underutilized,** with occupancy rates of 40-50%. In total, some 8,500 workers in mainly small-scale workshops are employed on these zones. In nearly all cases these zones are owned and operated by the municipalities in which they are located, and are not formally under PIEFZA's regulatory oversight. Despite attracting some private investments over the years – the Ramallah Industrial Area, for instance, has an estimated US$200 million in private investment – as currently designed, these zones would not be able to contribute significantly to expanding exports and creating new employment (see paragraph 26).

III – Reviving the Industrial Estate Program

Prerequisites

14. **A successful IEP hinges on investor demand for industrial land.** Experience worldwide shows that IEs that are supply-driven in design – rather than developed to fit private sector demand – will invariably fail[14].

15. **As pointed out in paragraphs 1f., investor demand will depend on the prospects of efficient and predictable movement, and on a supportive legal and regulatory environment.**

16. **Reviving the IE program in the short-term will rely heavily on commercial cooperation with Israelis[15].** The IEs are likely to face significant difficulties in attracting third-country investors for the time being, because of high labor costs[16], low productivity and continued political uncertainties. To the Israeli investor though, the West Bank and Gaza offers a fairly skilled labor force with lower wages than in Israel, along with logistical advantages that in the past enabled Israeli management oversight (to ensure production quality and timely delivery in order to meet the standards of time-sensitive industries such as garment assembly). Current GOI policy does not permit Israeli businessmen into areas over which Israel does not exert security control. This is likely to undermine the development of the IE program.

17. **Under the right conditions, IEs can contribute to Palestinian economic recovery.** It is proposed that the revival of the IEP focus on a limited number of border industrial estates that could help develop Palestinian exports. Four border estates from the original nine programmed for development under the IEP are potential contenders – the two estates in Gaza: the GIE and the EIE; and two in the West Bank: Jenin Industrial Estate and Tarqumiya Industrial Estate[17]. In addition, the Tulkarm Peace Park is a new proposed development with high potential. These estates were selected on the basis of their accessibility[18], the availability of land and offsite infrastructure/facilities, and the potential ease of movement of goods and people.

Industrial Estates in Gaza

18. **There are a number of issues specific to the *EIE* that need to be con-**

sidered before a decision can be made about its future.

- GOI proposes to pay compensation to Israeli business owners at the EIE[19]. At the same time, GOI has told Palestinian enterprises, which have been operating at the EIE under the same conditions as Israeli investors, that they will not be compensated[20]. Palestinian businesses may contest this policy in the Israeli courts, and this in turn could complicate any decision by the PA to take over the EIE.
- A thorough clean-up of the EIE would be needed to return it to environmental neutrality prior to handover. GOI has indicated that it is not prepared to do this, though it would consider participating in sewage projects[21].
- If GOI persists with its ban on Israelis entering Gaza (including the EIE) and absent improvement in the PA security environment after IDF withdrawal, it is unlikely that any Israeli investment will remain[22]. In this instance, the EIE may not be able to attract the level of investment necessary to keep it open.
- The proposal by GOI to locate a Business Services Center on Israeli territory on the border with the EIE is not a realistic alternative to allowing Israelis to visit the EIE. Investors cannot be expected to operate an enterprise to which they are denied access.

19. **The GIE is within a few kilometers of the EIE, has modern facilities and is significantly underutilized; it is therefore not immediately evident that both estates are needed in Gaza at this point in time.**

20. **In view of the immediate need to develop some kind of handover plan for the EIE, it is proposed that a working group be established, to include GOI, the PA and representatives of both Palestinian and Israeli industry.** Donor support for studies to address environmental clean-up issues and other needed technical considerations could be agreed if consensus can be reached among the various parties on a viable approach[23].

21. **Given its preferred status under PIEFZL and its business-friendly regulations, and in view of its underutilization, the *GIE* would seem to be the most logical IEP priority.** Potential investments would include the construction of on-site infrastructure for development phases II and III, as well as of a General Logistics Facility to deal with containerized and non-containerized cargoes. Designs are available, and both these activities could be carried out immediately[24].

