

Address to the AHLC Brussels 21 March 2012

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Foreign Minister Gar Store, Chair of the AHLC

High Representative of the EU for Foreign Affairs Lady Catherine Ashton

Prime Minister Salaam Fayyad

Quartet Representative Prime Minister Tony Blair

Distinguished Delegates Members of the AHLC

On behalf of the Israeli delegation, let me thank the chair, Minister Gar Store, for calling this meeting and High Representative Lady Ashton for hosting this session. We are happy to be here today and to contribute to the constructive dialogue among donors, aiming at maintaining the foundations which were laid thus far of a viable and sustainable Palestinian socio-economic structure based on sound and workable institutions.

Israel is strongly committed to a two state solution and wishes to see the resumption of the bilateral talks without preconditions with the Palestinians which started in Amman in January as a follow up to the Quartet initiative of September last. Israel is willing to continue the talks on security and territory which initiated in January. A bilateral negotiated peace agreement towards the establishment of a Palestinian state living side by side in peace with its neighbours is the only feasible solution to the long conflict between us and the Palestinians and should be favoured over other solutions. The Government of Israel would like to thank King Abdullah, the King of Jordan, for the efforts made thus far in trying to revive the bilateral track, and regrets that the Palestinians have, once again, decided to renounce the negotiations while favouring an agreement with Hamas on a unity Government. We sincerely hope that the Palestinians

understand that it is in their interest to resume the talks, since eventually only the path of talks and negotiations will lead to progress in settling the conflict. Any solution must take into account Israel's needs of a very strong layer of security arrangements on the ground as threats increase in the region.

Though there was no progress in the political dialogue between us and the Palestinians in the last three years, viewing the strategic importance of securing a stable environment in the region and maintaining a continuous economic growth in the territories, the Government adopts a policy, both in the West Bank and in Gaza, which enables sustained economic and social growth. These measures, coupled with efforts by the PA, with the assistance of the U.S. and the EUPOLCOPPS, to enforce security reforms in the areas under PA control, resulted in impressive growth of the economy in the last two years. As the IMF reports, growth in the West Bank and Gaza in 2011 reached 9.5%, and in the first quarter of 2012, growth was 5.8% in the West Bank and 25.8% in Gaza.

Gaza is still controlled by Hamas which neither accepts the very existence of the State of Israel, nor the three conditions of the Quartet and which continue to wage a military campaign against Israel. Rockets are targeted against Israeli cities and towns almost every week. Over the last week, 300 grad missiles, rockets and mortar shells hit Beer Sheba, Ashkelon, Ashdod and the whole southern region of Israel. One million citizens were under threat of fire, paralyzed from their daily routines. In 2011 over 430 rockets, 75 grad missiles and 300 mortar shells pelleted down on Israeli territory. Would any of your Governments endure a security threat as such targeted at your civilians? Undoubtedly the reply is NO.

We wish to thank once again the Egyptian government for its assistance in securing a temporary calm.

Nonetheless, as a reminder to this distinguished forum, the Security Cabinet even under security threats as such, with the

aim of easing the humanitarian condition of the people in Gaza, still maintains in full the policy of opening the crossings for all commercial goods, apart from dual use goods, for exit of traders and those seeking medical treatment in Israel, allows for gradual implementation of tens of various projects, and facilitates exports from Gaza. The easing of the humanitarian regime has generated growth, and reduced the pressure on the labour market

Mr. Chairman,

The Middle East is still in turmoil. The last year has engraved the shape of a new Middle East. We face an era of the unknown and the unforeseen. We are concerned with possible repercussions of the events in the Arab World in particular in Syria on the region. We, as the donor forum, should therefore take measures to mutually work on maintaining the current economic and social situation in the territories intact. We should work together in trying to secure the success of PM FAYYAD in maintaining financial stability with well-functioning institutions and a well-functioning security apparatus. Security in the WB is crucial for political as well as economic stability. Efforts by all of us should be continued as mentioned above to revive the political track without which sustained economic stability will be hard to achieve.

We should continue assisting the PA in securing a continuous flow of assistance despite our wish to see the reduction on aid dependency of the PA in next few years.

