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Natsheh Basel, Cedric Parizot

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FROM CHOCOLATE BARS TO MOTOR CARS

The separation seen from the perspective of goods trafficking between Israel and the West Bank (2007-2010)

Basel Natsheh, Lecturer, Hebron University
Cédric Parizot, Researcher at CNRS, IREMAM, Aix en Provence


This chapter analyses the change in the informal trafficking of standard consumer goods between Israel and the West Bank since summer 2007, when Palestinian Authority’s security forces were redeployed under the supervision of General Dayton. Based on an examination of the trafficking and the strategies developed by the traffickers, the Palestinian Authority’s capacity to territorialise its control in Palestinian enclaves will first be assessed. Changes in the nature of these transactions will then be studied to identify the new forms of regulation that are emerging between the Israeli and Palestinian economies, over and above formal exchanges.

Starting in the 1990s new obstacles to movement began to appear within the Israeli-Palestine space: movements of people and goods which had hitherto been almost free became increasingly regulated and restricted. The obstacles were part of the Israeli separation policy, well before the launch of the Oslo negotiations (Handel, 2009, Havkin and Garb, in this volume). The boundaries defined by the creation of the Palestinian Authority’s zones of jurisdiction in the Gaza Strip and West Bank also have to be taken into consideration. Lastly, the Paris Protocol (1994) imposed new taxation rules on the transport of goods between Israel and the Palestinian Territories.
Hence, certain local players had to reorganise to work around these limits or avoid the new regulations. A large number of movements and transactions that had previously been carried out in broad daylight and been tolerated by the Israeli authorities were gradually criminalised and hence went underground. But these limits and rules have not only erected obstacles; they have also caused the emergence of economic, legal and status differentials that Israeli and Palestinian economic players have exploited to develop informal activities and create more profit. The period of the Oslo Accords (1993-2000) thus saw the emergence of a “border economy” or more precisely, a “separation economy”, if we acknowledge that no internationally recognised borders exist today between Israel and the Palestinian territories.

Research into such informal trade has mainly concentrated on the work around strategies Palestinian workers have used to keep on entering into Israel to work clandestinely, or the smugglers who facilitate their entry and exit (Bornstein, 2002, Parizot, 2006b, 2008b, Bontemps, 2009, Amiry, 2010). Some researchers have stressed the direct link between the reinforcement of Israeli security systems and the increased professionalism and organisation of the networks of traffickers (Parizot, 2008c, 2009b). As in other parts of the world, the increased “border” security and the differentials to which it gives rise have encouraged an increase in informal traffic (Andreas, 2001, Bennafla & Peraldi, 2008, Chandoul et al., 1991). Furthermore, such research shows the extent to which studying clandestine travel highlights the changes in the functioning of the power mechanisms deployed by Israel in the West Bank (Parizot, 2009b).

In contrast, little work has focussed on the traffic in goods, or only on a very one-off basis concentrating on specific or localised trades such as that in cars stolen in Israel and sold in the Palestinian enclaves (Hertzog, 2005) or the trade in everyday consumer goods between the West Bank and north-eastern Negev (Parizot, 2006b, 2008b). These practices are often dealt with in the newspapers: journalists and researchers show how multiplying barriers in the Israeli and Palestinian territories encourages the development of informal activities1.

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1 During the 1990s, by defining the limits of action of the Israeli and Palestinian police forces, these lines of separation created areas of refuge for car thieves. This was particularly the case in the Gaza Strip (Abu Moaleik, 2005). In the West Bank during the Second Intifada (2000-2004), the limitations placed on the movements of the Palestinian police force would appear to have encouraged the import of a large number of faulty, out-of-date goods (Laban, 2005).
This chapter continues this work by showing the close link between, on the one hand, the changes in limits and security systems and, on the other hand, the development of the traffic in goods. We will focus on the informal trade that channels everyday consumer goods between Israel and the Palestinian West Bank Territories. Taking as our subject such everyday traffic rather than gun-running, drug pushing or people-smuggling is more relevant in that it involves more people and is thus more likely to give an accurate account of the everyday lives of Palestinians and Israelis. Such informal trade is practised by ordinary people who become “suitcase traders”. When travelling, they take advantage of differentials in price, buying articles they can carry home to sell on their local markets. Some of them are also entrepreneurs who sell more specialist items such as building materials, electronics or medicines. In a word, they are as likely to trade in chocolate as in stolen Israeli cars that are sold for spares in the Palestinian Territories, in Israel itself and the neighbouring countries. Lastly, the diversity of these products' origins and destinations also demonstrates the extent to which this traffic is global.

By assessing the ability of the Palestinian Authority to control the flow of goods that transit through the enclaves, our first objective will be to analyse the extent to which and precisely how it succeeds in asserting territorial control over its territories in the West Bank. Rather than adopting a normative approach, searching to define whether or not the Palestinian Authority has sufficient resources to achieve this goal, we will try to highlight the specific forms of this territorialisation. A comparison with that taken by Israeli control will help us determine the nature of territorial regime that has emerged in the Israeli and Palestinian territories in which there is not just a spatial separation between the populations, but also a ranking in their relations to space.

Ariel Handel (2009) explains that Israeli security arrangements have a different effect on the capacity for movement of the Israeli and Palestinian populations: Israelis can move through a fluid, uninterrupted, predictable space that can be objectivised, particularly using modern cartographic science while Palestinians move in a fragmented,
unstable space. The time a journey takes depends both on the constant changes of obstacles’ location and the bio-social status of the traveller. Palestinian space is therefore intersubjective and maps are of no use. This research will show that the Israeli policy of separation does not simply create a structural inequality of use of space between Israeli and Palestinian citizens, but also an inequality in the implementation of control between the Israeli and Palestinian Authorities.

