

# Establishing a Palestinian Bonded for Automotive Vehicles & Spare Parts Imports



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## Establishing a Palestinian Bonded for Automotive Vehicles & Spare Parts Imports

### Country Profile:

Palestine is located on the East coast of the Mediterranean Sea, West of Jordan and to the south of Lebanon<sup>1</sup>. According to the Palestinian Central Bureau of Statistics (PCBoS), in 2007, the total population in the West Bank & Gaza is 3,761,646. Palestine is rich with history and hospitality, mixed with a unique blend of languages, cultures and beliefs. It is the home to the most significant religious monuments in the world<sup>2</sup> and is marked with its active trading regime. Since 1967, Palestinians in the West Bank, east Jerusalem and Gaza have lived under Israeli occupation. The conflict remains as intense and intractable as ever. Despite the relatively limited economic policy options accorded by Israeli-Palestinian accords since 1994 and the lack of political stability, the PA succeeded in establishing a functioning government with a national mandate that was able to create much of the needed institutional and regulatory framework for stimulating economic growth in the Palestinian territory.



Figure 1

<sup>1</sup> [http://www.pipa.gov.ps/import\\_laws.asp](http://www.pipa.gov.ps/import_laws.asp)

<sup>2</sup> [http://www.pipa.gov.ps/import\\_laws.asp](http://www.pipa.gov.ps/import_laws.asp)

## Auto Transport Regime in Palestine

### 1. Special requirements for Automotive Transport imports:

New cars require a one year import license, stating the quantity for each model of car to be imported within the one year period of validity. If the importer wants to import additional quantities, a new license must be obtained regardless of the expiry status of the former license. In order to obtain the license, the importer must present an application to the Ministry of Economy and Trade<sup>3</sup>, with the total amount of cars to be imported listed by model. The Ministry then forwards the application to the Palestinian Ministry of Transportation to be in turn forwarded to the Israeli Authorities. The Israeli Ministry of Transportation should give an authorization by stamping the application and return it to the Ministry of Economy and Trade within 40 days. This authorization is free of charge and has to be renewed each year. The approval by the Israeli Ministry of Transportation is necessary in order to certify that imported cars comply with Israeli standards that are, in the case of motor vehicles, also European standards. The Israeli Standard Institute can in such a manner certify the quality of the cars.

Palestinian importers are forced to store their automotive transports at Israeli warehouse facilities called "Bonded areas". These are warehouses under the control of customs authorities. Goods are placed in the bonded areas, before going through clearing procedures. Customs duties are not paid unless goods are taken out of the bonded area.

### 2. Statistics:

Despite the Israeli restrictive measures, the land-locked status and the market access conditions, yet still the Palestinian shippers and traders have recorded an enormous performance by year 2005 (most updated statistics as published by the PCBS). The total value of imported automotive vehicles is equal to 130,726.45 million USD (excluding values under 60.00).

Description	Value <sup>4</sup>
Saloon and station wagon cars.	71,128.74
Pick-ups vehicles.	23,999.96
Motor vehicles for the transport of goods.	9,882.13
Vehicles equipped with freezers and chilling cabinets.	81.31
Motor vehicles for the transport of goods n.e.s.	20,904.69
Crane lorries	869.38
Tankers vehicles.	63.03
Mobile drilling derricks.	187.93
Concrete-mixer lorries.	826.52

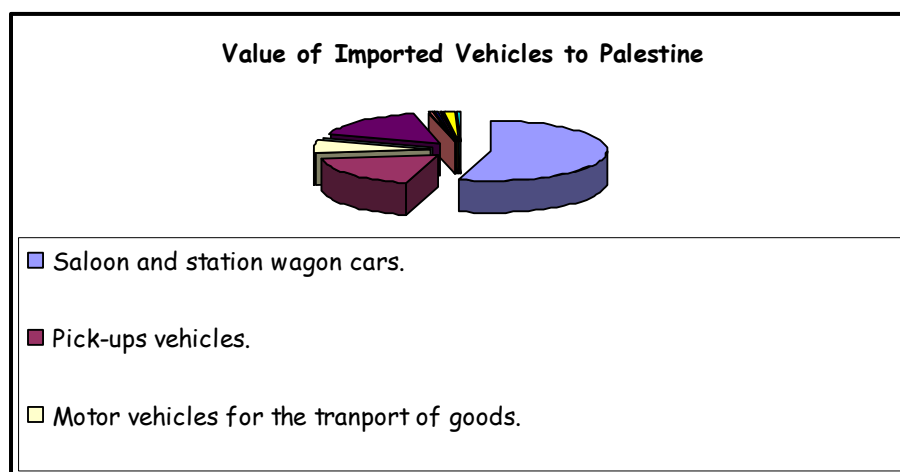
<sup>3</sup> [http://www.pipa.gov.ps/import\\_laws.asp](http://www.pipa.gov.ps/import_laws.asp)

