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# Investing in the Palestinian Industrial Free Zone

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# Agenda

- Brief information about the Project
- Progress Recap & Current Situation
- Industrial Infrastructure
- Why invest in Gaza?
  - ➔ Access to markets
  - ➔ Incentives
  - ➔ Investment Guarantees

# How did we get here?

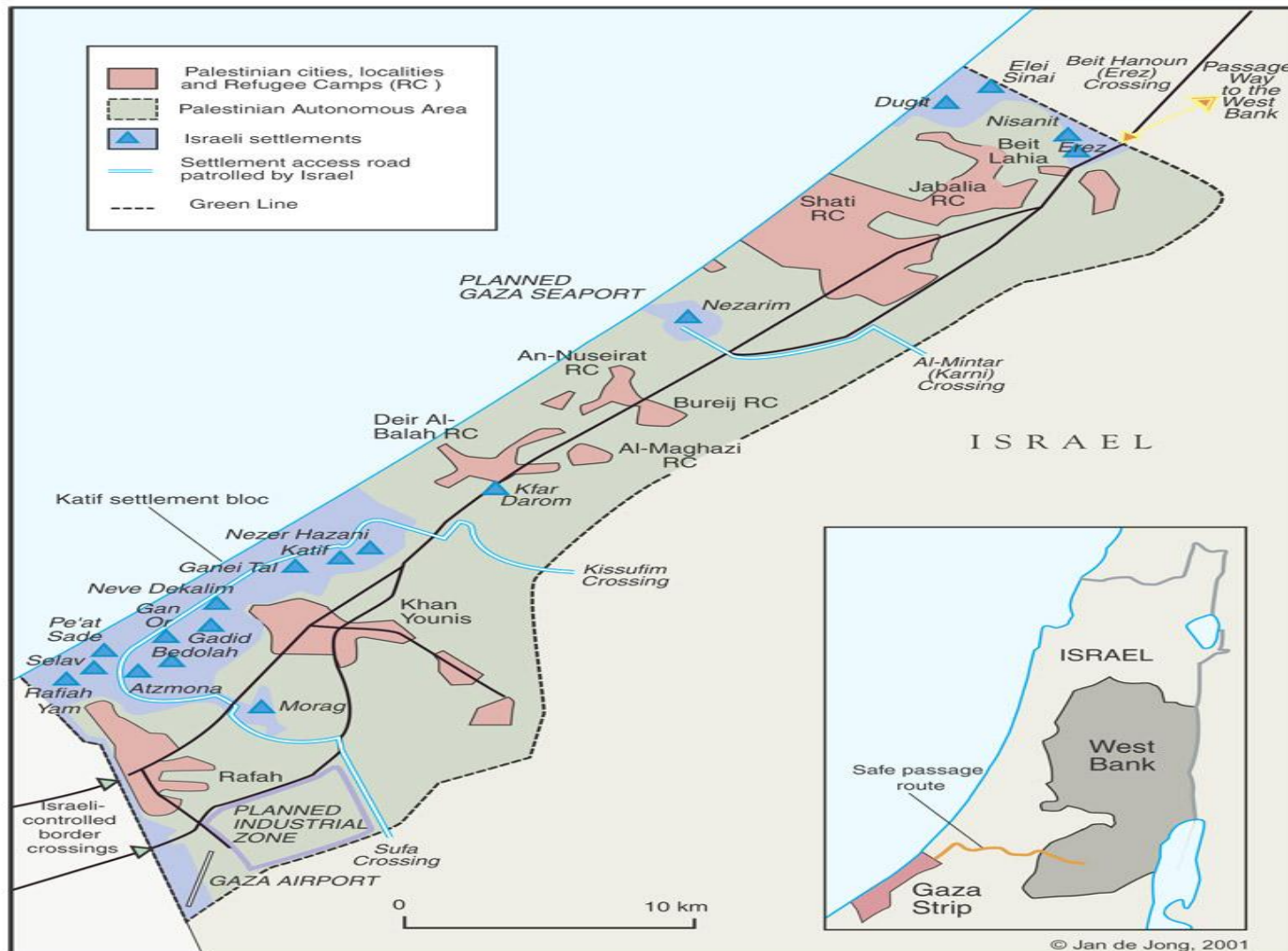
- The Industry for Peace Initiative (TOBB-BİS)
  - ➔ Transferring Turkey's experience in commercial and industrial development to other countries
  - ➔ Exporting Turkey's Organized Industrial Zone model
  - ➔ Building dialogue mechanisms for businessmen of the region
  - ➔ Deepening regional integration

... We need job creation for peace ...