The question of the territorialisation of control exercised by the Palestinian Authority has been particularly relevant since 2007 when draconian political measures were taken in order to restore its sovereignty. According to the plan promoted by the US General Dayton, and with the agreement of the Israelis, the various security services were allowed to leave their barracks and take over the management of security in the towns of Jenin, Nablus, Tulkarem, Ramallah and Hebron. The objective of these redeployments was to strengthen the position of Mahmoud Abbas as Palestinian President and thus thwart Hamas who had just taken power in Gaza in June 2007 (Legrain, 2010). The redeployments were also presented as an additional stage in the process of building a future Palestinian State. Furthermore, the boycott campaign launched at the end of 2009 by the government of Salam Fayyad on goods from the Israeli colonies marked a strong desire of the Palestinians to break their dependence on the Israeli economy and thus impose their own separation. But as we will show, the large-scale traffic of goods continued. It also appeared that the restrictions on movement and action imposed by Israel on the Palestinian police combined with the differentials created by the multiplication of limits since the time of the Oslo Accords encourage the continuation of such traffics, and even, their large-scale development.

The second objective of this chapter will be to look at how this traffic can help us understand the changes in economic relations between the Israeli and Palestinian territories. Between the end of the 1990s and the beginning of the decade starting in 2000, Palestinian enclaves stopped being essential labour pools for Israeli companies. The importing of Asian, European and African labour greatly reduced the dependence of the Israelis on Palestinian workers (Kemp & Rajman, 2008). Furthermore, the Palestinian enclaves also became less attractive to Israeli companies seeking to outsource their business. During this period the major companies effectively outsourced production
to Jordan, Egypt, Turkey and China where they could find much cheaper labour than in the Occupied Palestinian Territories (Bouillon, 2006). This process led to the closure of many outsourcing workshops in the Gaza Strip and the West Bank. The proportion of imports from the Palestinian Territories has continued to diminish over the last thirty years to a point where it accounts for a limited share of all the goods imported into the Israeli market. In the first half of the 1980s, the proportion of imports – excluding diamonds – that come from the West Bank and Gaza varied between 2.5 and 3.5%, falling to 1.5% in the 1990s and then to 1% between 2000 and 2005 (Peres Center & Paltrade, 2006).

In contrast, despite the policy of separation, the Palestinian market remains strategic for Israeli exporters. Although the proportion of Israeli exports to the Palestinian enclaves has dwindled as the conflict has worsened, the enclaves remain Israel's most important export market after the United States (Peres Center & Paltrade, 2006). The proportion of exports to the West Bank and Gaza Strip dropped from 12% – excluding diamonds – in 1987 to somewhere around 6.5% in 2005. As Lev Grinberg shows elsewhere in this volume, the Palestinian market remains captive to the Israeli economy. Taking this traffic as our starting-point we will try to identify what types of relation and regulation between the Israeli and Palestinian markets emerged at the end of the first decade of the third millennium over and above formal trade.

This research is mainly based on data collected between 2007 and 2010 in the Occupied Palestinian Territories of the West Bank and Israel. It was necessary to collect data from both sides in order to follow and understand the networks on which this informal trade depends. But we did not enjoy the same freedom of movement to undertake these investigations. Furthermore, given the impossibility of carrying out surveys in the Gaza Strip, we were obliged to limit this study to the trade between the West Bank and Israel. As a resident of the West Bank, Basel Natsheh, the joint author of this article with Cédric Parizot, cannot travel to Gaza. Moreover, he had to apply for a permit to visit Jerusalem and Israeli territory. But in 2008 he was only granted a one-month permit limited to Jerusalem alone. The applications he made later with the backing

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2 Worth several billion dollars, the diamond trade accounts for a major share of the Israeli commercial balance.
of the French Consulate with which he had work relations were routinely rejected without Basel being given any explanations. In contrast, although Cédric Parizot’s French passport meant he was able to travel freely between Israel and the West Bank, in order to gain access to the Gaza Strip he had to submit to extremely complex administrative formalities the outcome of which was not guaranteed. The mobility regime introduced by Israel since the 1990s therefore also affects the conditions under which research is done; most importantly it grades researchers’ accessibility to the field according to their status and identity.

Our approach attempts to combine the two disciplines of anthropology and economic sociology. The data we present here come firstly from formal, semi-directive interviews with Palestinian customs and police officers as well as certain representatives of the Israeli authorities. We have also taken advantage of several visits by teams of French customs officers seconded as part of a training programme set up by ADETEF to the Palestinian Ministry of Finance. Data was subsequently collected from Israeli and Palestinian players involved more or less actively in this informal trade. Our observation methods were therefore based on immersion and the sort of free-floating looking and listening used by anthropologists.

We will first analyse the changes in the systems of Palestinian control since the Oslo Accords in the context of the readjustment of security measures imposed by Israel. We will try to show how existing security arrangements facilitate and maintain the development of the informal trade between Israel and the West Bank. We will then explain in more detail the nature of the traffic in order to understand the new forms of economic regulation they reveal between the Israeli and Palestinian markets, and beyond that, the forms of territorialisation of Palestinian control compared with those of Israeli control.

