PALTRADE
مركــز التجــارة الفلسطينـــي ـ بال تريد
PALESTINE TRADE CENTER

Trade Agreements between, Vision, Implementation, and Impact

June | 2010

Financed by:

Norwegian Consultant Trust Fund

Under the supervision of:

The World Bank

(MNSED) Finance and Private Sector Unit

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Acronyms

EFTA	European Free Trade Association
ENP	European Neighborhood Policy
EU	European Union
GAFTA	Greater Arab Free Trade Area
IAA	Interim Association Agreement
JEC	Joint Economic Committee
MFN	Most Favored Nation
PLO	Palestine Liberation Organization
PNA	Palestinian National Authority
PP	Paris Protocol
WBGS	West Bank and Gaza Strip

Contents

1. Executive Summary

Since the inception of the Palestinian National Authority, Paris Protocol has been the only basis that regulates economic relation between Israel and the Palestinian National Authority. Although, it was designated for an interim period only (1994-1999), the Paris Protocol is still in force up to date. Oslo Agreement, in which Paris Protocol forms an integral part, gives the Palestinian Liberation Organization the right to negotiate and conclude agreements. Therefore, the Palestinian Liberation Organization for the benefit of the Palestinian National Authority signed several trade agreements in an attempt to improve and flourish the Palestinian fragmented economy. The ultimate objective was to reduce dependence on a sole market and create enabling and normal business environment. These aspirations have never been achieved due to the Israeli non-recognition of signed trade agreements by PLO. Further, the Israeli movement and access restrictions have negatively affected the Palestinian products' competitiveness as the production and transportation costs are at extreme levels. Finally, in order to explore the devastating results of the Israeli policy, this paper included a comparison between Palestinian and Jordanian exports to countries that both Palestine and Jordan have entered into trade agreements with. This comparison has shown a wide gap between Palestinian and Jordanian exports although the two economies were almost the same during the 1990's.

Finally, it is recommended, *inter alia*, that Palestinians should re-evaluate the PP and consider concluding a new economic agreement with Israel. Until the time and the political sphere allow for a new agreement, all actions should be taken to ensure the proper implementation of PP. Further, the international community must exert more pressure on Israel to facilitate the implementation of the Palestinian free trade agreements and lift all impediments of access and movement in order to make it possible for the Palestinian private sector to realize benefits from such agreements. Similarly, the EU must also exert pressure on Israel to respect the Euro-Med partnership in which Israel and the PLO are members and to recognize the EU-PLO Interim Association Agreement.

2. Background

Paris Protocol (PP) and its amendments is the only legal framework that governs Palestinian – Israeli economic and trade relations. The PP was concluded in April 1994. It is well known that the PP created a *quasi*-customs union between the two parties which was formulated on the following basic principles:

- Free movement of goods between the two markets (Palestinian and Israeli) without any type of tariff and non-tariff barriers;

- The adoption of a joint / unified tariff list while giving the Palestinian National Authority (PNA) the right to determine duties and standards requirements for a list of basic or strategic commodities known as lists A1, A2, and B (see annex 1)[1]; and

- The concept of revenue sharing, whereby Israeli customs (while still in control of external borders for the West Bank and the Gaza Strip "WBGS") would clear goods imported by Palestinian traders, on behalf of Palestinian customs (based on the customs envelope) and then transfers this money to the PNA on a monthly basis as stated in Article (VI) (5e) of PP. At certain times, this commitment has never been fulfilled by the Israeli side where transfers were held for a long time in an obvious violation of PP.

In the core of PP, the two parties view the economic domain as one of the cornerstones in their mutual relations with a view to enhance their interest in the achievement of a just, lasting and comprehensive peace. Both parties shall cooperate in this field in order to establish a sound economic base for these relations, which "will be governed in various economic spheres by the principles of mutual respect of each other's economic interests, reciprocity, equity and fairness"[2]. In addition it was intended that the PP shall lay out the groundwork "for strengthening the economic base of the Palestinian side and for exercising its right of economic decision making in accordance with its own development plan and priorities. The two parties recognize each other's economic ties with other

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[1] . These lists have been agreed upon by both parties in which quantities and types of goods will be approved according to Palestinian proved needs. List A1 and A2 can be imported from Arab and Islamic countries and List B can be imported from all over the world.

[2] . Preamble of Paris Protocol page 1.

markets and the need to create a better economic environment for their peoples and individuals”.[3]

Therefore, on the bilateral level, the economic agreement states the basic principles of free trade with Israel. On the other hand, and with regard to trade with third party, the PP regulates the relations between the WBGS and the rest of the world as follows:

- Palestinian products are not subject to any export restrictions;
- Trade to and from WBGS has full access to Israeli ports of entry and exit;
- Palestinian imports and exports are granted equal treatment at the Israeli ports of entry and exit;
- As for the import policy, the Israeli regulations on customs, purchase tax and standards apply to Palestinian imports with the exception of goods listed in A1, A2 and B. The PNA has the right to apply, within pre-defined quotas, its customs rates, purchase tax and other import charges on those imports. In addition, the PNA has autonomy on importing goods listed in A1 and A2 regardless the Israeli standards requirements;
- Israeli import policy prohibits trade with several countries, mainly those that do not maintain diplomatic relations with Israel, including a number of Arab states. The only exception for this rule is imports in list A1, A2 and B.
- Goods imported under List A1 must be produced locally in Jordan, Egypt or in other Arab countries.
- Goods imported under List A2 can be imported from Arab, Islamic or other countries.
- Goods imported under List B are not subject to quantitative restrictions, but are subject to Israeli standards.

Notwithstanding, the Palestinian Liberation Organization (PLO) has the freedom to negotiate and conclude trade agreements, for the benefit of the PNA, as long as the same import policy is applied in Israel and WBGS, Israel is contravening this basic principle “at will,” thus putting the whole agreements into question of further utility for the Palestinian side. It is imperative to note that the PP is no longer functioning as agreed, and is missing the spirit of mutuality that was built on when it was first signed. Finally, it should be taken into consideration that the PP was designed to serve the interim period only (1994 -1999).