Industrial Estates in the West Bank

22. **The Tulkarm Peace Park (TPP) appears feasible, but its development is likely to be constrained by its particular location.** The proposed site, with an area of 50 hectares, is west of the Separation Barrier and east of the Green Line, just outside the city of Tulkarm. The site is close to the land terminal of Sha'ar Efraim, where GOI is considering building a railway terminal for the transfer of goods to Ashdod and people between the West Bank and Gaza. The anticipated demand for the estate is for industrial, warehousing, storage and logistics activities, as well as for office space, research and training activities. The Tulkarm Peace Park is considered by both the Palestinian and Israeli private sector to be the most commercially attractive of all the West Bank sites, due to its proximity to the Israeli High Tech Corridor centered around Herzliya. However, the construction of the Separation Barrier to the east of the site, and the TPP's location in the Seam Zone, make it problematic from a Palestinian perspective: the estate would be under Israeli security control, with access to Palestinians subject to permits and other controls. Both the PA and donors are likely be guided by the International Court of Justice's ruling on the Separation Barrier, which indicates that the provision of infrastructure in the Seam

Zone would constitute a violation of international law[25].

23. **The Jenin Industrial Estate (JIE) shows promise.** The proposed site is located in a flat plain north of Jenin city and has an area of 113.5 hectares. A feasibility study was completed in 1998. The Northern International and Industrial Company (NIIC) was established in 1995 by Palestinian investors to develop and operate the estate. The feasibility study predicted an industry mix which would include metal products, food and beverages, chemicals, cosmetics, and building materials. Germany has expressed interest in supporting the construction of both off-site and on-site infrastructure. Demand from investors, however, would depend mainly on their perceptions about the future access regime[26].

24. **Tarkumiya Industrial Estate (TIE) also faces locational issues.** The estate is currently in the pre-feasibility stage. The site is located close to major Palestinian population centers (Hebron and Bethlehem) and is close to the former West Bank–Gaza safe passage route. It has an area of up to 250 hectares, and is one of only a few potential sites on the Green Line west of Hebron city, a major industrial area. Tarkumiya is relatively close to the Israeli ports of Ashdod and Ashkelon. The mix of industry would include medium to heavy industry (stone, construction materials), logistics and transit enterprises, and textile and garments production. The site is located in Area C, however, and would thereby fall under Israeli control of civil and security matters. This is not acceptable to the PA, in particular as it has no competence for planning or zoning activities in Area C, and it has requested that the status of the site be converted to Area A.

Non-Border Industrial Zones

25. **It has been proposed by the PA and the private sector that consideration be given to upgrading the principal municipal zones and providing them with PIEFZA designation.** A Task Force of the Palestinian Federation of Industry (PFI), the Ministry of National Economy, the Ministry of Local Government, and PIEFZA is reviewing the feasibility of this initiative, with a possible view to developing an action plan[27].

26. **It is unclear whether municipal industrial zones have significant export potential, and each site would need to be reviewed with this in mind**. A review would need to take account of prevailing institutional arrangements, the feasibility of developing on- and off-site infrastructure, and potential investor demand. Municipal boundaries have not been expanded for a long time, due in many cases to the presence of Israeli settlements and military control. As a result, land prices to have been driven to artificially high levels[28]. From the perspective of promoting exports and creating jobs, therefore, the upgrading of municipal industrial zones should be considered an option only once those border IEs identified above are insufficient to meet investor demand.

Proposed Sinai Industrial Zone

27. **Israeli has suggested the establishment of a large industrial zone on Egyptian territory near Rafah,** with the ambitious objective of attracting international companies that would employ some 30,000 Palestinian workers as well as around 15,000 Egyptian workers[29]. The proposal has been brought to the attention of the Egyptian Government and the PA, and neither is supportive at this time.