3 At the time Basel Natsheh was working as head of mission at ADETEF. In 2010 he was a consultant to the Palestinian Minister for the Economy.
4 Apart from journalists, foreign nationals wishing to enter the Gaza Strip have to go through their diplomatic representatives or the institution employing them. These representatives then coordinate with the Israeli authorities to obtain authorisation to enter the coastal strip; such permission is not routinely granted.
5 ADETEF is an international cooperation body for the French ministries for the Economy, the Budget and Sustainable Development. The agency makes the professional skills of French civil servants and experts available to the governments and public authorities of certain foreign countries.
I- “DETERRITORIALISED” PALESTINIAN CONTROL

During the Second Intifada (2000-2005), the re-invasion of the Palestinian enclaves by the Israeli army greatly reduced the Palestinian Authority's capacity for action. The redeployments of 2007 enabled the Palestinian Authority (PA) to regain partial control over the major towns on the West Bank. But in 2010 the Palestinian police and customs services were still having difficulty extending their control in both space and time. The security measures imposed by Israel leave a number of gaps in which entrepreneurs of the informal economy can hide or extend their activities. In addition, incursions by the Israeli army regularly suspend action by the Palestinian police. The Palestinian customs and police are therefore unable to directly monitor the limits of the enclaves or the crossing points for goods and people entering or leaving them. Palestinian control is thus “deterritorialised”, not in the sense of breaking free of its territory to extend itself beyond it, but rather because it is incapable of deploying within the limits of that territory.

Fragmented Control in both space and time

During the 1990s the creation of zones under the jurisdiction of the PA in the West Bank resulted in a patchwork of enclaves surrounded by zones under Israeli authority. The West Bank was divided into three types of zone named A, B and C (see map 1). The A zones included more or less the centres of the six Palestinian towns of Jenin, Nablus, Tulkarem, Qalqiliya, Ramallah and Bethlehem, while the fringes of these towns and nearly four hundred and fifty villages were defined as zones B. The zones C cover the remaining land in the West Bank including the Israeli settlements and the major roads. In the A zones, Israel delegated security and civil control to the Palestinian Authority; in the B zones, the Palestinian Authority was responsible for public order and the internal security of the Palestinians while Israel reserved the right to act on any questions of external security. Lastly, the C zones remained under Israeli control (Smith 2007, p. 462).

6 The withdrawal from Hebron only took place in January 1997. This created an independent Palestinian zone (H-1) that covered everything except the neighbourhoods inhabited by Jewish settlers (H-2) which remain under Israeli control. These renegotiations have resulted in the Palestinian Authority’s sphere of action remaining relatively limited.
In 2000, on the eve of the Second Intifada, the A zones covered 17% and the B zones 23% of the region.

This fragmentation set the Palestinian Authority a major problem in trying to control the flow of people and goods from one enclave to another. In fact it creates a system of refuge in that, including as they do some 60% of the West Bank, the C zones offer wide open spaces in which fugitives can flee the scrutiny of the Palestinian Authority or develop the activities it is trying to repress. This system also works in the opposite direction: starting in the second half of the 1990s, certain Israeli traffickers found in the autonomous Palestinian enclaves (A zones) refuges where they could evade control and pursuit by the Israeli police – particularly as Israeli citizens kept extraterritorial
immunity. The Palestinian Authority has no powers to detain or try Israeli civilians who have committed offences in the A zones (Lia 2006, p. 290); their only possibility is to hand them over to the Israeli police.

This system of refuge changed during the Second Intifada (2000-2005) when the Palestinian Authority saw its powers and fields of action greatly reduced. Coordination between the Israeli and Palestinian authorities broke down, reducing the number of Palestinian operations in the B zones or delaying their introduction. In 2002 the Israeli army started targeting the institutions of the Palestinian Authority, holding Yasser Arafat directly responsible for the second Palestinian uprising and the wave of suicide bombings in Israel (Cypel, 2005, p. 278). During “Operation Defensive Shield” (Hebrew: homat magen) in which the Israeli army again invaded the A zones, security coordination with the Palestinians was frozen and the Palestinian Authority’s barracks and security institutions besieged. Despite the partial withdrawal of the Israeli army in the following years, the Palestinian police could no longer move about or act inside the A zones without prior authorisation from the Israeli army.

In summer 2007 the Palestinian police force was redeployed in the A zones of the West Bank. The police engaged in direct confrontations with groups and institutions affiliated to Hamas (Intelligence and Terrorism Information Center, 2008). But regaining control over the enclaves has encountered several obstacles. The security arrangements imposed by Israel limit the Palestinian Authority’s geographical capacity for action. Between 2009 and 2010 in the town of Hebron (Map 2) the Palestinian police were unable to deploy in the whole of zone H-1, which is the equivalent of an A zone. On the one hand, they could only send armed officers into an extremely limited area measuring 1.8 square kilometres lying between avenues Ein Sara, as-Salam and Wadi At-Tufah. Outside this zone armed Palestinian units could only operate if they had prior authorisation from the coordination office (DCO) of the Israeli army, and then only for a limited period of time. In addition, they were totally prohibited from entering the industrial zone of Hebron.
The capacity for action of the Palestinian Authority was limited in time because it was regularly suspended by Israeli incursions. Considering the Palestinian forces' action against Hamas and other Islamist groups inadequate (Intelligence and Terrorism Information Center, 2008), the Israeli army regularly made incursions into the Palestinian enclaves. Every time an Israeli unit entered an A zone it ordered the Palestinian police force back to barracks. In July 2009 in zone H-1 the Palestinian police were ordered to suspend their activities more than twenty times⁷. In some West Bank towns these time restrictions have been defined on a fixed timetable. In 2007, between Tulkarem and Jenin, the security arrangements agreed between Israel and the Palestinians divided up the time

⁷ Interview with the coordination officer for the Hebron district Mujahid Abu Snineh, July 2009.
during which the Palestinian authorities could act. They gave the Palestinian Authority total control between 6 a.m. and midnight, but imposed coordination with the Israelis during the hours of night (International Crisis Group, 2008, p. 13). Finally, the delays in implementing coordination between the Palestinian police and the Israelis constituted an additional time limit (Issacharoff and Azoulay, 2008). It sometimes needed hours, even days, for the Israeli coordination office to authorise the Palestinian police to act in a B zone or in restricted areas of A zones. This impossibility of acting immediately and the uncertain nature of Israeli reaction times thus prevented the Palestinian police taking advantage of timing to deploy control strategies.