<sup>4</sup> Value in 1000 US, Source PCBS, 2005.

Snow sweeping vehicles.	328.55
Buses with compression-ignition internal combustion engine (diesel or semi-diesel).	1,852.44
Road tractors.	601.77
<b>Total</b>	<b>130,726.45</b>

**Table 1**

As apparent by "Figure 2", the most frequent vehicles which are imported to Palestine are the saloon and station wagon cars, as they account to 55% of the Palestinian market share; followed by the pick ups vehicles accounting to around %18 and the motor vehicles for the transport of goods of around 16%.



**Figure 2**

The following table identifies the volume of imported spare parts<sup>5</sup>.

SITC-3 Code	Description	Value
78421	Bodies (including cabs) for all vehicles.	104.64
78431	Bumpers and parts thereof.	60.96
78432	Other parts and accessories of bodies (including cabs).	400.84
78433	Brakes and servo-brakes and parts thereof.	708.16
78434	Gear boxes.	234.58
78439	Other parts and accessories.	58,037.87
78629	Other trailers and semi-trailers for the transport of goods.	320.73
72241	Pedestrian-controlled tractors (agricultural tractors).	545.6
72249	Parts of headings 722.	555.24
72321	Front-end shovel-loaders.	816.79
72322	Mechanical shovels excavators and shovelloaders with a 360	1,623.05

<sup>5</sup> Source PCBS, 2005.

	degree revolving superstructure.	
72329	Other self-propelled mechanical shovel excavators and shovel-loaders.	592.51
72333	Tamping machines and roadrollers.	290.53
72337	Other boring or sinking machinery.	350.43
72347	Other moving grading leveling scraping excavating compacting or extracting machinery for earth minerals or ores not self-propelled.	267.92
72348	Machinery for public works building or the like n.e.s.	126.71
72393	Parts for boring or sinking machinery of heading 723.37 - 723.44.	338.92
72399	Other parts for the machinery of group 723 and of subgroup 744.3 (excluding 723.37 723.44 723 48).	1,685.39
<b>Total</b>		<b>67,060.87</b>

Table 2

### 3. Examples of Types of vehicles imported to Palestine:

- Hyundai.
- Mercedes Benz.
- Pegout.
- Daewoo
- Audi.
- VW.

### 4. Problems encountered by Palestinian importers:

Palestinian importers encounter daily problems at Israeli storage facilities areas, referred to as bonded. As reported by members of the Palestinian Shippers' Council "PSC"; this is a summary of the problems encountered by the Palestinian importers at the Israeli Bonded:

- They don't have an easy access to check their vehicles at the Israeli bonded.
- They pay extra charges for inland transportation to their warehouses.
- If any damages are incurred to vehicles at bonded, it cannot be fixed unless customs and vat are paid.
- Some spare parts are stolen from the vehicles.
- Other dealers are allowed to change the wheels of the cars and radios.
- IF the Palestinian importer needs to bring out the car from the bonded to be placed in an automotive exhibition, he needs to pay a bank guarantee of the full VAT and customs duties.
- The Israeli Ministry of Transportation checks each and every car imported by the Palestinian importer; while they check a couple of cars imported by the Israeli agent. Moreover, **This is done once a week by one person.**
- The bonded does not admit of any damages or theft occurring at the bonded; thereby, most often, the Palestinian importer is not compensated by the insurance companies.

**Other technical problems:**

1. 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, (see annex 1).
2. The Palestinian importer cannot send a representative to follow up the unloading of shipments and the clearance process; thereby, he will not have any clue about the status of the vehicles.
3. Long and unpredictable process of obtaining certain import licenses through the various IL authorities.
4. Long queues of security check.