28. **Several factors make the proposal unrealistic.** First, wages in Egypt are appreciably lower than in Gaza[30]. Recruitment of Palestinian workers could only occur on non-market principles, for example through substantial wage subsidies. Second, Egyptian law does not permit non-Egyptians to be recruited to more than 5% of the firm's employment. For the zone in total, this would mean only 750 Palestinians for 15,000 Egyptian jobs. Third, such an investment would

require significant donor resources. Given that the aim is to help generate Palestinian economic recovery, these funds would be better spent in the West Bank and Gaza – for instance, on revitalizing the Palestinian IEP. And finally, it is most unlikely that such a zone would begin to have an appreciable impact on Palestinian employment within the time-frame set by GOI for ceasing the issuance of Palestinian labor permits.

Qualified Industrial Zones

29. **Comparisons have been made between the Qualified Industrial Zones (QIZs) established in Jordan and the trade preferences provided to the Palestinians by the United States**[31]**.** While the QIZ in Jordan has contributed to export growth, recent studies suggest that the impact has been less than originally predicted[32], and the value-added by Jordanian companies in the QIZ has been much less than by the Israeli companies providing the intermediate inputs. In addition, almost half the jobs created have been for expatriates[33].

30. **Because WBG has its own untapped provisions for duty free exports to the US**[34]**, it can be assumed that the costs and uncertainties associated with today's border regime remain the binding issue for potential investors.** This again argues that industrial estates, even with favorable trade status, will be unable to attract investors and enhance Palestinian export growth without adequate and reliable access.

IV – The Potential for Employment Generation in Industrial Estates

31. **The potential for employment generation in industrial estates will depend above all on the evolution of Israeli border cargo management policy.** Three scenarios with different assumptions about Israeli policy measures were developed to assess this potential[35].

32. **If the environmental and locational issues associated with Erez, Tulkarm and Tarkumiya cannot be resolved and only the GIE and the JIE are developed, some 8,500 new jobs could be created by the end of 2008** – some 5,600 in the estates themselves and another 4,200 outside (including short-term construction work)[36], discounted to 8,500 to allow for job relocations. This figure represents less than one-third of the Palestinian jobs that will be lost in Israel if work permits are revoked by the end of 2008. Even this modest number is predicated on a reformed border regime, the free internal movement of people and continued investment by Israeli businesses even without direct access to IEs under Palestinian control. Only the first of these measures is currently contemplated by GOI, and actual employment generation may thus be lower[37].

V – Conclusions

33. **There are five key prerequisites for the success of these border industrial estates:**

- *The provision of efficient and uninterrupted access of goods to and from the industrial estates, and to and from ports.* The package of measures that GOI is proposing (see the **Overview Paper**) crucially includes the adoption of specific service standards; these can play a vital part in providing investors with an up-front assurance that their imported/exported goods will be processed within a reasonable, predictable time-frame.
- *The maintenance, at least in the near-term, of linkages with Israeli businesses and markets.* The main initial boost will come from the continued involvement of Israeli entrepreneurs, and access to Israeli markets[38].
- *The use of the IEs as a springboard to the development of exports to third countries.* Developers, operators and tenants of the industrial estates need to diversify their

market outlets and investment sources away from dependence on the Israeli private sector. Here it will be necessary and critical for the PA to create a strong domestic enabling culture; see **Technical Paper III**.

- *Support to PIEFZA, PIEDCO and other Palestinian private development groups* to market, regulate, develop and operate the industrial estates.
- *A protocol should if possible be agreed between Israel and the Palestinians* that would enable investors to take advantage of the free zone provisions under the PIEFZL[39].