Consequently, whilst the campaign to restore Palestinian control over the large towns saw a certain return to order, the new security arrangements imposed by Israel during the post-Intifada period left the entrepreneurs of the informal economy more freedom of movement than the forces of the Palestinian Authority. At the same time, these security arrangements contributed to extending the refuge zones created during the Oslo Accords period. At this time these refuge zones lied in the C zones and certain B zones. From 2000 they grew to include more B zones and particularly the A zones. In autumn 2009 the Palestinian customs were no longer allowed to operate in the regions of Yatta and Samu to the south of Hebron even though they were in an A zone. Similarly, even though it was in zone H-1 but out of bounds to the Palestinian police, the Industrial Zone to the south of Hebron has remained a favourite place to store smuggled and fake goods (Photo 1). The market inside zone H-2 controlled by the Israelis is also a notorious hideout for smugglers and those fleeing the Palestinian police.

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8 Interview with Husam Khalaileh, Hebron customs service, December 2009.
Lastly, the traffickers in goods have also taken advantage of the priority given to security by the Israelis and the Palestinian Authority. The fight against armed Palestinian groups, whether carried out by the Israeli authorities trying to combat suicide bombings and maintain control over the region or the Palestinian Authority seeking to limit the action of groups who disagree with its political stance (Hamas and Islamic Jihad), thereby fail to act against breaches of ordinary law (Lia, 2006). In addition, the manipulation of smuggling networks (Parizot, 2008b, 2009b) offered some such networks a degree of protection and encouraged the spread of their activities.

**Customs without borders**

Depriving the Palestinian Authority of control over a large part of the West Bank, these security arrangements also prevent customs officials and customs police from controlling the entrances to and in the periphery of the Palestinian enclaves. Firstly, the fringes of the enclaves are often categorized as B zones. Unless the Israeli army gives its permission,
the Palestinian Authority has no way of setting up barriers or points of control to check what goods are entering or leaving an enclave. In December 2009, of the ninety-seven points of entry to the city of Hebron only fifteen were monitored by Palestinians, but the customs police could only act freely on eight of them: any action regarding the other seven required coordination with the Israeli authorities. There are a number of routes open to smugglers to evade surveillance by the customs police. This is particularly true in a situation where, on the one hand the isolation of the enclaves from one another multiplies the zones of contact between the regions under Israeli and Palestinian control and, on the other, the customs police are understaffed, having no more than two hundred and fifty employees in the entire West Bank.

Nor have the Palestinians any control over the points of entry for goods once they have crossed the Green Line, the former armistice line distinguishing internationally recognised Israeli territory from the occupied West Bank. As part of the implementation of the policy of separation and the construction of the Wall, the Israeli army set up six crossing points in the "seam zone" to ensure the transit of goods in and out of Israel (Map 3): Tarqûmiya (west of Hebron), Betunia (south of Ramallah), Taybeh/Sha’ar Ephraim (south-east of Tulkarem), Al Jalameh (north of Jenin) and Bisan/Beit She’an (north of the Jordan Valley). Located in a C zone, they are managed solely by Israelis. Until 2006 they were run by the army but the privatisation of the checkpoints resulted in them being transferred to private companies9.

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9 See Havkin in the present volume.
The lack of immediate control over these crossing points reduces the power of the Palestinian Authority in applying its fiscal controls. Traders take advantage of this, frequently under-declaring the value of their goods; this is particularly easy to do as the crossing-point staff are more concerned with security checks than VAT declarations. The employees are even less motivated in performing this work of checking given that Israel
receives nothing from these declarations and the VAT paid by Palestinian carriers\textsuperscript{10}. Palestinian traders therefore take few risks in marking down the value of their goods in order to reduce their tax payments.

Nor do the customs police control the points of arrival and transit of goods imported from abroad. In accordance with the Paris Protocol (1994), goods imported by Palestinian traders transit via the Israeli ports of Ashdod and Haifa. A certain quantity of foodstuffs may also come from Jordan via the Al-Karameh/Allenby crossing point. As these ports and crossing points are under Israeli control, customs declarations and claims for exoneration of customs duties by Palestinian traders are therefore made through Israeli customs. The Israelis then give the merchants a form that they have to hand in to the Palestinian customs personally. Given the fact that there is no interface between Israeli and Palestinian databases, the Palestinian Authority only has these paper declarations on which to work out how much tax is due to them each month. Badly filled-in forms do not always state the precise volume and value of the goods concerned. And given that the Israeli public and private institutions often overlook scrutinising such customs declarations, traders tend to under-declare the volume and value of their goods. As the Israeli authorities derive no significant profit from these declarations, once again they are not motivated to be over-zealous.

At the end of the day, marking down the value of goods or concealing their real nature is facilitated by the legal provisions governing the procedure for declaring taxes and customs on the Palestinian side. Once their goods have gone through the Israeli ports and checkpoints, Palestinian traders have forty-five days to make their declaration to the customs office in their region. Therefore unless they get caught by the customs police at the entrance to a Palestinian town, most traders have enough time to get rid of their goods before they have to declare them to customs. As a result, apart from the declarations presented to the Israelis by traders and those transferred to them by the Israelis, the

\textsuperscript{10} Under the Paris Protocol (1994), VAT on Israeli goods sold by Israeli traders in the Palestinian Territories has to be paid to the Israeli authorities who are then responsible for transferring it each month to the Palestinian Authority. In contrast, Palestinian traders exporting goods to Israel have to make their VAT payments to the Palestinian Authority which is responsible for transferring them to the Israeli authorities. A monthly meeting is held between Israelis and Palestinians to work out the sums collected by each administration and who owes what to whom. Given that the Palestinians import more than the Israelis, the Palestinian Authority receives payments each month.
Palestinian customs authorities have no way of checking that the effective nature and value of the goods match the declarations made by the trader or carrier.

