

# Economic Agreement with Israel

## (Paris Economic Protocol)

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The Paris Protocol (PP) is an economic trade agreement concluded on April 9<sup>th</sup>, 1994 in Paris between the Palestinian Liberation Organization (PLO) and the government of the state of Israel stating the basic principles of free trade between the two parties.

**This agreement resembles a joint customs envelope built on three basic principles:**

- Free exchange of goods between both parties with no tariff or non-tariff barriers whatsoever.
- Adoption of a unified tariff by both parties with the exception that Palestine has the right of customs determination on a limited list of strategic goods (A1+A2+B) and has the right to determine specifications for lists (A1+A2).
  - *A1: Goods Imported must be locally produced in Jordan, Egypt or in other Arab Countries.*
  - *A2 Goods Imported can be imported from Arab, Islamic or other countries.*
  - *B Goods Imported are not subject to quantitative restrictions but are subject to Israeli standards.*
- Sharing revenues in customs clearance, where the Israeli customs are responsible for clearing the Palestinian imports on behalf of Palestinian customs (based on the customs envelop) and then transfer the revenues to Palestine

The agreement includes 11 separate articles on trade including but not limited to those on labor, agriculture, tourism, industrial food, insurance and taxes. Importing and exporting products to and from the Palestinian market and foreign markets is executed through Israeli ports where Israel is in full control over trade movement in addition to the Israeli control over internal Palestinian trade. Additional advantage Paris Protocol provided is possibility for the PA to sign free trade agreements and diversification of Palestinian trade.

It should be noted that Paris Protocol, when it was first envisaged, was built on reciprocity between the Israelis and the Palestinians. It is obvious that this spirit of Paris Protocol no longer exists simply because it is not functioning as agreed. Thus, there is an urgent need to figure out a new formula that best serves the interests of the Israelis and the Palestinians where reciprocity is the fundamental basis.