[3] . Ibid page 1.

3. Signed Trade Agreements

Palestinian foreign trade with partners other than Israel has become prominent for the purpose of trade diversification and the reduction of Palestinian dependence on the Israeli market. This importance has led in the past to the signing of trade agreements with several trade partners. Strategically, PNA prioritized signing agreements with countries that have free trade agreements with Israel. The underlying policy for this step was to grant Palestinian exports preferential treatment. On the other hand, imports from these countries enters Palestinian market duty free based on their trade agreements with Israel which automatically enters the Palestinian market under the *quasi* customs union between Palestine and Israel. Further, as a result of the PP and in particular the articles related to lists A1, A2, and B, the PLO signed preferential trade agreements with both Jordan and Egypt in order to strengthen and flourish the Palestinian economy by exercising rights granted under the PP. The signed agreements by PLO include the Interim Association Agreements with the EU, EFTA, Turkey, and free trade arrangements with the US and Canada.

3.1 Interim Association Agreement on Trade and Cooperation between the EU and the PLO (IAA).[4]

The Interim Association Agreement (IAA) was signed on February 17, 1997 between the PLO and the European Commission. This agreement came as an outcome of the Barcelona Process, which was launched by Euro-Mediterranean of Foreign Ministers in November 1995. This Process formed an innovative alliance based on the principles of joint ownership, dialogue and cooperation. The Barcelona Process develops the regional/multilateral dimension of the Partnership between Europe and the Southern Mediterranean. The European Neighborhood Policy (ENP)5 aims to complement and reinforce the Barcelona Process on a bilateral basis, through action plans agreed with the partner countries. Therefore, the ENP provides an opportunity for the PNA to start the process of state building. This would entail needed infrastructure, institutions and human resources development, and the utilization of EU technical and financial support. This relation is not only limited to plain cooperation, but also involves economic integration and deepening the political cooperation. In sum, the economic integration and political cooperation forms an ENP action plan for Palestine.

[4] . http://www.paltrade.org/en/about-palestine/agreements/EU.pdf
[5] . http://ec.europa.eu/world/enp/index_en.htm.

On February 7, 2007, the French President Nicolas Sarkozy proposed the idea of "*The Barcelona Process: Union for the Mediterranean*" and it was launched in Paris on July 13, 2008. The idea involves a multilateral partnership that includes all EU Member States and the European Commission, other members and observers of the Barcelona Process (Mauritania, Morocco, Algeria, Tunisia, Libya, Egypt, Jordan, Palestinian Authority, Israel, Lebanon, Syria, Turkey and Albania), and also four new members which are Mediterranean coastal states (Croatia, Bosnia and Herzegovina, Montenegro and Monaco). This new initiative is expected to inject new impetus into the Barcelona Process in at least three important ways: (a) by upgrading the political level of the EU's relationship with its Mediterranean partners; (b) by providing more co-ownership; and (c) by making these relations more concrete and visible through additional regional and sub-regional projects. The new initiative will be based on both equality between all member countries and building consensus. The new initiative constitutes a continuation of the Barcelona Process and will adhere to its goals and objectives. Furthermore, the new initiative intends to change some of the ways and means to reach these goals.

The IAA on Trade & Cooperation grants reciprocal duty free treatment on industrial products that comply with the rules of origin. For instance, the European Union grants duty free or reduced tariff treatment on the agricultural items exported to the EU within quotas. The same applies to agricultural imports from the EU to the WBGS. The certificate of origin, which grants duty free access, is called EUR. 1.

3.2 Interim Agreement between the EFTA States and the PLO.[6]

This agreement was signed between the EFTA States (Liechtenstein, Norway, Iceland and Switzerland) and the PLO for the benefit of the PNA on November 30, 1998 and entered into force on July 1, 1999. The Agreement provides for duty free treatment to Palestinian and EFTA industrial products. Moreover, duty free is granted to some Palestinian and EFTA processed agricultural products, while the majority of processed agricultural products are granted at a reduced tariff. A duty free treatment is also granted to fish and other marine products. The PLO also signed separate protocols with the four EFTA countries to identify the agricultural duty free products, as EFTA countries do not share a common agricultural policy.

3.3 Interim Free Trade Agreement with Turkey.[7]

This agreement was signed between Turkey and the PLO in 2004. The Scope of agreement includes the following:

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[6] http://www.paltrade.org/en/about-palestine/agreements/EFTA.pdf.

[7] . http://www.paltrade.org/en/about-palestine/agreements/Turkey%20and%20PA.pdf.

- Enhancing and strengthening economic cooperation as well as raising the standard of living for the two parties;
- Gradual elimination of all restrictions on commodities, including the agricultural products;
- Encouraging the development of sustainable economic relations between the two parties by expanding mutual trade;
- Providing for fair competition in trade between both parties;
- Elimination of trade restrictions;
- Creation of conditions that will encourage investment, particularly regarding joint investments in both countries; and
- Strengthening trade and cooperation between the two parties, when entering third party markets.

3.4 Greater Arab Free Trade Area.[8]

The Greater Arab Free Trade Area (GAFTA) was signed in 2002. It is a multilateral agreement (currently, 18Arab countries joined the agreement) that aims to reach full liberalization of trade within a ten-year-period. Methods include "gradual reduction" on taxes and customs duties of similar effect by 10% per annum, as well as elimination of all customs barriers and other non-tariff barriers that restrict the flow of goods between the Arab States. In this agreement, Palestine is treated as the least developed country, and began to apply the reductions of tariffs since 2005 by 16% for a period of five years, and 20% in the last year. Recently, the Palestinian Customs started to refund the value of customs duties paid by Palestinian importers for goods subject to customs exemption under this agreement, as a requirement of the membership of Palestine in the GAFTA.