Lastly, the considerable distance between the checkpoints and the destination of the goods – Palestinian enclaves or Israeli settlements – and the fact that traders handle both Israeli and Palestinian goods means that they can switch from the very tightly controlled system imposed on Palestinian goods to the much freer system designed for Israeli products. The example of Sâlim as-Sharârke is particularly illuminating: a resident of Yatta, he built his house in 2007. At that time the steel used in the building industry was cheaper in Israel than in the Palestinian Territories. Sâlim ash-Sharârke therefore bought several tonnes of steel from an Israeli entrepreneur in Beersheba, Moshe Azoulay, who drew up a bogus invoice made out to an Israeli living in the settlement of Ma’on which is south of the Palestinian town of Yatta (see map 4).

![Map 4: South of the West Bank](image)

Officially intended for an Israeli settlement, the consignment had to go through the control system imposed on goods destined for the settlements: it was therefore able to evade the restrictions and checks to which goods going to the Palestinian enclaves are

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11 All proper names cited in this article have been changed to protect the individuals concerned.
subject. On the Israeli side, the lorry used to carry the steel managed to evade the security checks at the Tarqûmiya checkpoint. Being destined to an Israeli settlement, it did not have to submit to the back-to-back procedure applied to Palestinian merchandises\(^1\). Instead it was able to take a much faster road, namely that used by the Israelis to reach the settlements of Susia, Ma’on and Karmel in Beersheba, passing through the checkpoint of Meitar/Wādi al-Khalīl much further south than that at Tarqûmiya. It was then able to go straight through the checkpoint and take Routes 60 and 317 to reach the Israeli settlement of Ma’on. But instead of continuing to Ma’on he entered the Palestinian enclave of Yatta via an entry that is not controlled by the Palestinian Authority. As the periphery of this enclave is defined as a B zone, the customs police cannot set up checkpoints on it. To summarize, by using this informal way of importing his steel, Sālim benefited in three ways: he acquired the goods more cheaply than those sold locally in the Palestinian enclaves, he slashed his transport costs and also avoided paying VAT because the goods were officially destined for an entrepreneur and not a private individual.

The tax arrangements between the Palestinian Authority and the Israeli authorities defined by the Oslo Accords as well as the security systems deployed by Israel during the decade from 2000 were paradoxical in their effects. On the one hand they constituted an obstacle to the development of trade between the West Bank and the outside world. The back-to-back system of transferring products has slowed down flow, damaged foodstuffs and pushed prices up (Paltrade, 2009). On the other hand, because they prioritise security and keep the Palestinian customs at bay, they open the way to various forms of traffic. Firstly, the location on the seam zone rather than at the entrance to the Palestinian enclaves reduces Palestinian control over the validity of the declared value of goods and, secondly, the Israeli capacity to check the final destination of vehicles carrying goods on the Palestinian side. On leaving the checkpoint, a lorry may either head towards an Israeli settlement or a Palestinian enclave (see the article by Garb in this volume). These configurations therefore encourage fraud in the control systems: firstly in terms of the

\(^1\) According to that procedure goods going or coming from to PA areas are unloaded on one side of the checkpoint in order to go through detection and security checks, then they are reloaded on the other side of the check point onto a second lorry.
value and type of goods and, secondly, the identification and destination of the products (Israeli or Palestinian).

The fight against the circumvention of control and fraud in the control systems has proved particularly difficult due to the fact that there is very little coordination between the Israelis and Palestinians. Combined with the Palestinians’ limited capacity to collect information, the lack of coordination constitutes a major obstacle for the Palestinians in terms of projecting control beyond the enclaves into the heart of the informal networks. This is particularly true given that the customs authorities do not have a very developed or structured system of informers. Since they lack financial means they cannot recruit informers on a regular basis. Moreover, due to the fact they have no control over the means of communication or the borders, it is difficult for them to manipulate the smugglers to obtain information on their rivals. Even though they are considered an authority regulating crossings between the enclaves and zones controlled by Israel, they do not have the same powers as the Israelis who are able to negotiate the closure or opening of channels with one set of players in exchange for information on the activities of others.

II- INFORMAL TRADE AND NEW ISRAELI-PALESTINIAN ECONOMIC REGULATION

The study of traffic developed by Israeli and Palestinian traders to ship products into the West Bank Palestinian enclaves enables us to assess the unilateral character of the separation. In the absence of borders and controls on the periphery of the enclaves, the Palestinian Authority does not have any real means of regulating the Israeli products coming onto its markets – which explains why the Palestinian economy remains largely enslaved to the Israeli economy.

However, unlike the Oslo Accords period (1993-2000), new forms of economic regulation have appeared: the context of crisis in the Palestinian enclaves and the new security arrangements, together with the legal and tariff differentials they create, open the way to new traffic which builds upon the new economic complementarities between Israeli and Palestinian territories.
Palestinian enclaves: a continuing “captive” market

Products smuggled from Israeli zones to the Palestinian enclaves include all types of everyday consumer goods: foodstuffs (mineral water, confectionery, meat, flour, eggs, etc.), toys, tobacco (cigarettes, hookah tobacco), clothes, cosmetics, pharmaceutical products. They can be found on most Palestinian stalls and markets. Because they are part of the informal economy it is difficult to evaluate volumes accurately. Apart from the loss in taxes they represent, such products pose a real problem to health and public safety: certain traffickers take advantage of the customs officials’ inability to control health and technical standards to introduce perished or defective products into the enclaves.