**5. Infrastructure:**

In order to promote the Palestinian's economic growth; we need to boost trading which is the dynamic engine dominating the features of today worldwide aspects<sup>6</sup>. There's a need to increase the volume of import of vehicles through the Palestinian importers in order to contribute to economic revival efforts to set the Palestinian economy on the path of sustained growth and recovery. In addition, there's is a need to decrease the dependence on the neighboring country for the indirect imports of vehicles through the Israeli agents in order to contribute in building a future vision for a future Palestinian independent state. However, two problems need to be addressed and which cannot be discussed here due to the limited scope of this paper:

- a. The Israel's intentional and systematic actions to halting the development of the Palestinian economic sectors. Most of the Palestinian imports are imported indirectly from Israeli merchants for several reasons, at the top which is the evasion of Israeli obstacles, thus leaking of collected revenues from duties. In addition, there are severe restrictions in getting products in to the Palestinian market.
- b. The readiness of the Palestinian infrastructure; the following schedules provide us with an insight of the road network length in Palestine and the number of licensed vehicles for year 2006. The capability of the Palestinian infrastructure should be carefully studied in order to determine the accurate percentage of licensed vehicles that can use the current roads.

Road Network Length in the Palestinian Territory by Type, 2006						
	Paved Roads					
	Grand Total	Bypass	Total	Local	Regional	Main
<b>Palestinian Territory</b>	<b>5146.9</b>	<b>764.4</b>	<b>4382.5</b>	<b>3410.1</b>	<b>437.8</b>	<b>534.6</b>

<sup>6</sup> Trade Security, PSC Report, 2007

West Bank	4,516.40	764.4	3,752.00	2,899.10	380	472.9
Gaza Strip	630.5	-	630.5	511	57.8	61.7

Table 3<sup>7</sup>

Licensed Road Vehicles in West Bank by Type of Vehicle, 2006	
Type	quantity
Other Vehicles	195
Trucks and Commercial Cars	12013
Road Tractors	92
Agricultural Tractors	523
Trailers and Semi-Trailers	32
Public Buses	651
Private Buses	299
Motorcycles and Moped	29
Taxis	7342
Private Cars	36323
<b>Total</b>	<b>57499</b>

Table 4<sup>8</sup>

Licensed Road Vehicles in Gaza Strip by Area, 2006	
Area	Total
Northern Area <sup>1</sup>	44,461
Southern Area <sup>2</sup>	14,686
<b>Gaza Strip</b>	<b>59,147</b>
1. Northern Area includes both Gaza, and Gaza North governorates	
2. Southern Area includes Deir Al-Balah, Khan Yunis, and Rafah governorates	

Table 5<sup>9</sup>

New Registered Road Vehicles in West Bank Type of Vehicle, 2006	
Types	Quantity
Other Vehicles	47
Trucks and Commercial Cars	767

<sup>7</sup> Palestinian Water Authority, 2006

<sup>8</sup> Ministry of Transport, 2006

<sup>9</sup> Ministry of Transport, 2006

Road Tractors	13
Agricultural Tractors	16
Trailers and Semi - Trailors	5
Public Buses	64
Private Buses	9
Motorcycles and Moped	30
Taxis	736
Private Cars	2757
<b>Total</b>	<b>4444</b>

Table 6<sup>10</sup>

New Registered Road Vehicles in Gaza Strip by Type of Vehicle, 2006	
Types	Quantity
Other Vehicles	12
Trucks and Commercial Cars	510
Road Tractors	5
Agricultural Tractors	10
Trailers and Semi - Trailors	0
Buses	7
Motorcycles and Moped	0
Taxis	25
Private Cars	1216
<b>Total</b>	<b>1785</b>

Table 7<sup>11</sup>

## 6. Jordanian Market:

The Jordanian vehicle market is sensitive to price and after-sale-service particularly spare parts and repair services<sup>12</sup>. The precedent is applicable to the Palestinian market; given the similarity of the geographic and demographic characteristics of the Jordanian and Palestinian territories, there's a big potentiality for the Palestinian market to expand and develop as the Jordanian market. The following graph provide with an indication of the market share among the four industrial countries (Japanese, Korean, European and America cars). Unfortunately, one of the impediments encountered by the Palestinian importers is that they cannot import Japanese cars; as it appears in the graph, the largest market share prevailing in Jordan is the Japanese cars.