3.5 Arrangement of Free Trade WBGS and the USA.[9]

This Arrangement is considered an extension of the free trade agreement signed Between USA and Israel in 1985, which allows for the entry of products of both parties into their respective markets exempted from duties. This arrangement, signed in 1996, theoretically opened the door for the Palestinian exporter to penetrate a larger market. The US-Israeli agreement provides for entrance of goods of both parties to their respective markets exempted from tariffs, which facilitate the entrance of Palestinian products to the US market.

8 . http://www.paltrade.org/en/about-palestine/agreements/Gafta2.pdf.
9 . http://www.paltrade.org/en/about-palestine/agreements/USA.pdf.

3.6 Free Trade Arrangement between the PLO and Canada.[10]

This Arrangement is considered an extension of the free trade agreement signed Between Canada and Israel, which allows for the entry of products of both parties into their respective markets exempted from duties. This arrangement, signed in 1999, theoretically opened the door for the Palestinian exporter to penetrate a larger market. The arrangement states that Canada will support a program of economic development in Palestine. It also focuses on reciprocity in liberalization of markets for products of both sides taking into consideration that the PNA needs to protect its newly established industries. Elimination of tariffs on industrial products while tariff on agricultural products and processed food were reduced or abolished pursuant to a Quota system.

It should be noted that the ultimate goals of signing these agreements were to develop, and diversify the Palestinian economy, and achieve enabling and normal business environment. These goals were never achieved due to Israeli restriction policy on movement and access. This policy prevented the creation of a normal and competitive business environment. Therefore, the impact of these agreements has been minimal and never fulfilled the basic needs of the Palestinian economy.

[10] . http://www.paltrade.org/en/about-palestine/agreements/Canada.pdf.

4. The Impact of Trade Agreements and Arrangements on the Palestinian Economy

Unfortunately, all Signed agreements between PLO and other partners, could not achieve its main objectives and purposes to diversify trade, reduce Palestinian dependence on the Israeli market, and create a better economic environment for Palestinians "as stated in PP". After nearly 15 years of signing these agreements, the level of trade did not increase, and in some cases it has even declined. The dependency on the Israeli economy is still the main problem for the Palestinian economy. In sum, these agreements have no or very limited impact.

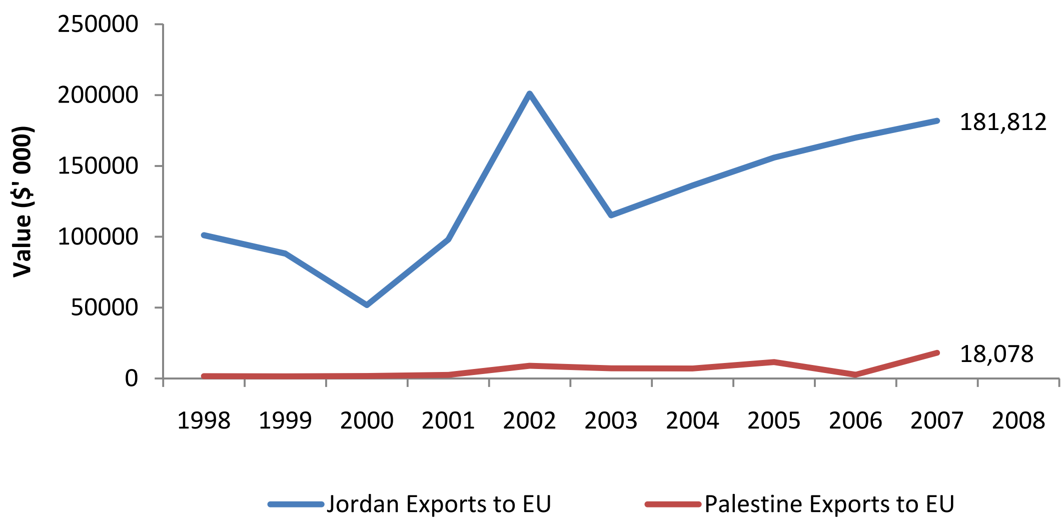
Estimations vary as to the size of trade between Palestine and Israel prior to the establishment of the PNA and after the implementation of the Oslo agreement and the PP. What is agreed upon, however, is the fact that the Palestinian economy is almost completely dependent on the Israeli economy. This is a direct result of the continuous non-implementation of the PP and the continuous Israeli control of Palestinian borders, crossing points, and outlets for Palestinian trade. This utter dependence has resulted in severe distortions to the Palestinian economy both structurally and functionally.

Most Palestinian foreign trade is routed through Israeli ports and airports. Internal Palestinian trade, within the West Bank, and between the West Bank and the Gaza Strip goes through roads and passages controlled by Israel. Palestinian exports to Israel represent around 70% – 80% of total Palestinian exports. Despite Palestinian dependence on the Israeli market, Israel has managed to reduce its dependence on Palestinian imports to around 1% of its total imports, while it reached in recent years up to 8% of total imports.

In order to further explore the impact of signed trade agreements on the Palestinian economy, a comparison between Palestinian and Jordanian exports, with countries that both Palestine and Jordan have signed trade agreements with, would clearly illustrate such impact. The reason for comparing data between Palestine and Jordan is the similarities between the two economies in terms of size and production base during the 1990's. On the other hand, this comparison will show the benefits that both sides have gained from these signed trade agreements.