This type of traffic existed well before the creation of the Palestinian Authority in 1994. It was reduced in the second half of the 1990s following police and customs pressure before developing once again during the Second Intifada. Between 2000 and 2005 the Israeli army besieged the forces of the Palestinian Authority or subjected them to strict limitations on movement. The Israeli army, which was focused on fighting the Palestinian resistance, was set up in and around the enclaves and did not intervene against the smugglers. On the contrary, certain groups were instrumentalized in order to rebuild or reinforce the networks of informers set up by the Israeli intelligence services. During this period people started noticing the massive arrival of perished foodstuffs such as meat, milk and vegetables (Laban, 2005). From 2007 onwards the partial takeover of A zones in the West Bank has enabled the Palestinian authorities to resume the fight against smuggling. However this has proved particularly difficult because punishment for these crimes is still based on Jordanian laws prior to 1967, which do not condemn practices such as “re-labelling” of goods. In order to evade controls by the Palestinian Authority certain entrepreneurs specialise in manufacturing packaging and labels to repackage goods that have been tampered with. Lastly, due to the precarious economic situation of the Palestinian population there is still considerable demand for cheap smuggled goods.

The trade in cars intended for the breaker’s yard in Israel but which are sold in the Palestinian enclaves is another example of how Israeli products are “recycled”. The traffic is all the more difficult to combat because it also plays on the duplication of control systems and that of Israeli and Palestinian areas of jurisdiction. Palestinian mechanics buy the cars from Israeli mechanics for spare parts. The cars are then shipped
legally into the Palestinian enclaves. The real traffic only begins when a Palestinian trader sells a car to a customer who uses it to drive around in. Such cars or lorries are still being sold in B and C zones to Palestinians who do not have the money to buy a vehicle registered with the Ministry of Transport. The owners of such vehicles can drive without much fear of being stopped: other than in the large Palestinian towns where the Palestinian police make frequent confiscations (Ma’an News Agency, 2009), it is impossible or difficult to check such vehicles. And this trade is encouraged when the Israeli police show a certain degree of tolerance towards drivers provided they do not drive on the main highways used by the Israeli settlers. In certain zones, such as the south of the Hebron mountains or in certain villages to the west of Ramallah, we observed that these vehicles account for over half of the cars on the road.

The fight against such informal trade is particularly difficult because Israeli settlements in the West Bank often act as support or transit bases. Israeli settlers are sometimes the main players in the traffic, trading directly in products manufactured in the settlements. This trade began when the first Israeli settlements were created in the 1970s. In the south of the Hebron mountains the settlements often sell their livestock (cattle, sheep, poultry) and milk to the Palestinian populations in the region, those in the Jordan Valley supply the Palestinian towns and villages with their fruit and vegetable products while those in the Ariel region to the south of Nablus trade in manufactured goods.

The Palestinian Authority began fighting this type of trade in the 1990s due to its informal nature and the financial losses incurred. In 2009 the fight took on a political dimension. On 8 December 2009, Salam Fayyad's government officially announced a boycott of these products, promising to remove them from Palestinian shops. In January 2010 the Palestinian Prime Minister set up a special fund to support this cause and in May he launched an awareness campaign while on the ground, the Palestinian customs officials increased their efforts.

The challenge remains, however, difficult to meet. Even though the networks of police informers often enable goods to be tracked, the police are unable to intervene on the outskirts of the enclaves and their entry points and can only act once the goods arrive in the Palestinian shops. The customs police cannot launch an operation to intercept trade in the Israeli towns or on the main highways in the West Bank. Palestinian traders may
therefore load and ship products without any fear of getting caught. The overlap between Israeli and Palestinian territories also increases the points of contact between the settlements and enclaves. In Hebron the situation is particularly significant: settlements are located both around and inside the city itself and provide both support bases and many points of entry to the markets of the Palestinian town.

The boycott announced by the Fayyad government has therefore had a more political than economic impact. In a situation in which the Palestinian customs police have only limited control on the enclave boundaries and points of entry, the only possibility of effectively implementing such a boycott is to ensure an awareness campaign is organised successfully. The value of Palestinian customs police takings remains limited compared to trade values: in May 2010 the takings totalled 5 million dollars (Zacharia, 2010), whereas as annual sales of this type of product total 200 million dollars in the West Bank. The simple fact of having to appeal to the people to fight the import of products from the settlements is another illustration of the Palestinian Authority’s weak capacity to protect its market.

The interceptions mainly affect small companies and farms in the settlements for which trade with the Palestinian enclaves accounts for a significant proportion of their business. On the other hand they have less impact on companies with a larger turnover for whom trade with the enclaves is secondary. In economic terms, the effects of the boycott are consequently sporadic. At political level protests by settlers running small farms have triggered angry reactions within the Netanyahu administration. But this mobilisation is linked more to the capacity for mobilisation and pressure from Israeli settlers than the impact of the boycott policy. To summarise, unless there is massive mobilisation by the Palestinian population as part of the boycott, it is unlikely to achieve its goal.

*Globalisation of the border economy*

Far from restricting itself to the Israeli and Palestinian territories, the traffic in everyday consumer goods is becoming part of international informal trade: from the mid 1990s onwards the increasing number of legal differentials between the Israeli and Palestinian territories and the superimposition of control systems promoted the
development of new informal trading that would go on to become international. We will focus on two types of trade: those in stolen cars and fake goods. In both cases the enclaves act as transit zones for the development of informal trade in Israel or between Israel and other countries. Trafficking therefore shows not only that new forms of complementarity are emerging between the Israeli and Palestinian markets but that the complementarities between these two spaces are also used by international smuggling networks. This process therefore marks a globalisation of the Israeli-Palestinian border economy.