<sup>10</sup> Ministry of Transport, 2006

<sup>11</sup> Ministry of Transport, 2006

<sup>12</sup> <http://www.buyusa.gov/easternmed/automarketbrief.html>

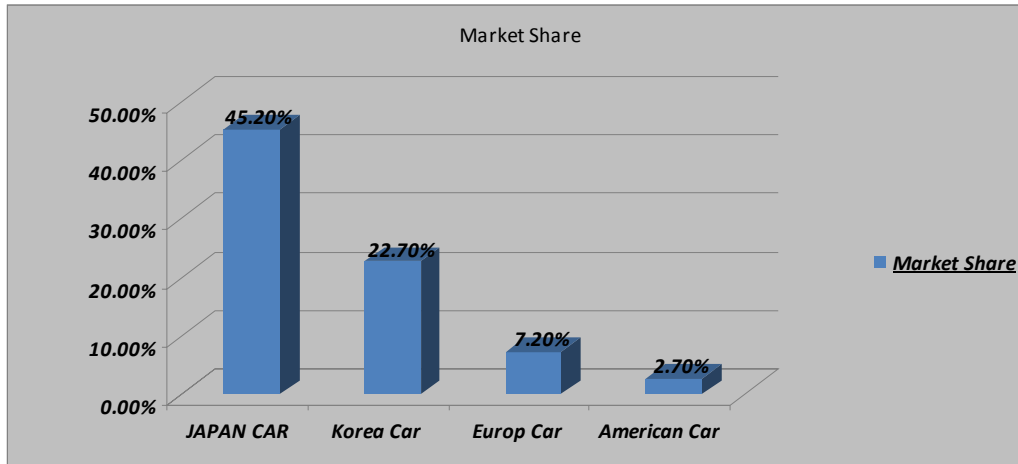


Figure 3

#### 7. Reasons to have a Palestinian Bonded:

The Israelis have tied the Palestinian economy along with the Israeli economy for the interest of the latter and the control of the natural resources, and thereby the Palestinian foreign trade is captive to the Israeli economic policies. There's a need to have a Palestinian Bonded for the following reasons:

- a. To contribute in the emergence of an independent Palestinian State by enabling the Palestinian Authority having all needed powers and responsibilities to manage the mechanisms of the Palestinian foreign trade.
- b. To have an easy access of nearby bonded by the Palestinian importers.
- c. To avoid high storage rates imposed by the Israeli bonded.
- d. To encourage traders to increase their volume of imports.
- e. To avoid extra transportation costs between cities.
- f. To decrease the price for the end consumer.

#### 8. Conclusion & Recommendations:

The Palestinian foreign trade had been repetitively hampered throughout the past years by the Israeli occupation. The fragmentation of Palestinian land combined with the policy of closure has eroded the economic viability of the Palestinian private sector<sup>13</sup>. The commercial borders' system has become steadily more sophisticated and has increasingly channeled Palestinian traffic onto smaller, limited roads for the passage of cargo and residents.

The development of the Palestinian economy throughout decades of the Israeli occupation provides a striking proof that the Palestinians can effectively manage their own bonded given that the Palestinian vehicles are properly licensed by the concerned authorities. In this context, the PSC is actively engaged in addressing trade & logistics

<sup>13</sup> Borders' Enforcement Against Palestinian Traders, PSC Report, 2008

related problems reported by its members, such as securing additional free storage days for Palestinian goods at the Israeli ports of Ashdod and Haifa and reducing storage costs at the Israeli Bonded. Thus, PSC recommends the following:

- Having a special bonded for un-cleared commodities (customs not paid yet) for the Palestinian Importers in the Palestinian Territories which save lot of storage charges on the Palestinian Importers.
- Better facilitation of the process of paperwork amongst the PA - Israel ministries.
- Import license should be issued in accordance with the Palestinian Law which is in compliance with Palestine - Israel agreements.
- Import license should be issued only through PA Ministries.
- Implementation of Paris protocol - The Palestinian shippers are to enjoy equal access to trade related facilities used by their Israeli counterparts.
- Permits and permission to Palestinian importers to have access to ports and storage areas similar to their Israeli Counterparts.
- Non discriminative approach towards all Palestinian imported products.