Mr. Chairman,

The work of the donors in achieving growth and good governance capacities is of major importance. Israel continues to view the predictability of the transfer of aid by all donors,

including the Arab donors, as a crucial component in the continued growth and stability of the PA. The work of the Chair and of the Quartet Representative in securing funds and in monitoring that the funds do indeed support the work of capacity building remains an utmost value.

Our various authorities, governmental and private alike, will maintain the good dialogue with various trade organizations in the WB in support of growth of the private sector which is a crucial engine of stability and prosperity. These interactions resulted in a relatively good performance of the economy in the WB in 2011 when the world economy is still suffering from economic slowdown.

Our two respective ministries of finance held several rounds of discussions in the last few months on issues pertaining to customs duties and VAT returns. General understandings were reached.

Trade between Israel and the PA is vast and reached 3.5 billion dollars in 2011 while total PA trade in 2011 was 4.5 billion dollars. 73% of imports to the PA generate from Israel while 90% of the exports are to Israel. Dependence on Israel as the only market for trade has shifted throughout the years into growth of trade with the international markets such as Europe, the US and the Arab world. No doubt these are positive tendencies that should be supported further.

All commercial crossings in the WB underwent extensive investments this year, adding scanners and extension of working hours, all of which enabled a more efficient movement of goods and increased movements of cars and people. In 2011, 300 thousand trucks crossed through the WB crossings a 5% growth over 2010, while trade through Alenby Bridge grew by 39% in 2011 over 2010. We thank the Dutch Government for extending a major donation to the PA which will ameliorate extensively the flow of trade through Alenby Bridge in the future. By 2015, all trade between Israel and the WB will be completely channeled

through commercial crossings, scanners will be upgraded in all crossings, crossings will be fully equipped with modern technologies, meeting rooms for business meetings will be opened in all crossings and the "known trader" policy will be implemented wherever possible in order to ease on the Back to Back scheme. Measures as such will initiate an 8-12% increase of goods crossings yearly. Forecast for 2015, is 3 times more imported goods to the WB, from 600 trucks daily in 2010 to 1700 in 2015, and 1.5 more trucks for exports from 680 to 1000 respectively.

Regular meetings between customs officers and traders on both sides take place in order to facilitate the transfer of goods from Israeli ports to the WB. We will continue to have such meetings on regular basis so as to acquaint PA traders with procedures of exports and imports in Israeli ports.

A 12% increase of movement of people through WB crossings was registered in 2011 versus 2010 and a 32% increase in the number of cars crossings per day through Jalame crossing was registered in 2011 versus 2010.

Tax revenues transferred to the PA from Israel in 2011 increased by 6% over 2010 amounting to over 5 billion Shekels, an indication of the growing economic activity in the territories. Israel will continue the transfer of tax revenues on a monthly basis.

55 thousand work permits are issued in 2012 for Palestinian workers working in Israel as well as in Israeli facilities in the WB almost 10% additional permits than in 2011.

Last year, 3 roadblocks have been removed, with 11 normally opened crossings been left throughout the WB.

Tourism to the WB main cities has increased by 8% in 2011 reaching 120 thousand tourists from overseas visiting the main cities of the WB.

The agreement on the construction of 4 electricity sub stations which will supply electricity to the main cities in the WB has finally been signed after 3 years of negotiations. Israel Electric Company was chosen by the PA to act as the contractor with the EIB financing the project. The Government of Israel wishes to thank the European bank of Investment for making this project feasible.

58 infrastructure projects by the international community were approved in area C the last year. USAID, KFW, Red Cross projects of roads' construction, sanitation plants, agriculture facilities and others were approved by the civil administration. Other 61 projects of the Palestinians were approved in area C as well. All together there were 119 projects approved in area C last year with only 10% of the submitted plans being rejected. Total investment in these projects is estimated at the range of 300 million dollars. There are 44 requests for projects both of the international community and the PA that are being processed at the moment. Israel calls all donors, governments and NGOs alike, to approach the civil administration statutory authorities for approval of projects in area C, so as to comply with projected regional planning of area C. There are legal procedures that third parties are requested to abide even if certain governments and NGOs believe that procedures for permits' issuance are long. We would like to assure potential investors that the civil administration will do its outmost to shorten the process wherever possible.