4.1 Interim Association Agreement.

The IAA is considered one of the most important agreements to the Palestinian economy, because it allowed Palestinian exports to penetrate 27 markets in the European Union, and benefit from exemption of customs duties. The IAA, however, had minimal impact on the Palestinian economy. Palestinian exports to EU markets did not exceed 0.72% of the total exports in 2006 (around USD 2.6 million) and increased to around USD 18 million in 2007. In 2006, the imports from the EU countries were 8.2% in 2006 (USD 225.6 million) and increased to USD 246.3 million in 2007. Palestinian exports to the large EU market started increasing from nearly USD 1 million in 1998 "one year after IAA entered into force" to reach only USD 18 million "the highest recorded figure in the year 2007". On the other hand, Jordan signed the agreement with the EU in 1997 and entered into force in 2002. Jordanian exports to the EU in 2007 were ten times more than the Palestinian exports (181 million).[11]



4.2 Interim Agreement with EFTA States.

Although the agreement provided for great prospects to the Palestinian economy, such opportunities have not been taken advantage of. In particular, statistics show that from the date of signing this agreement until 2001, no Palestinian exports were recorded to the EFTA States. Between 2002 and 2007, Palestinian exports did not exceed $274,000 in 2006, and declined in 2007 to become only $116,000, which represents 0.02% of total exports.[12]

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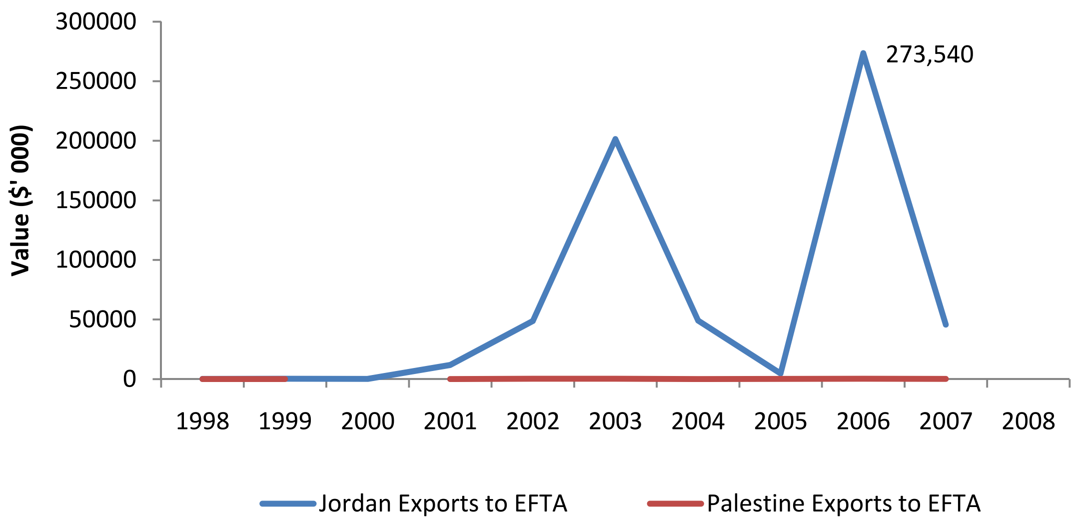
[11] . http://www.trademap.org/, and http://www.pcbs.gov.ps/Portals/_pcbs/ForeignTrade/0f6afda5-9d1e-49f0-ac81-4d0ef6c6d06a.htm.

[12] . Ibid.

On the other hand, Jordan signed the agreement with EFTA in June of 2001, and the agreement entered into force in September 2002. Jordanian exports to EFTA countries jumped from USD 124,000 in 2000, to USD 201 million and USD 273 million in 2003 and 2006 respectively.[13]

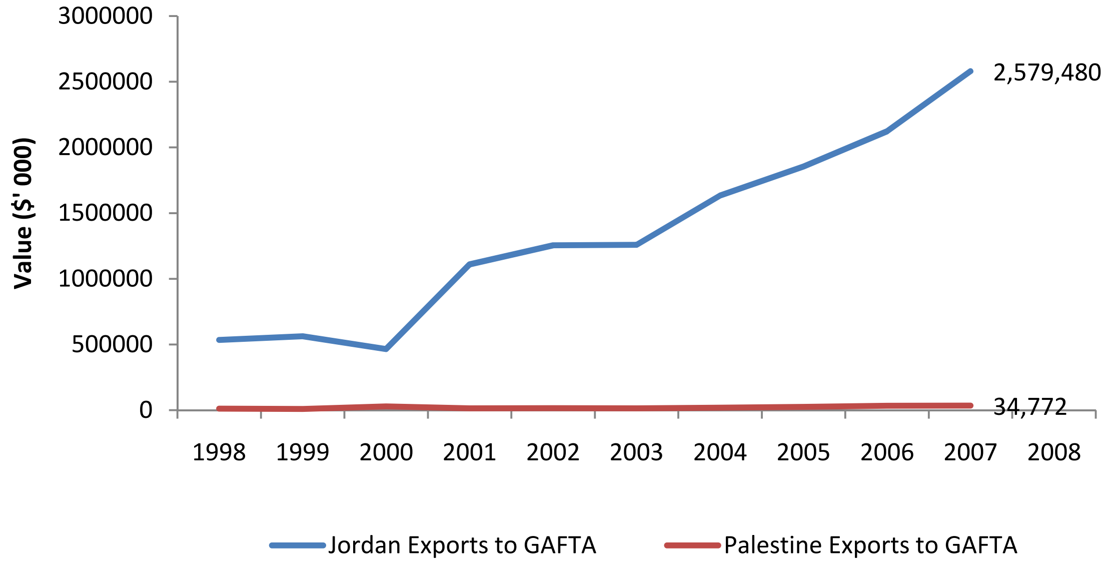


4.3 Impact of GAFTA on Palestinian Economy.

Generally speaking, the Palestinian economy did not benefit from this agreement due to the fact that the PP binds the PNA to adopt the same import policy of Israel. While Palestine enjoys zero tariffs for both exports and imports, imports under GAFTA are subject to duties due to the fact that Israel is not a signatory to this agreement. Although exports do not encounter the same obstacles as imports, the Israeli movement and access restrictions have negatively affected the competitiveness of Palestinian products in the GAFTA markets due to the high production and transportation costs. In addition, PP restricts imports from Arab countries to those who maintain diplomatic relations with Israel. However, the Israeli policy in this regard in not clear. For instance, imports from Syria and Lebanon are banned but, imports from Saudi Arabia are granted entry although no diplomatic relation is existent between the two parties. All these factors reduced the potential and prospects of trade with most Arab countries. Specifically, statistics show that in 2007, the exports to all Arab countries were only 6.7% (USD 34 million) of total Palestinian exports and the imports from Arab countries did not exceed 2.5% in 2006 and 2007. It should be noted, however, that the vast majority of these exports were with Jordan and Egypt.