When the Palestinian Authority’s zones of jurisdiction were defined, the enclaves became strategic zones for the development of car theft and the informal market in spare parts. Lorries and cars stolen in Israel were dispatched to the enclaves either to have a makeover and be sold to private individuals or to be broken up into spare parts. Vehicles were mainly sold in the heart of the Palestinian market while spare parts were intended for both the Palestinian and Israeli markets. Because the Israeli police refused to intervene in the enclaves, in the initial years of the peace process the enclaves could act as hiding places. In the Gaza Strip, Palestinians trafficking vehicles felt safe once they were over the “border” (Abu Moaleik, 2004). In the West Bank spare parts dealers began running massive open-air breakers yards. Between 1993 and 1997 the trafficking grew considerably: the number of vehicles stolen in Israel went from just under twenty-five thousand to over forty-five thousand a year¹³.

During the Second Intifada (2000-2005) the lockdowns and restrictions on movement imposed by the army between the Occupied Territories and Israel reduced the trafficking. From 2002, the invasion of the Palestinian enclaves enabled the Israeli police to confiscate directly in A and B zones of the West Bank over one thousand six hundred vehicles stolen in Israel (Shahar, 2003). The number of cars stolen each year fell to around twenty-five thousand in 2004 (Katz et al., 2006). The Israeli police have since continued to intervene regularly in the Palestinian enclaves. The operations are led by the Etkar unit. This unit, which specialises in the fight against car theft, was created in 1998 and dismantled in 2004 due to budget cuts. It was finally reinstated in 2005 when 40% of its budget was funded by Israeli insurance companies. It has since operated unilaterally.

without any coordination with the Palestinian Authority\textsuperscript{14}. Since 2007 car thieves have also had to deal with the Palestinian police who have also adopted a more uncompromising attitude (Ma’an News Agency, 2009).

Traffickers have continued operating despite increasingly difficult conditions. In terms of value, i.e. in proportion to the number of vehicles on the Israeli roads, action by the Israeli and Palestinian police has reduced the number of thefts to a level lower than that of 1994. According to Israeli police statistics, whereas in 1994, 19.4 vehicles in every thousand were stolen, in 2009 the figure was only 9.8. On the other hand in terms of volume the number of stolen vehicles remains higher than in 1994: less than twenty-five thousand compared with approximately thirty thousand in 2007\textsuperscript{15}.

It is particularly difficult to stop such trafficking, firstly due to the territorial and security situation. The overlapping zones of jurisdiction and the many crossings between them make it difficult to control vehicles, which also increases the number of crossing and circumvention points (Barthe, 2007). Secondly, this battle can only produce significant results provided the Israeli police reserves the unilateral right to intervene directly and frequently in the Palestinian enclaves, as it has done since the Second Intifada.

There is still considerable demand while the traffickers create complex networks involving Israeli and Palestinian collaboration. Certain networks are currently run by large Israeli families who subcontract to petty criminals from various countries\textsuperscript{16}. Most trafficking of stolen cars is nowadays structured by the demands of the Israeli market, which is the traffickers’ main outlet: it supplies the Israeli mechanics who provide their customers with spare parts. The cars are stolen in Israel by Israelis who leave them in specific places. They are then taken by an Israeli or Palestinian driver to a breakers yard in the West Bank where they are taken apart. The breakers yards are often located outside the range of the Palestinian police or are protected by corrupt police officers. Lastly, the parts are shipped in small quantities to Israeli garages that specialise in selling spares.

\textsuperscript{14} Interview with a police officer from the Etkar unit, Tel Aviv March 2009.
\textsuperscript{15} Statistics published on the official site of the Israeli police.
\textsuperscript{16} ibid.
More often than not they are carried in private vehicles through Israeli checkpoints along the Separation Wall. The system is so efficient that an Israeli mechanic in Tel Aviv can order a part in the morning and have it delivered via the West Bank the same evening.

The traffic is becoming international. Since about 2005, spare parts that were previously intended for the Israeli and Palestinian markets alone have been exported by some networks to neighbouring Arabic countries. In 2006 the Etkar unit intercepted a network of traffickers exporting spare parts to Jordan and then on to Iraq (Katz et al., 2006).

The West Bank has also become a transit zone for importing fake goods to Israel. These are mainly Chinese clothes imported into A zones and then forwarded to Israel. In 2009 Israeli traders often took advantage of weaknesses in the system of separation to import copies of various brands (Fila, Adidas, Nike, etc.) from China. To do this they used Palestinian intermediaries they asked for help: the intermediaries had to contact the Chinese factories that subcontract for the brands and order batches of sports shoes manufactured over and above the quotas determined by the brand. Because they came straight from the factory, the shoes could be purchased at a lower cost from the Israeli franchises. Once they left the factory, the batches were loaded into a container in the name of a Palestinian trader and forwarded to the Port of Ashdod and finally shipped to the West Bank. After the goods had gone through customs at Ashdod the traders were faced with two possibilities: the container was either sent to Hebron so that the fake shoes could then be sent to Tel Aviv, Jerusalem, Haifa or another Israeli city, or the container was unloaded on the way and shipped straight to one of these cities, the rest of the container being sent to Hebron. The fake shoes were intended for shops that were well established and were therefore sold alongside shoes that were legally imported.