Endnotes

[1] This paper was prepared by USAID/The Services Group and the World Bank; December 2, 2004. It draws extensively on *Viable and Feasible Border Industrial Estates and Export Processing Zones Under an Improved Border Cargo Management Regime in West Bank and Gaza*, The Services Group, September 2004.
[2] "Erez … Efforts should be made to transfer Israeli "live businesses" to Palestinian hands." *Israeli Disengagement Plan – Dialogue with the Word Bank – Status Report*, Israeli National Security Council, August 29, 2004, PowerPoint. By contrast, the Modified Disengagement Plan of June 6 noted that "The Erez industrial zone will be transferred to an agreed-upon Palestinian or international body", Section IV.B.
[3] In general, areas designated for industrial use prior to the launch of the IEP were located in urban areas, were of a very small size and had quickly eroded into mixed use workshop-residential areas. Physical planning constraints also meant that many of these areas lacked appropriate water and wastewater services, had insufficient electrical power capacity (resulting in frequent brown-outs), and were not subject to environmental monitoring.
[4] This partnership encourages private sector development, financing and operation of industrial estates supported by public sector regulation and "one-stop shop" services for investors, including licenses and permits, facilitation services for tenants, and regulatory procedures and practices which are in line with or better than regional and international industrial zone norms.
[5] It is worth noting, however, that the PA is not currently in a position to exempt firms from such fees, levies or taxes because their administration is not entirely under Palestinian control. In practice, Israeli customs at Israeli-controlled crossing points and ports levy full taxes and duties on these goods. Investors are then required to claim a refund through the PA, which in turn would seek refunds from GOI minus a 3 percent processing fee. Such a time-consuming and cumbersome system greatly diminishes the benefits of the proposed exemption. The PIEFZA law exempts investors in the industrial estates from income tax, but GOI imposes it on all Israeli investors in the estates.
[6] The EIE is not covered under PIEFZL or regulated by PIEFZA.
[7] The GIE has been partly financed by USAID and the World Bank.
[8] PIEDCO – Palestinian Industrial Estate Development and Management Company.
[9] Before the GIE was built, over 25 investors paid in advance to acquire space. This demand grew as site construction proceeded, and the developer decided in 2000 (just prior to the *intifada*) to accelerate construction and merge phases II and III of the original development plan.
[10] GIE construction has suffered from the denial of contractor access to some areas of the site. The IDF have prevented PIEFZA from completing construction of important infrastructure, including a storm water basin and drainage pipe system. Most recently, the IDF ordered that construction of a garment factory at the site be halted although it meets all constructions requirements of the GIE according to PIEFZA. The private investor (a joint Israeli-Palestinian venture) was attempting to relocate the business from the EIE to the GIE.
[11] Fully developed, the GIE could accommodate 250 industries and 20,000 workers.
[12] Businesses in operation currently include garment and thread enterprises, packaging and distribution plant, food processing industries, plastic and aluminum manufacturing and electric assembly.
[13] Small enterprises include car mechanics, carpenters, and metal and aluminum assembly workshops. A few larger manufacturing operations comprise food processing, pharmaceuticals, plastics and aluminum frame factories, among others.
[14] About 3,000 export processing zones (EPZs) had been created in 116 countries by the end of 2002. However, despite their popularity, not all EPZs succeed. Countries with poor protection of property rights, weak governance or poor infrastructure fail to attract investors to the EPZs. The African experience has been particularly difficult, due to the effects of political unrest, macroeconomic distortions, dilapidated infrastructure and bureaucratic burdens. "*A Better Investment Climate for Everyone*", World Development Report 2005, World Bank. See also: Dorsati Madani, *A Review of the Role and Impact of Export Processing Zones*, World Bank Working Paper No. 2238, November 1999.
[15] See **Technical Paper III**.
[16] See *Disengagement, the Palestinian Economy and the Settlements*, the World Bank, June 23, 2004.
[17] Ten potential sites were evaluated in total. The earlier feasibility studies for these sites were updated, with the market assessments reflecting the projections found in **Technical Paper III**, field interviews with Israeli and Palestinian businesspeople, and the proposals for border cargo management suggested in **Technical Paper III.**
[18] In particular, close proximity to major Israeli industrial and consumer markets and the major Israeli ports of Ashdod, Ashkelon and Haifa.
[19] Law for the Implementation of the Disengagement Plan, 2004. However, sale of any portion of the business will be taken into account when the GOI calculates compensation.
[20] According to Israel's Ministry of Justice.
[21] "Israel will not bear the costs of the cleanup of the [Erez Industrial Zone]. However, as far as sewage projects are concerned, Israel is ready to participate in such projects, from a comprehensive view of sewage and purification