[13] . http://www.trademap.org/, and http://www.pcbs.gov.ps/DesktopDefault.aspx?tabID=3354&lang=ar-JO.

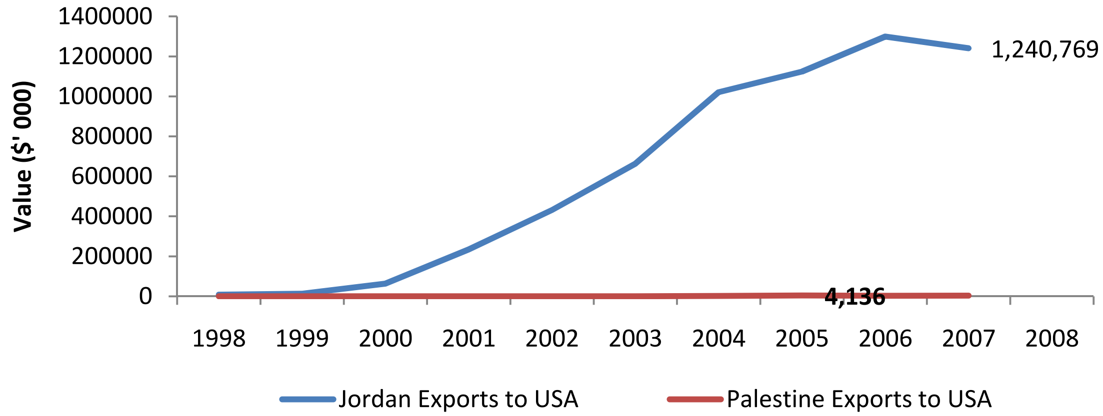
While Palestinian exports to GAFTA countries jumped from USD 11 million in 1998 to USD 25 million in 2005 and USD 34 million in 2007, the Jordanian exports to GAFTA countries were far beyond these figures. Exports jumped from USD 543 million in 1998 to USD 1.8 billion in 2005 and USD 2.5 billion in 2007.



4.4 Impact of the Arrangement with the US on Palestinian Economy.

Direct exports to the US in 2007 reached USD 3.4 million, marking an increase of 40% compared to 2006. Despite the prolonged time since the signing of this arrangement with one of the largest and most important markets in the world, the volume of exports remained within these limited rates. Even though the Palestinian agreement was signed several years before the agreement between the US and Jordan entered into force "Decembers 2001", Palestinian exports didn't exceed USD 5 million since it was entered into force in 1996. On the other hand, Jordanian exports raise from USD 63 million in 2000 "the year Jordan and US signed the agreement" to reach nearly USD 1.2 billion in 2007.[14]

[14] . http://www.trademap.org/, and http://www.pcbs.gov.ps/DesktopDefault.aspx?tabID=3354&lang=ar-JO.



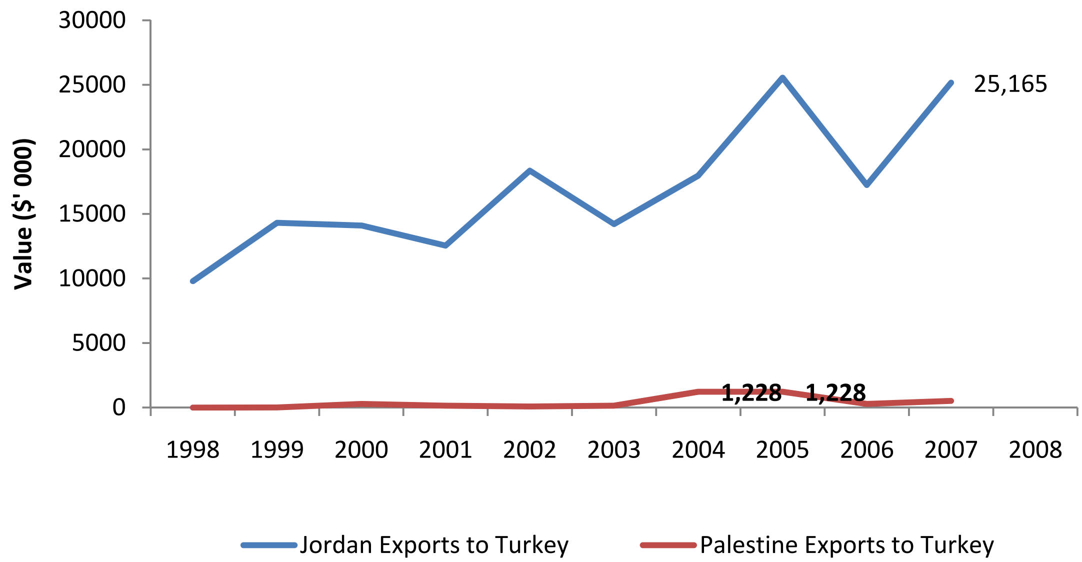
Finally, the Impact of the Arrangement with Canada and the agreement with Turkey on the Palestinian economy is almost null. The following figures compare Palestinian and Jordanian trade with both Canada and Turkey.