Working with Palestinians minimised the risks taken by the Israeli sponsors. Palestinian goods could not be penalised because they were not subject to Israeli commercial legislation, and there were no Palestinian regulations governing fakes. If the Israeli customs found any illegal products, the only risk was that the goods would be destroyed. Since late 2009 and early 2010 however, Israeli customs have become more vigilant and stricter in resisting this type of trade: containers of clothes are opened much more frequently and inspected more carefully. In order to cope with the increased
surveillance traders have set up new strategies: they are importing increasing numbers of unlabelled products and labelling them in the Palestinian enclaves or Israel. This is particularly easy because since the 1990s many factories in the West Bank have specialised in producing fake labels (Nike, Caterpillar, Timberland, Adidas, Lacoste, Tommy Hilfiger, etc.).

Photo 2: Fake clothing labels, West Bank

The production of fake labels in the Palestinian enclaves has developed since the 1990s in a context that has seen a considerable drop in the demand for textiles in the local workshops. The fact that Asian markets are now open to Israel following the Oslo Accords (1994-2000)\(^{17}\) has enabled Israeli entrepreneurs to relocate their production, which previously took place in factories and workshops in the West Bank, to countries such as Jordan, Turkey and China (Bouillon, 2006). Israeli entrepreneurs were attracted by both the cheap labour and the fact that the goods could be shipped very easily between these markets and Israel. In the second half of the 1990s the implementation of the Israeli closure policy in the West Bank and Gaza Strip affected the movement of people and goods. To avoid closing down their workshops and factories, certain Palestinian entrepreneurs began producing labels in the A zones. The absence of Palestinian legislation on fake goods and the difficulty of access for the Israeli police offered total impunity. The production was mainly used by Palestinian traders who wanted to add value to the goods they sold in a market where the demand for international brands is constantly increasing. The rest was intended for the Israeli market.

The development in the traffic of fake products and labels between Israeli and Palestinian territories and countries like China shows how certain economic players have managed to grasp the opportunities presented by the system of separation to ensure their continued economic survival or to create more profits. In the West Bank they enable many of them to continue business in a context where Palestinian entrepreneurs are

\(^{17}\) Following the launch of the Oslo Accords the State of Israel has managed to develop economic and commercial relations with countries that previously refused to trade with it.
needed less and less to perform subcontracting work for the Israeli market. In Israel trafficking enables certain Israeli traders to increase their margins either to bear the cost of the competition or to make more profit. In a way, trafficking is part of a process proper to globalisation described as the “informalisation” of the formal sector. In other words, to cope with competition entrepreneurs include more and more informal trading in their formal business (Mercier, 2009). The development and structuring of the manufacturing and trading environments support the process by which the production systems and economies are informalised. These environments are concentrated in different areas of the territory and they develop their activities (manufacture, commerce, production of industrial parts, etc.) within production sites and/or market places that generate transnational systems for the movement of people, goods and capital.

**CONCLUSION**

In 2010 the policies the Palestinian Authority implemented to control the flow of goods and people remain very de-territorialised. This de-territorialisation is not synonymous with power: it does not refer to the capacity to break geographical boundaries, but to the Palestinian Authority’s inability to project control over its territory or stabilise it over time. This perspective makes it possible to better assess the limits of the redeployment of Palestinian forces since summer 2007, which have created the illusion that Mahmoud Abbas’ power and sovereignty have been restored within the enclaves of the West Bank. In actual fact the security measures maintained by Israel have not enabled such a process to come to fruition. As portrayed by the media, the redeployment of Palestinian forces in the West Bank has given a false view of the situation, thereby contributing indirectly to accentuating the blurring of the limits and position of players in the conflict.

The de-territorialisation of Palestinian control is in sharp contrast to that of Israeli control. Even though the Palestinians may be unable to forward plan in terms of space and time, the Israelis, on the other hand, maintain firm control over 60% of the West Bank, i.e. in the C zones that include the main highways and zones administered by the settlements. Furthermore, the Israeli army has displaced its long-term control beyond the boundaries defined during the Oslo Accords period because not only does it frequently
intervene in the A and B zones of the Palestinian enclaves, but also because it regulates
the movements of the Palestinian Authority in the A zones.

The imbalance between Israelis and Palestinians in the territorialisation of control
shows that the Israeli separation policy has produced a territorial regime that cannot be
understood using the categories of analysis proper to the political imagination of the
modern State. The separation does not result in the emergence of two separate territories
in which only the control of the State that claims prevails. On the contrary, it maintains a
single territory in which several players with unequal degrees of power, i.e. Israelis,
Palestinians, international players, smugglers, etc., act.

Depending on their identity and the zone in question, the movement of people or
goods is likely to be monitored and defined by the Israelis and/or the Palestinian
Authority. The way in which the regime actually operates appears even more complex if
the intervention of the other formal and informal players involved is taken into
consideration. In the previous chapter Yaacov Garb highlighted the various players
involved in the formal management of goods shipped between Israel and the West Bank.
In the present chapter we have emphasized the role of the “informal entrepreneurs” of the
separation. They should also be taken into consideration given that, by making it easier to
work around the physical and legal obstacles, they also participate in regulating the
crossings.

The power to regulate of these informal entrepreneurs in the informal market is
particularly significant as it directly affects the restructuring of relations between the
Israeli and Palestinian economies. These entrepreneurs play on the legal, commercial and
fiscal differentials between the territories and control systems and help create new forms
of complementarity between Israeli and Palestinian markets. As we have shown, they
help maintain the Palestinian market not only as a captive market but as a market in
which perished and defective goods are recycled. They also contribute to maintaining
trade between the Israeli settlements and Palestinian enclaves, which the Palestinian
Authority finds very difficult to combat. Lastly, they give the enclaves the status of transit
zones. This trafficking concerns more players as it does not only affect those involved in
the informal economy. In an increasingly globalised context, such types of trade are
becoming more and more strategic, both for large and small entrepreneurs, in Israel and the Palestinian enclaves alike.

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