



The Union of Chambers and Commodity
Exchanges of Turkey

tepav | epr

Economic Policy Research Institute

Investing in the Palestinian Industrial Free Zone

Mustafa Bayburtlu, Esen Çağlar
Istanbul, 14 February 2006



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

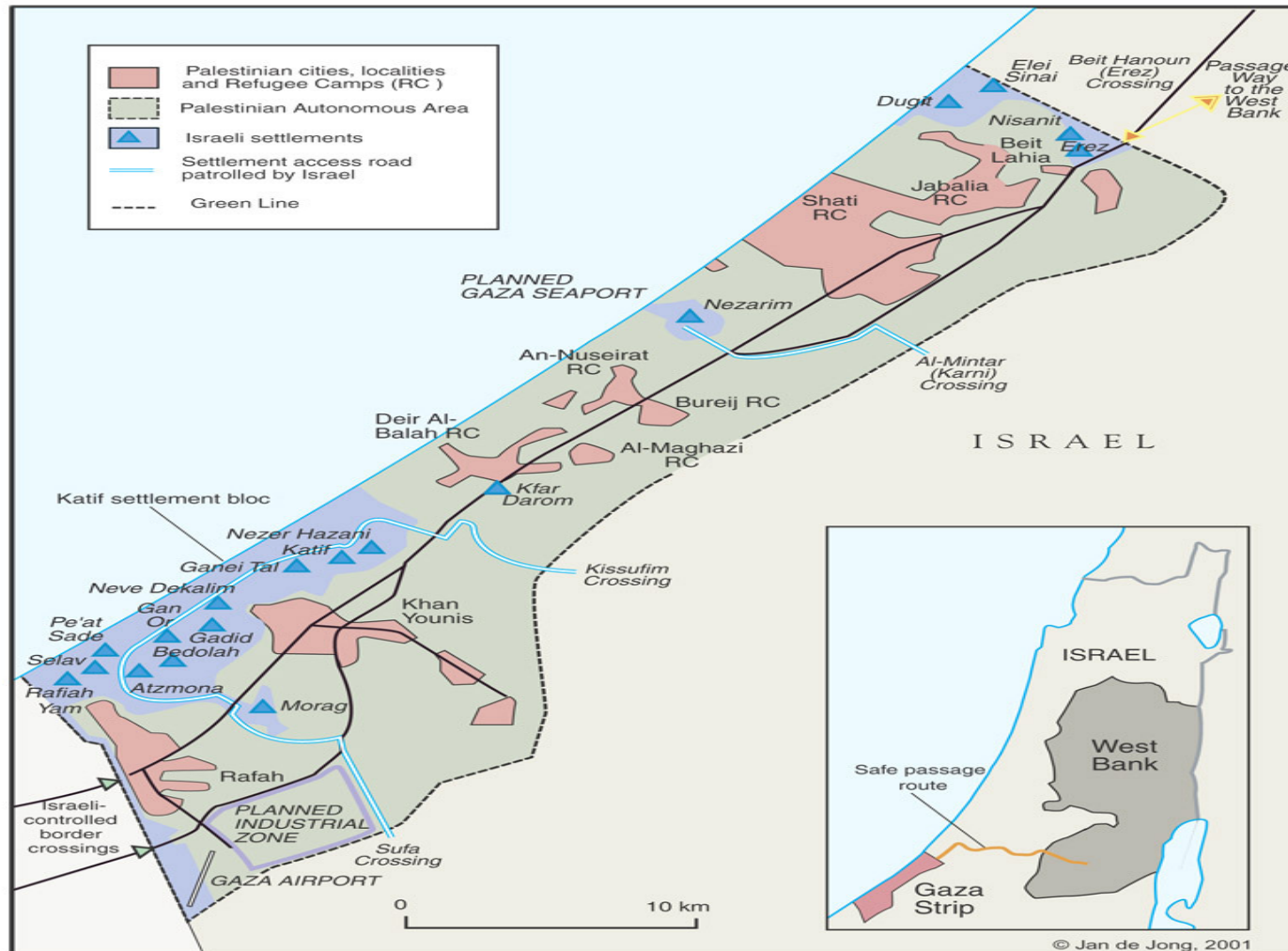
... We need job creation for peace ...