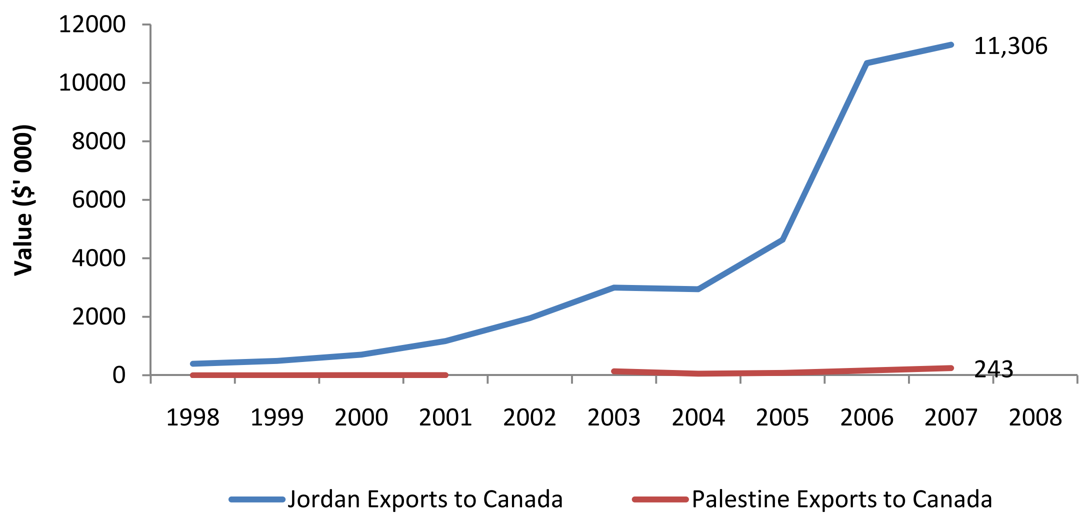
Jordanian and Palestinian Exports to Turkey and Canada[15]

(Value US$ Thousands)

Year / Country	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Jordan/Turkey	9785	14306	14,099	12,540	18,354	14,213	17,966	25,558	17,237	25,165
Palestine/Turkey	0	7	285	148	82	139	1,228	1,228	275	512
Jordan/Canada	391	491	705	1,168	1,954	2,998	2,944	4,632	10,676	11,306
Palestine/Canada	0	0	1	4		134	51	82	164	243

[15] . Ibid.


30000
25000
20000
15000
10000
5000
0
Value ($' 000)
25,165
1,228
1,228
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
Jordan Exports to Turkey
Palestine Exports to Turkey


12000
10000
8000
6000
4000
2000
0
Value ($' 000)
11,306
243
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
Jordan Exports to Canada
Palestine Exports to Canada

5. Impediments

Since signing PP, Israel adopted a continuous non implementation policy of this vital agreement. Under the current situation, Israel is contravening the basic principles of PP intentionally. Thus, the objective and utilization of PP becomes questionable by the Palestinian side. It is imperative to note that the PP is no longer functioning as agreed, and is missing the spirit of mutuality on which it was first envisaged.

Since these agreements entered into force, Israel has deliberately adopted a systematic policy of:

- Preventing the Palestinian economy from development and growth, and keeping the Palestinian economy primarily dependent upon Israeli economy;
- Separating West Bank from Gaza and considering them as two separate entities in addition to the non-implementation of the safe passage as well as the blockade on Gaza since 2007. This is an obvious violation of the Oslo Agreement which considers WBGS as one geographical and economic unit; and
- Freezing the Joint Economic Committee (JEC).

As a result of the aforementioned policies, the most important impediments arose were the Israeli non-recognition of signed trade agreements by PLO and a set of movement and access restrictions that led to an un-preceded high transaction costs. This automatically reduced the Palestinian competitiveness severely.

5.1 Non-recognition of Trade Agreements.

Israeli non-recognition of signed trade agreements by PLO and the movement and access restrictions are considered the most serious obstacles to trade diversification. PNA considers trade diversification a fundamental strategic approach to achieve sustainable economic development. Therefore, PLO for the benefit of the PNA signed several trade agreements in order to diversify trade and reduce dependence on a sole market. Thus, this impediment is clearly blocking an essential tool of the PNA. The impact of this impediment is obvious in the obstacles faced by European exporters in the course of trading with their Palestinian counterparts as follows:[16]

I. ***The Euro 1 Form, Boxes 2, 3 and 5(see annex 2):*** Euro 1 Form is the designated certificate of origin form for both IAA and EFTA. Box 2 provides the information for the customs authorities on both sides on which preferential trade agreement is applied with respect to both preferential treatment and the applicable rules of origin. In case European exporter refer to the IAA in box 2 (in effect by indicating trade as “between EU and West Bank and Gaza”), the Israeli customs authorities do not take

[16] . Obstacles to the implementation of the EC – PA IAA – Non Paper.

the IAA into consideration, therefore EU exporters and Palestinian importers cannot benefit from the preferential trade provisions under the agreement.

Box 3 indicates the address of the shipment and Box 5 indicates country, group of countries or territory of the destination. According to a survey and company interviews realized by European Commission with Palestinian companies in the West Bank having a record of trading with the EU, interviewed Palestinian importers all confirmed that referencing to “WEST BANK” or “PALESTINE” without “ISRAEL” as the final destination is problematic. None of the importers recalled that any shipments with “PALESTINE” or “WEST BANK” without “ISRAEL” indications have been cleared without problems. All interviewees indicated that after the problem occurred and in order to avoid new ones, they urged their EU business partners to indicate “ISRAEL” on all future shipments. The fact of having European exporters writing, for instance, Jericho “ISRAEL” on the EUR 1 form is neither in line with the EU official position nor with international law.

II. *Economic additional costs:*

When EUR1 related problems arise, additional costs are incurred by the importing party. There are three types of additional costs:

a. Additional storage and/or demurrage costs due to the process of re-issuing the EUR1 by EU customs authorities: These costs are the most commonly cited by affected importers as the additional costs due to non-accepted EUR1 forms. They differ on a case by case basis. Varying between EUR 300 and EUR 1000 (between 1% and 5% of the value of the goods concerned). Normally, there is 4-5 day minimum clearance delay between the moment the Israeli customs authorities refuse to grant access under the IAA and the moment documents are sent back to EU customs authorities for corrections (and then forwarded to the Israeli customs broker). If and when corrections are made, customs clearance is carried out under the preferential AA with Israel. In some cases, EU customs authorities do not process the changes and the good can only be imported under the Most Favored Nation (MFN) tariffs.

b. Additional *advalorem* taxes through payment of MFN tariffs: Israeli customs release shipments with non-accepted EUR1 references by considering them as falling under their MFN regime for the customs envelope instead as under the IAA. The tariff incurred by the importing party (tariffs ranging between 7% and 12% *advalorem* implying costs up to EUR 4000) will therefore depend on the type of goods imported and could exceed the rate applicable under the IAA. The above mentioned survey indicates that companies accept to pay these tariffs when a new EUR1 cannot be issued due to the pressure for the timely release of the goods in question.

c. Coordination and communications costs: Palestinian importers, whether with one-time or frequent EUR1 difficulties, continuously make efforts to inform current and new suppliers abroad of the particularities of exporting to the WBGS and the specifics of the paper work involved.