Mr. Chairman,

Turning to Gaza, Gaza is controlled by Hamas, a terrorist organization recognized as such by the majority of the countries represented here today. Hamas continues to control Gaza and it and other terror organizations operating in Gaza pose a security

threat to Israel. Hamas refuses to accept the 3 conditions set out by the Quartet and is strengthening its hold both politically and militarily throughout the Gaza Strip.

Despite the fact that Gaza poses a major security threat to Israel and the region, two cabinet decisions of 2010 have changed the humanitarian and economic conditions in the Gaza Strip.

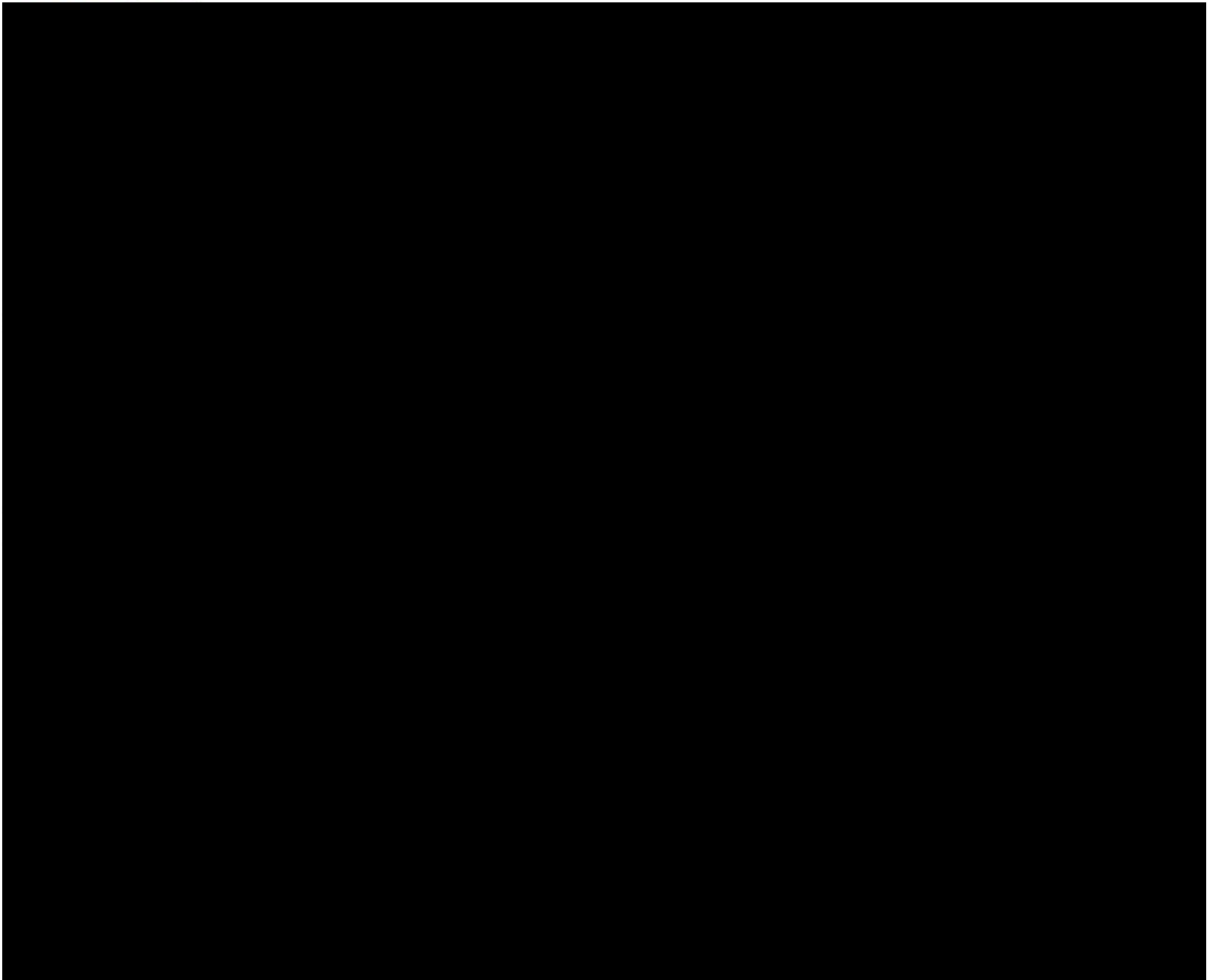
Gaza's economy has grown by 25% last year mainly due to extensive growth in construction. Unemployment rate has been reduced to its lowest level in the last decade with 28% unemployed. 176 projects of the international community were approved, with 40% of the projects not being implemented by the international community due to lack of funds, raw material for construction was allowed in for purchase by the private sector, exports of agricultural products as well as textiles to international markets is allowed and a first transfer of goods to the WB has been initiated two weeks ago.