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





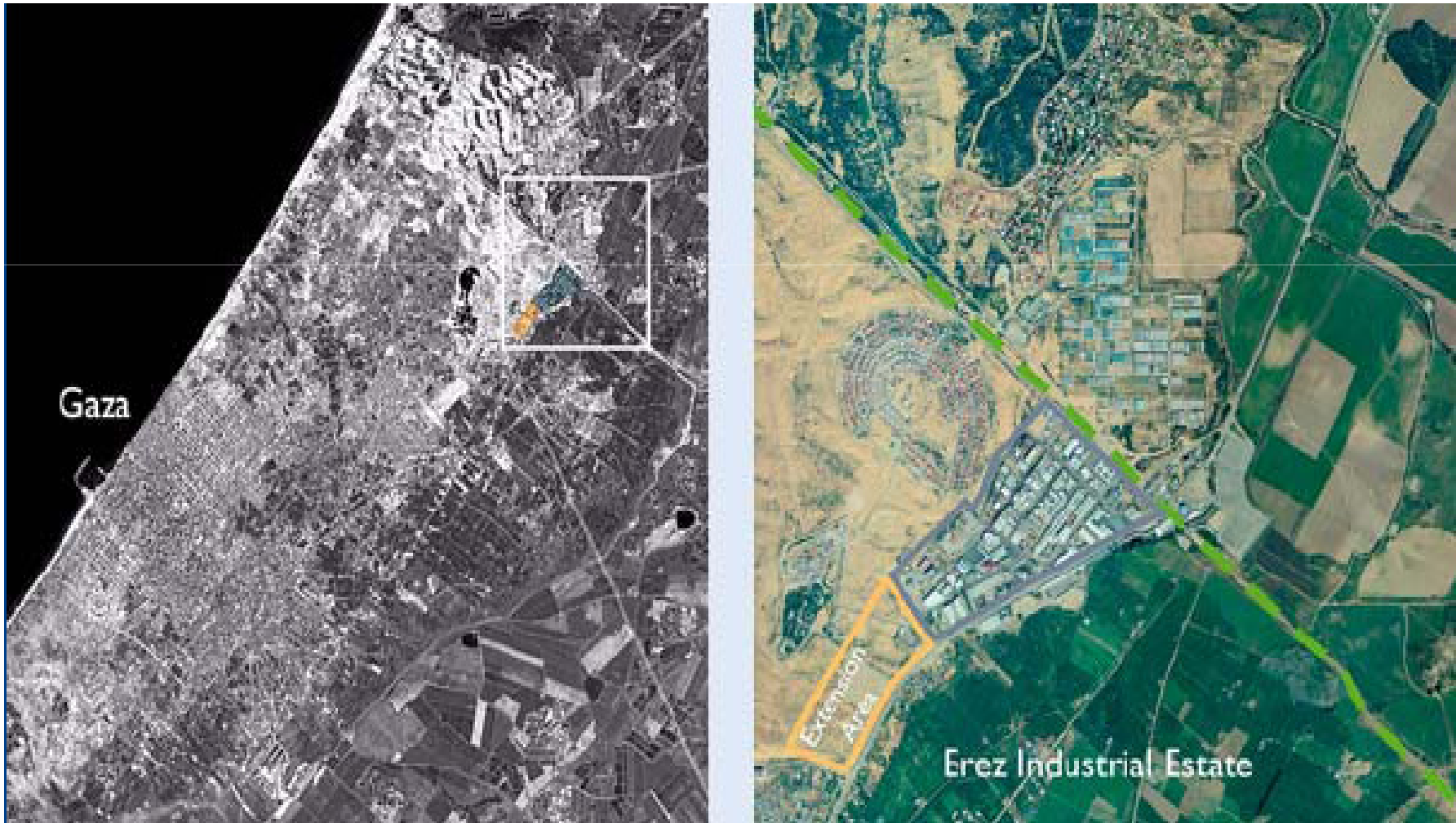
A Unique & Exemplary Project

- 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

www.tobb.org.tr

www.tepav.org.tr