III. Trade diversion:

The additional costs and uncertainty created by the lack of implementation of the IAA by the Israeli customs authorities have caused some damages to EU companies trading with WBGS since they have lost customers who preferred, in such circumstances, to shift their demand to alternative sources where they did not face these kind of difficulties.

5.2 Impediments of Movement of Goods and the High Transaction Cost.

Impediments of movement of goods and people include the following:

a. Complete blockade of the Gaza Strip;
b. Internal Closures in the West Bank;
c. The Separation Wall;
d. Non-Implementation of the safe passage between the West Bank and the Gaza Strip;
e. Israeli control of border crossings and the implementation of internal commercial crossings between the West Bank and Israel in contravention of the PP;
f. Movement restrictions on Palestinians in the Jordan Valley area of the West Bank;
g. Impediments on the movement of trade and business community in Jerusalem; and
h. Impediments on obtaining visas for foreign investors.

5.3 Non-Tariff Barriers include:

a. Israeli non-recognition of Palestinian Certification of Standards and Sanitary and Phytosanitary compliance;
b. Non-recognition of Kosher certification;
c. Prolonged periods of testing standards compliance;
d. Impediments on customs clearance, tax offsetting, and discrimination against Palestinian Trade; and
e. The pledge[17]: commitment not to sell Palestinian imports in Israel.

[17] . In a severe violation to the spirit of PP, Israeli Minister of Trade (Sheransky) took a decision in 1998 forcing all Palestinian importers to sign a pledge committing themselves not to sell any quantity of their imports in the Israeli market.

6. Recommendations

In order to address the serious problems and impediments resulted from the Israeli policies and measures against any possibility to benefit and utilize all preferential trade agreements, different recommendations are essential. These recommendations are divided into three levels: (a) bilateral level; (b) international level; and (c) trade facilitation level as follows:

6.1 Bilateral level.

1. Re-evaluating the PP and concluding a new economic agreement with Israel. Until the time and the political sphere allow for a new agreement, all actions should be taken to ensure the proper implementation of PP;
2. Creating binding mechanisms with the Israeli side to guarantee the free movement and access of goods and people; and
3. Evaluating the imported quantities of goods under lists A1, A2 of the PP and expanding these lists quantitatively and qualitatively.

6.2 International Level.

1. Joint efforts with the involvement of the international partners to influence Israel to recognize, accept, and facilitate the implementation of the signed trade agreements with those partners;
2. The international community should put more pressure on the Israeli government to lift blockade on Gaza and all impediments against normal business and investment environment which is the cornerstone to start the process of economic recovery;
3. The Euro-Med partnership initiative including the Union for the Mediterranean should consider the importance for Palestine to benefit and utilize such partnership in all programs and projects under this initiative and assure that Israel will stop their policies, measures, and impediments against the benefits of the Palestinian partner;
4. The international community must exert more pressure on Israel to respect the Euro-Mid partnership in which Israel and the PLO are members; and
5. The international community must exert more pressure on Israel to facilitate the implementation of the Palestinian free trade agreements and lift all impediments of access and movement in order to make it possible for the Palestinian private sector to realize benefits from such agreements. Similarly, the EU must also exert pressure on Israel to respect the Euro-Med partnership in which Israel and the PLO are members and to recognize the EU-PLO Interim Association Agreement.

6.3 Trade Facilitation Level.

1. Providing the necessary support to Palestinian private sector institutions to implement all the necessary technical programs in order to qualify the Palestinian exporters to benefit from the trade agreements;
2. The international community role to reopen Rafah Crossing for people and trade in both directions;
3. Working both with the Israeli and Jordanian sides to rehabilitate and reopen Damia Bridge for trade in both directions, and to follow the same procedures put in place between Israel and Jordan at the Sheikh Hussein Bridge;
4. Supporting the use of trade alternative routes through Jordanian and Egyptian ports and airports for exports and imports; and
5. Establishing a logistics and consolidation center including packing and packaging at or near the borders in order to facilitate the utilization of alternative trade routes, as well as, reducing the cost of transactions for both exports and imports from Jordan and Egypt.

Annex 1

List A1

(According to Article III, para 2.a. (1))

TARIFF ITEM	DESCRIPTION	QUANTITIES (Tons)	
		Annual	3 Months
17.01	Cane or beet sugar and chemically pure sucrose, in solid form	25,000	6,300
9/1100	Cane sugar		
7/1100	Beet sugar		
1/9100	Other, containing added flavoring or coloring matter		
5/9990	Other		
10.06	Rice	20,000	5,000
5/1000	Rice in the husk (paddy or rough)		
4/2000	Husked (brown) rice		
3/3000	Semi-milled or wholly milled rice, whether or not polished or glazed		
2/4000	Broken rice		
07.13	Dried leguminous vegetables, shelled, whether or not skinned or split	2,000	500
3000	Beans (Vigna spp., Phseolus spp.		
3/3100	Beans of the species Vigna mungo (L) Hepper or Vigna radata (L.) Wilczek		
1/3200	Small red (Adzuki) beans (Phaseolus or Vigna anularis)		
9/3300	Kidney beans, including white pea beans (Phaseolus vulgaris)		
6/3900	Other		