Kerem Shalom crossing can cater for up to 400 trucks daily. Demand for goods to Gaza is much lower and amounts to no more than 220 average daily for both humanitarian goods as well as for commercial ones. The crossing will have a new scanner in May so as to allow more exports.

Power shortages in Gaza have been extensive due to the fact that the PA is not buying fuel for Gaza for more than a year now. Israel has continuously suggested utilizing Kerem Shalom as an entry point for fuel supplied by Israeli companies.

Water is in short in Gaza as well. Israel, through the intervention of the Norway and the U.S., agreed to supply immediately 3-5 million Cubic Meters of water to Gaza. Lack of agreement with the PA on the price of water unfortunately prevents the implementation of understandings reached. Israel has agreed to proceed with plans to install small desalination plants and one big desalination plant to be constructed and financed by the international community. No plans by the PA have been

properly presented to the Joint Water Committee for approval yet. We note with satisfaction the commitments made by the French Government in the water forum in Marseilles last week to donate 10 million Euros for the construction of the plant.



Mr. Chairman,

In conclusion, Israel wishes to see the immediate resumption without preconditions of the talks which started in Amman in January based on a two state solution as envisioned by Prime Minister Netanyahu. It is in Israel's interest to see a thriving Palestinian economy with effective workable governmental institutions and it hopes for the quick stabilization of the PA financial situation.

We wish to see this meeting of the AHLC as a further step in keeping the positive progress achieved thus far in both institutional building as well as economic infrastructure and that proper measures are adopted to ensure the financial stability of the PA. We greatly appreciate the indispensable contribution donors have made to the realization of this critical goal, but unfortunately much more financial assistance is needed still in the coming few months to maintain whatever has been achieved and to ensure the effective work of the PA.

Within the framework of realizing this goal, Israel will continue to contribute to the efforts of increasing capacity building, strengthening the private sector and laying of strong foundations for a viable economy.

In Gaza, should the security situation permits, the entry of humanitarian assistance and commercial goods will be secured, and the crossings will stay open for the entry of fuel, raw materials and building materials for the implementation of humanitarian projects, for medical supplies and passage of humanitarian teams and patients in need for medical assistance will be secured. However, the escalation of rockets' shelling on Israel will have to cease and we ask the international community to not only condemn harshly such acts of aggression against civilian population but to actively bring to a stop all illegal transfer of missiles and ammunition through the tunnels into Gaza.

Mr. Chairman,

As you know, since the beginning of the peace process, Israel has been deeply involved in efforts to improve the Palestinian economy, and has actively participated in all the meetings and discussions of this respected forum.

In recent weeks, we have gone a great lengths in order to form a package of economic measures, that includes:

- five thousand additional work permits
- approval of number of projects in Gaza
- understandings related to tax issues

Unfortunately, even as we speak, the PA is pushing for a provocative Israeli resolution in the HR Council in Geneva, in order to establish a Fact Finding Mission to deal with the issue of settlements.

The issue of settlements, as all other core issues, should be discussed in direct negotiations and resolved through a bilateral agreement.

It would be extremely helpful if in the time remaining in the current HR Council session, the Palestinians return to a practical approach and cease immediately the confrontational move they have launched in Geneva.

Thank you!