

Trade Obstacles Facing Palestinian traders with the EURO1 document

Prepared by Manal Sa'ad



Funded by the European Union

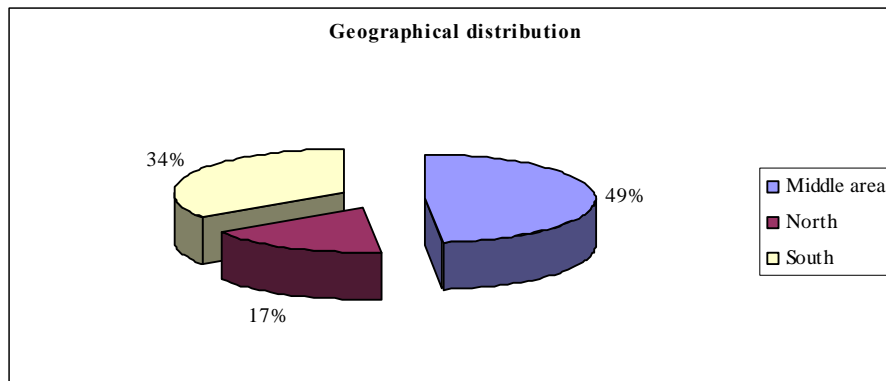
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Introduction:

The difficult nature of political relations between the Israeli and the Palestinian authorities makes it hard for the Palestinian importers and exporters to achieve economic interdependency. Although the procedures and regulations governing the economic relations between the Palestinian territories with Israeli and with the rest of the world are regulated by Paris Protocol concluded in April 1994, yet the failure to implement the Paris Agreement in its main aspects has contributed significantly to economic hardship in the West Bank and Gaza. As a consequent to such failure, the Palestinian shippers encounter some difficulties when conducting trade with the EC. A survey has been prepared by the European Commission Technical Assistance Office to the West Bank and the Gaza Strip in cooperation with the Palestinian Shippers' Council. The objective of the survey is to gain more clarity with respect to specific obstacles to trade between the EU and the PA. The survey was distributed among businesses based in the West Bank only who are trading with countries in the European Union, whether through imports or exports, and whether through direct trade or indirect trade coming through third countries (a similar survey will address Gaza-based companies at a later date).

The survey was distributed on August 2008 among members of the Palestinian Shippers' Council; responses were received from 29 members in which they were geographically distributed throughout the West Bank; see graph 1.



Graph 1

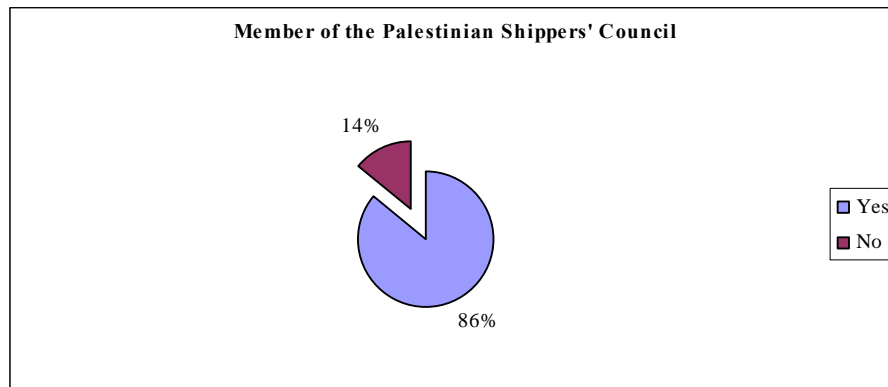
The EUR.1 is the name for a form, which is used in international commodity traffic. The application of this form is based on application of various bi- and multilateral agreements within the Pan-European preference system (the European Union Association Agreement). In the free trade agreements goods are defined, which apply to cheaper rates of duty or to be completely duty-free introduced, on the condition that they were completely manufactured in a member country or in such were so far worked on that they become on an equal footing in accordance with the agreements of

the origin of the products. In order to profit from the preferential rate during a customs clearance, a EUR.1 movement certificate, in short EUR.1, must be handed over to the competent authority (usually a customs administration), in which the manufacturer certifies the origin of the goods¹.

Type of products traded with the EU

The main exports from the EU include ceramics & glass. While, there's a wide range of imported products including: household products, water & sanitation networks, water meters, food products, electronic calculators, raw materials, Pharmaceutical materials, baby's milk, ceramics raw materials, telecoms & computers, materials & machines to formulate gold, cleaning tools, rice, chemical products, boilers & radiators, paper & stationary, empty bottles, spices, mineral oils, paints, paints tools, photocopiers cleaning tools, consumer products, candies, medical cosmetics, cars & trucks.