# Ankara Forum & Palestinian Industrial Free Zone

- We first started the Ankara Forum
  - ➔ In order to contribute to regional integration, we brought together Palestinian, Turkish and Israeli businessmen
- One of our goals was to start a concrete project from the Forum discussions:
  - ➔ Concrete and implementable,
  - ➔ In accordance with the TOBB-BIS vision
  - ➔ Potential to generate jobs immediately
- Revitalization of the Palestinian Industrial Free Zone came to the agenda
  - ➔ The idea quickly became a three-phased project
    1. Political decision in Israel and Palestine;
    2. Projects, construction and security
    3. Investment Promotion
  - ➔ Ensured the support of the international community

# Disengagement Process from the Gaza Strip



- need to empower Palestinians
- dis-engagement decision
- increased importance of the region
- importance of Erez for positive expectations

# Support of the International Community

- **James Wolfensohn** (Former President of the World Bank President and Quarter's Special Envoy for Palestine)
- **Paul Wolfowitz** (President of the World Bank)
- **Mark Otte** (EU's representative for the MidEast Peace Process)
- **Olli Rehn** (EU's Enlargement Commissioner)
- **Javier Solana** (EU's Common Foreign Policy Commissioner)
- US Agency for International Development (USAID)
- The World Bank Group (MIGA, IFC)
- East West Institute
- Chicago 10 Group



# A Unique & Exemplary Project

- It is not an ordinary business project.
  - requires effective coordination among the two not-so-friendly sides – PA and Israel
  - private-public dialogue is key throughout the entire process
- But, it is still a business project.
  - If we want it to be sustainable, it must generate profits. Under appropriate security conditions.
  - If there's fresh air for the investors, business prospects seem to be very good (especially, given the resources ready to flow into the region and generous FTAs.)

# Progress Recap

- Political decisions certified official support, Joint Declarations signed with both Palestine and Israel on January 4 and 5, 2006
- The Developer Company (TOBB-BIS) established in Turkey and registered in Palestine
- Investment Promotion Activities started
- Task Force established for trade facilitation and security arrangements
- Engineering Team on the ground, projects to be completed by March 2006
- Constructions to be finished by July 2006
- March 2006 elections in Israel ?



# Palestinian Industrial Free Zone



# Industrial activities at the Estate (before disengagement)



# Services & Infrastructure

## ■ Services to be provided

- Physical infrastructure quality will be at highest standards
- Electricity
- Telecom (ISDN lines, hosting and internet)
- Easy access to major highway and to Ashdod
- Logistics center
- Banking and Insurance
- Special Security Unit

# Trade Facilitation

- PIFZ will be extra-territorial
  - Industrial Free Zone Status
  - Immune from Palestinian & Israeli regulations
  - Customs unit will be established at the Zone
  - Qualified Industrial Zone Privileges
    - Duty and Quota Free Access to the US market
      - 35% Local content requirement (can be from Israel & Jordan)
  - Free Trade Agreements with the EU
- Goods will move to/from the Ashdod Port
  - 25 km North of PIFZ (in Israel)
  - Transit Passage en route to the Estate
- Plans to build airport and seaport in Gaza

# Potential Investors

## ■ New investors:

- Those who want to target the Israeli market
- Those who want to re-export their Gaza production to third countries (Arab markets, EU, and the US)

## ■ Incumbent investors:

- Palestinians
- Israelis with partners from third countries (i.e. American, Turkish)

# Investment Scheme

## ■ Providing incentives

- Security package (Overhead costs lower profitability)
- Incentive package (Necessary to compensate overhead costs).
  - Loan guarantees
  - Market guarantees: contracts
  - Investment guarantees
  - Regulation – enforcement guarantees
  - Tax exemptions.

## ■ Resources are available, donors are willing to let them flow into the region

- what is needed is a concrete and doable project to mobilize the resources
- we wanted not another extra well-written report, but an initiative that can channel the resources effectively, also where we can leverage our organizational capabilities in doing business under extraordinary circumstances



# Investment Process Flow

## ■ Contact TOBB-BIS

- offices to be established in Gaza & Israel soon
- currently TEPAV is the executive agency

## ■ Obtain a license from PIEFZA

## ■ Two ways to start:

- Lease land & build own facility & start
- Lease facility & start

thank you

[www.industryforpeace.org](http://www.industryforpeace.org)

[www.tobb.org.tr](http://www.tobb.org.tr)

[www.tepav.org.tr](http://www.tepav.org.tr)