4/4000	Lentils		
07.13.5000/3	Broad beans and horse beans	4,500	1,100
52.01/9	Cotton, not carded or combed	(a)	(a)
10.05.9000	Maize (corn)	1,200	300
Ex 04.06.9000/0	Dried yogurt	500	125
01.04.1000/9	Live sheep	(b) 5,000 hds	3,000 hds
25.05.1000/5	Silica sands and quartz sands	(a)	(a)
10.02/5	Rye	(a)	(a)
10.03/3	Barley	36,000	9,000
76.01	Unwrought aluminum	)	
1000/7	Aluminum not alloyed	)	
2000/6	Aluminum alloys	)	
76.02/6	Aluminum waste and scrap	) 4,000	1,000
76.03	Aluminum powders and flakes	)	
1000/3	Powders of non-lamellae structure	)	
2000/2	Powders of lamellae structure; flakes	)	
18.01/0	Cocoa beans, whole or broken, raw or roasted	(a)	(a)
25.23	Cement (c)	150,000	50,000
JE 1090/9	Cement clinker, not white		
JE 2900	Portland cement, not white		
	Bars and rods of iron or non-alloy steel: (c)	24,000	8,000
JE 72.13.1000/1	Containing indentations, ribs, groves or		

	other deformations produced during the rolling process		
JE 31.03	Mineral or chemical fertilizers, phosphatic	))	
1000/8	Super phosphates	)	
2000/7	Basic slag	)	
9000/0	Other	)	
JE 31.04	Mineral or chemical fertilizers, potassic	))	
1000/6	Carnallite, sylvite and other crude natural potassium salts	)) (c) 6,000	2,000
2000/5	Potassium chioride	)	
3000	Potassium suphate	)	
9010		)	

Items marked JE may be imported only form Jordan and Egypt

List A2

(According to Article 111, para 2.a. (2))

TARIFF ITEM	**DESCRIPTION**	**QUANTITIES (Tons)**	
		Annual	**3Months**
17.01	Cane or beet sugar and chemically pure sucrose, in solid form	25,000	6,300
9/1100	Cane sugar		
7/1100	Beet sugar		
1/9100	Other, containing added flavoring or		

	coloring matter		
5/9990	Other		
10.06	Rice	20,000	5,000
5/1000	Rice in the husk (paddy or rough)		
4/2000	Husked (brown) rice		
3/3000	Semi-milled or wholly milled rice, whether or not polished or glazed		
2/4000	Broken rice		
07.13	Dried leguminous vegetables, shelled, whether or not skinned or split	2,000	500
3000	Beans (Vigna spp., Phseolus spp.		
3/3100	Beans of the species Vigna mungo (L) Hepper or Vigna radata (L.) Wilczek		
1/3200	Small red (Adzuki) beans (Phaseolus or Vigna anularis)		
9/3300	Kidney beans, including white pea beans (Phaseolus vulgaris)		
6/3900	Other		
4/4000	Lentils		
07.13.5000/3	Broad beans and horse beans	4,500	1,100
52.01/9	Cotton, not carded or combed	(a)	(a)
10.01	Wheat and meslin	(c)	(c)
11.01/5	Wheat and meslin flour	(c)	(c)
10.05.9000	Maize (corn)	1,200	300
Ex 04.06.9000/0	Dried yogurt	500	125
01.04.1000/9	Live sheep	(b) 5,000 hds	3,000 hds
25.05.1000/5	Silica sands and quartz sands	(a)	(a)
10.02/5	Rye	(a)	(a)

10.03/3	Barley	36,000	9,000
09.01.1000	Coffee not roasted	2,200	550
1120/4	Not decaffeinated, not ground		
2/1220	Decaffeinated not ground		
09.02	Tea, in packages exceeding 3 kg.	400	100
5/2000			
4000/3			
18.01/0	Cocoa beans, whole or broken, raw or roasted	(a)	(a)
15.13.2000	Palm kernel oil or babassu oil babassu oil and their fractions	5,600	1,500
5/2110	Crude edible oil		
7/2911	Hardened or solidified edible oil		
5/2921	Other edible oil		
02.01	Meat of bovine animals, fresh or chilled	))5,000	1,500
02.02	Meat of bovine animals, frozen	)	
12.07.4000/6	Sesame seeds	2,000	1,000

1. Quantity will be approved according to Palestinian proved needs.
2. To be discussed by the Joint Sub-Committee.
3. To be raised with the United States and subsequently discussed by the Joint Sub-Committee

List B

1. Equipment for building and sand work
2. Equipment for textile industry
3. Commercial refrigerator
4. Farm machinery
5. Electrical equipment
6. Equipment for the stone industry

7. Conveyance equipment
8. Pharmaceutical products
9. Other equipment

Annex 2

MOVEMENT CERTIFICATE

1. Exporter (Name, full address, country)

EUR. 1 No A P. 03603

See notes overleaf before completing this form

2. Certificate used in preferential trade between

WEST BANK and GAZA STRIP

and

(insert appropriate countries, groups of countries or territories)

3. Consignee (Name, full address, country) (Optional)

4. Country, group of countries or territory, in which the products are considered as originating — West Bank

5. Country, group of countries or territory of destination

6. Transport details (Optional)

7. Remarks

8. Item number; marks and numbers | Number and kind of packages(1); description of goods

9. Gross weight (kg) or other measure (litres, cu.m, etc.)

10. Invoices (Optional)

(1) If goods are not packed, indicate number of articles or state "in bulk" as appropriate.

11. CUSTOMS ENDORSEMENT

Declaration certified.

Export document (2):

Form .... No. ....

Customs office: ....

Issuing country or territory: ....

....

....

Date ....

Stamp

....

(Signature)

(2) Complete only where the regulations of the exporting country or territory require.

12. DECLARATION BY THE EXPORTER

I, the undersigned, declare that the goods described above meet the conditions required for the issue of this certificate.

Place and date: ....

....

(Signature)