projects in Gaza." *Israeli Disengagement Plan – Dialogue with the Word Bank – Status Report*, Israeli National Security Council, August 29, 2004, PowerPoint.
[22] According to interviews with EIE tenants and members of the Israel Manufacturers Association.
[23] If the EIE were transferred to Palestinian control, it would be expected to fall under the regulatory regime established by PIEFZL.
[24] The development and construction of a General Logistics Facility at the Gaza side of Karni was under serious consideration prior to September 2000.
[25] *Legal Consequences of the Construction of a Wall in the Occupied Palestinian Territory*, Advisory Opinion, International Court of Justice, The Hague (General List No. 131, 9 July 2004). The Advisory Opinion found that the wall, and its associated regime, which includes the Seam Zone regime, violates international law, and therefore states that all states are under an obligation not to recognize the illegal situation created by the construction of the wall and not to render any aid or assistance in maintaining the situation created by it.
[26] Relevant here is that the **Overview Paper** proposes that one of two pilot border access programs be initiated at the Jalame crossing north of Jenin.
[27] *The Palestinian Regional and Local Industrial Estates: Existing Situation and Future Prospects*, Palestinian Federation of Industries, September 2004.
[28] Inexpensive land has proven to be an important factor for the success of industrial zones.
[29] The indicative target of 30,000 is approximately the same as the number of 2004 Palestinian jobs that would be lost if the Separation Barrier is completed and permits to Israel are terminated; see the **Overview Paper**.
[30] See **Technical Paper III**.
[31] Like the US-Palestinian trade arrangement, the QIZs were created to allow countries to benefit from US trade incentives giving duty free access to the US market for specified commodities. The QIZ in Jordan has operated in direct competition to the GIE, with several potential GIE investors choosing Jordan when conditions deteriorated in Gaza at the end of 2000. It should be noted that Jordan also has a free trade agreement with the US.
[32] See *Issues in Economic Growth in Jordan: Assessing the Role of Exports and Private Sector Environment*, the World Bank, September 2004 and *Qualified Industrial Zones and the Jordanian Quest for Sustainable Development*, the Jordanian Center for Policy Research and Public Dialogue, June 2004.
[33] Indications are that of the 26,533 jobs created at the QIZ in 2003, nearly 43% were expatriates.
[34] On October 2, 1996, President Clinton signed the proclamation modifying the Harmonized Tariff Schedule in order to implement duty-free treatment. See *West Bank and Gaza Duty-Free Treatment of Products*, Trade Compliance Center, June 2004.
[35] *Viable and Feasible Border Industrial Estates and Export Processing Zones Under an Improved Border Cargo Management Regime in West Bank and Gaza*, op. cit. To arrive at the employment projections for each estate, TSG identified the most promising industry sectors and potential sources of investment, and forecast likely demand.
[36] Using a factor of 0.75, which is an internationally accepted norm for off-site job creation.
[37] *If* the EIE and the additional IEs in Tulkarm and Tarkumiya can be developed, a total of about 20,000 jobs could be created by 2009. Allowing for off-site jobs and discounting for job relocations, a total of some 30,000 new jobs could in principle be created by then.
[38] Both the Israeli and Palestinian private sector businessmen consulted in the course of preparing this Technical Paper expressed this point of view. *Viable and Feasible Border Industrial Estates and Export Processing Zones Under an Improved Border Cargo Management Regime in West Bank and Gaza*, op. cit.
[39] See paragraph 9. Possible remedies include a duty drawback system for Palestinian exporters.