Annex 1: Details received from the Israeli Transportation Ministry

03-MAR-2008 23:24 From: To: DE 2976287 P.1-1  
30-MAR-2007 16:30 DE : A : 0036/22 2403491 P.1-1

**מדינת ישראל**

משרד התחבורה  
לשכת סטנכ"ל בכיר לתנועה  
אגף הרכב ושירותי תחזוקה  
מחלקת תקינה  
רח' המלחה 8, ת.ד. 5705  
טלפון: 03-5657272

תאריך: כ"ח ניסן תשס"ז  
16 אפריל 2007  
תיק: מס' 71120589  
מס' 71120589

א. - משרד הרישוי המחזיק י-ס, ת"א, ח.פ.ה. ב"ש  
- יבואן מורשה "הוד לובצסקי בע"מ"

**הוראה מס' 0589 - 07**

הכחן: **הישום ורישוי כלי רכב נוסעים פרטי, תוצר פיג'ו, לשנת יצור 2008**  
(סדרת "207")

כלי רכב שפרטיהם רשומים מסה מאושרים לרישום.

**א. פרטי רכב ומנוע:**

תוצר הרכב - פיג'ו / ארץ ההרכבה - צרפת או ספרד (" / שנת יצור - 2008 (I)		תוצר המנוע - פיג'ו	
דגם הרכב	כינוי מסחרי	סוג הרכב MI	דגם הרכב
207 Trendy	פרטי נוסעים, 6 דלתות	מידע מסף	קובץ ציל' (סמ"ק)
WC5FWF		185/65R15 195/55R16 205/45R17	1598 (88 Kw)
5FV			

(I) - רישום כלי רכב יולד מ-1.05.2007  
(\*) - מקבע ע"י היצרן וירשום עליו היבואן בארץ (לא ניתן לזהות באמצעות סימון היצרן שמוסעים על גבי רכב).

**ב. זיהוי הרכב לפי מספר תשלדה (דוגמה):**

1-3	4-8	10	11-17
V F 3	WC5FWF	A	0600001
קוד בינלאומי של יצרן הרכב	דגם הרכב	שנת יצור	מספר ר"ן
	W=207, C=סוג המרכב	8 = 2008	
	W=55=דגם מנוע, F=סמל תחלוקים		

**ג. מקום המצאם של סימני ההיכר**

סימן ההיכר	אופן החתונה	מיקום ברכב
טבלת הזיהוי	עמודה	המרכב משאל בין 2 הדלתות
מספר שוליה	טבעת מקורית	תא מנוע, ריפון אחרית
דגם/מס' מנוע	טבעת מקורית על גוף המנוע	חלק קדמי ימני תחתון, פבט מלמטה

**ד. הוראות הרישום משנים קודמות:**

שנת יצור	מספר הוראה
2007	05 - 0588

בברכה  
מהד"ס סק"ן לרגר  
מרכז תקינה

## **Annex 2: Brief about Palestinian Shippers' Council**

**Palestinian Shippers' Council (PSC)** was established with the aim to protect and promote the interests of all Palestinian shippers. On behalf of its members, the PSC undertakes advocacy activities and represents the interests of Palestinian Shippers whether they were importers, exporters or industries that are end user of any form of shipping, transport and freight activities (maritime, air, land and railway). The Council strives to positively contribute to the Palestinian Economic development, trade facilitation and expansion through well studied measures and actions that will enhance the promotion of trade efficiency and facilitation all through the supply and logistics chains. The PSC remains in its embryonic phase, yet it has already established itself as the voice of Palestinian shippers and has outperformed its own expectations. In a short period of time, the PSC has grown from an original membership of 17 to a group of almost 345, representing various sectors and regions. The PSC has also strengthened its negotiating stance and skills, particularly vis a vis shipping lines, freight forwarders and port authorities. Shippers are also benefiting from the PSC's wide range of services and its ability to offer strategic, informed advice on daily problems. Its achievements during the past year are only a small token of the PSC's foreseeable future. Next year will witness more achievements and the launching of new services to develop the shippers' capacities and reduce transport costs. The PSC will also expand its network of national, regional and international partners. These developments will serve to further enhance the Palestinian economy and the development of Palestinian society.