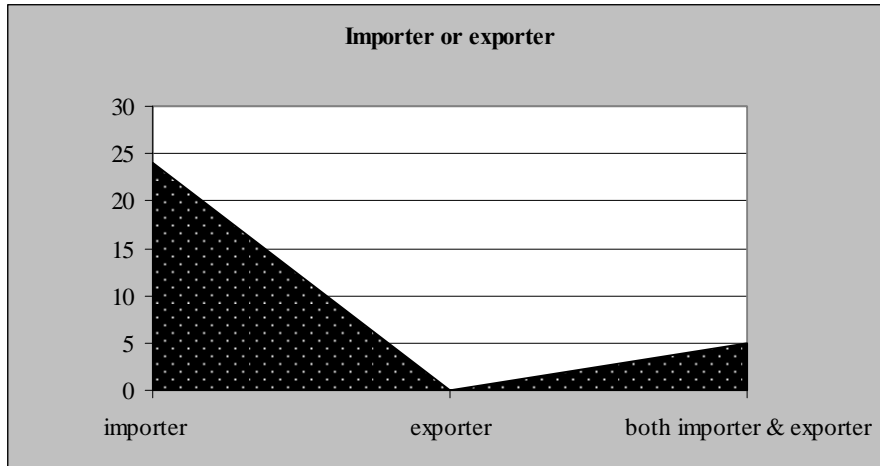
As shown in the below graph, 86% of the respondents are full registered PSC's members.



Graph 2

¹ http://en.wikipedia.org/wiki/EUR.1_movement_certificate

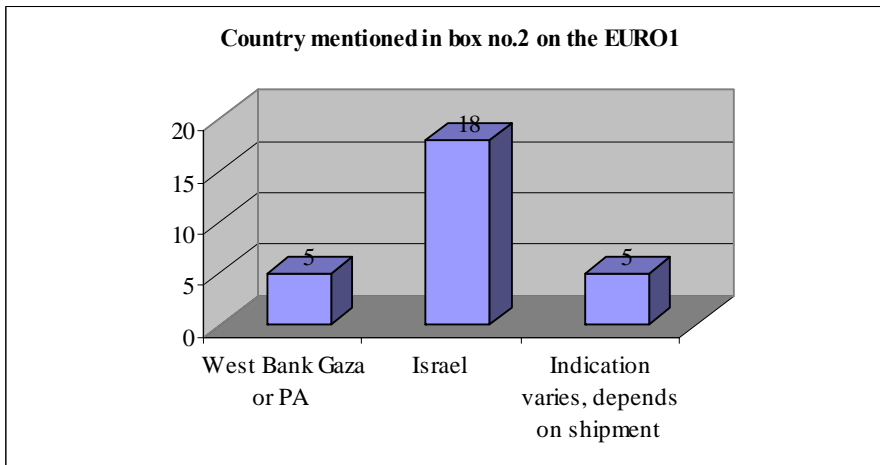
83% of the respondents are importers, while the rest of around 17% are both importers & exporters at the same time. However, none of the respondents are only exporters.



Graph 3

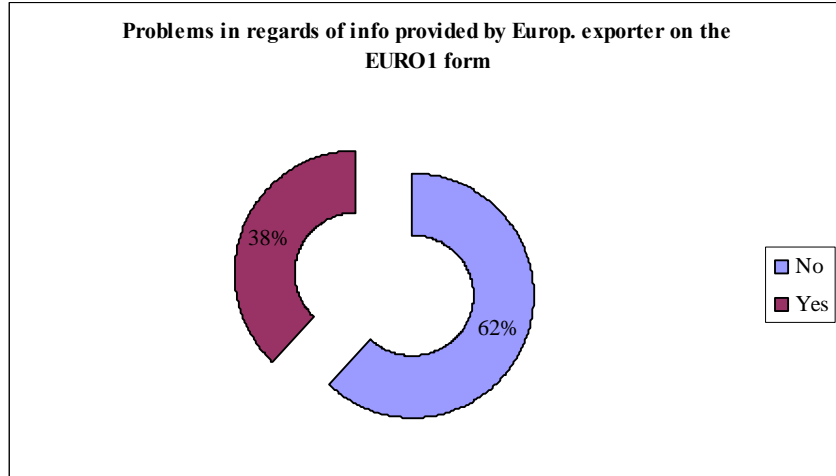
Imports from the European Union:

18 respondents (64%) indicated that the country mentioned in box nr. 2 on the Import documentation (EUR 1 form) is Israel; while 18% include the West Bank & Gaza and another 18% include different destinations depending on the shipment, see graph 4.



Graph 4

38% of the respondents indicated that they experience problems with regard to the information provided by the European exporter on the EUR 1 form, see graph 5.



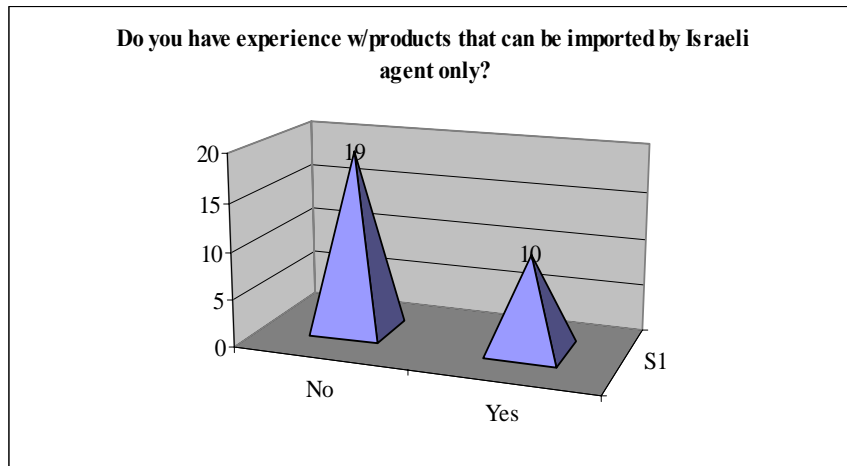
Graph 5

The difficulties that the respondents indicated can be summarized as follows:

1. Delays at ports & airport.
2. Tests conducted by the Israeli Standard Institute "Taken tests", e.g.: empty bottles.
3. Direct & Indirect costs.
4. Delays of receiving the shipments.
5. If the Euro1 reads WB or PA, the Israeli authorities won't endorse it.
6. Problems occur when products are manufactured by European & non European countries.
7. The Euro1 in some cases read wrong quantities, weight, dates compared to B/L & invoices.
8. Overestimating the cost of products & extra customs fees are paid.

34% of respondents indicated that they face obstacles to obtain an import license from Israeli authorities to import (part of) their products from the EU. These problems are encountered with the Israeli Standard Institute, Israeli Ministry of Health and the double procedures at both the Israeli & Palestinian side. In addition, the issuance of the import license takes a long period of time and each shipment is tested in spite of having an import license. Other problems are encountered by vehicle importers as the homologation of Vehicles types; the Palestinian trader has to import the exact specifications determined by the Israeli importer. Detailed specifications are sent to the Palestinian importer of each car he intends to import; the importer cannot make any changes in the modules or spare parts.

38% of the respondents have experience with regard to products from the EU of which importation directly into the PA is not allowed by the Israeli authorities, but of which importation of the same product imported directly from Israel is allowed. Examples of these products include: telecommunication equipments, pesticides & chemical fertilizers, Agricultural products and buses' spare parts, see graph 6.



Graph 6

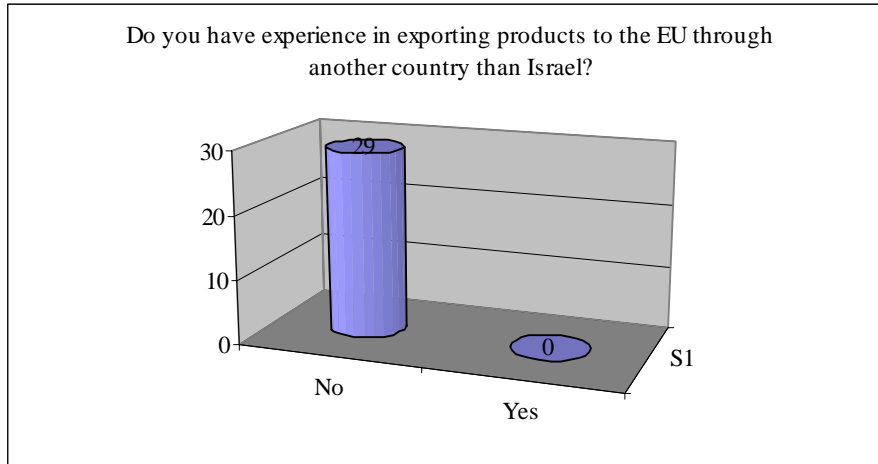
45% of the respondents have experience with regard to specific obstacles posed by procedures concerning the verification of standards (Israeli or Palestinian Standards Institutes). Problems include:

1. High cost & time due to the Israeli taken tests.
2. Each shipment is tested although there's a valid import license.
3. Labels requirements on the manufactured products.
4. Standards are changed for each shipment of the same product.
5. Difficult demands by the Israeli side.
6. Spare parts & cars are so numerous, yet each has to be tested at the Israeli standard institute
7. Strict procedures.

24% of the respondents only have experience in importing products originating in the EU through another country than Israel (e.g. Jordan). Respondents indicated that they use Jordan as a transit; however, they have to pay customs of 7% due to not endorsing the non-manipulation certificate.

Almost only 3% of respondents indicated that they need a specific export license from Israeli authorities for any of the products that they export to the EU.

While none of the respondents have experience in exporting products to the EU through another country than Israel (e.g. Jordan), see graph 7.



Graph 7

Concerning the present situation regarding movement and access, the main obstacles traders face in exporting to or importing from the EU are reflected in the following table.

Israeli Standard Institute - Taken tests
Tightened security checks
long clearance procedures
Difficulty in movement
Damaged goods
Increase in Time & Cost
Transportation costs between ports & WB had doubled due to the existence of borders
The delays & long procedures at the Israeli Ministry of Health -around 20 days
Goods are transported through certain borders only which are geographically long distanced from the company
Priority for the Israeli importer
The inability to reach ports
Israeli borders
Allenby bridge: no scanner
Jewish holidays cause delays in the clearance process

Table 1

24% of the respondents indicated that there are some other obstacles including discrimination between the Palestinian & Israeli importers, high costs of clearance and shipping. Some products are being confiscated without stating any clear reasons (only security concerns).