# A critical review of the Paris Protocol

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## Introduction

The Paris Protocol, signed on April 29, 1994, is an appendix to the Oslo Accords on economic relations between Israel and the PLO and was limited to a five-year transitional period. Its aim was to enable and prepare the Palestinian Authority for establishing independent institutions and creating an atmosphere to help build and advance both economies within an Israeli monetary, customs, trade and tax envelope.

With Israel's continued settlement expansion on the ground and the end of the time period which the Protocol covered, the Palestinian leadership believes it is time to reevaluate the protocol and the ramifications of its implementation on the ground at the Palestinian, Israeli and international levels in light of the new developments in the Palestinian arena including the Palestinian UN bid for statehood. What does it mean to "modify" or even "cancel" the Paris Protocol and is it a matter for discussion?

Sameer Huleileh gave an overview of the protocol and the circumstances surrounding its signing. At the time, the Paris Protocol was studied in detail by an economic team headed by Ahmad Qrei' which discussed the transitional agreement with the help of outside parties such as Jordan and Egypt.

During the discussions prior to the signing of the Oslo Accords, practical matters were discussed such as customs, taxes, insurance etc. The central banks of Lebanon, Egypt, Jordan and the Arab Bank were all brought in for consultation. The first part of discussions, over a period of two months, was exploratory given the limited experience of the Palestinian side. Actual engagement began in February.

The question revolved around Palestinian options for an economic accord as part of the Declaration of Principles in a framework of independence. Issues such as currency, imports and exports and taxation were all discussed. Israel was prepared to open the Israeli market to Palestinian products as long as the Palestinian market was opened to

Israeli products. A joint Palestinian-Israeli customs envelope was finally agreed on with lists for specific exceptions. As for the currency, it was agreed that this would be negotiated at a later stage because of its negative impact on the Israeli currency and its symbol significance of sovereignty.

Since this was a five-year agreement, the Palestinians took an incremental approach to gradually expand jurisdictions. The joint customs envelope came with conditions. Several issues were discussed: mutual insurance, tourism, industry and agriculture, one market – Israeli and Palestinian products were to enter each other's territory freely; direct and indirect taxation with a third party. Furthermore, all products that enter would be according to the specifications of the customs envelope and subject to Israeli laws. There were exceptions to this in the form of lists of goods that would enter through Israeli or international points of entry in amounts according to the needs of the Palestinian people. The agreement was to be re-discussed every six months but this only happened very few times.

A Joint Economic Committee was created to supervise the agreement and arbitrate. However, independent groups began acting separately on economic issues from ministries in addition to the civil affairs committee, which discussed in parallel a number of economic issues as well. This led to the institutionalization of the split – that is, between the JEC on one end and the government, ministries and security apparatuses on the other.

After 1999, there was a lot of criticism of the protocol. In discussions with Ehud Olmert, it was asked why should the Palestinians negotiate over a new economic agreement before the political issue is resolved – borders, Jerusalem, etc.

**Discussion:**

The possibility of whether there is a window of opportunity to change the protocol in its current form was discussed and if this would benefit the Palestinians at the current stage. The problem, many attendees agreed was there is no longer any point of reference that would bind the different parties to agreed-on economic decisions.

Some participants said the Protocol was unjust from the start because the Israelis only gave us what they "allowed" and refused arbitration from a third party. It was also mentioned that the Palestinians did not preserve the rights granted in the protocol itself, an independent Palestinian currency being one example. The protocol mentioned the use of three currencies while in practice the PA only used one, the shekel; neither did they take advantage of the quota for some imported goods.

Another problem in the protocol was the exceptional lists of goods, which were also not compatible with the actual needs of the Palestinian people. The lists were formulated without thorough study. In any case, a criticism of the Palestinians was that they did not even take advantage of the margin given to us. For example, two-thirds of Palestinian imports today are from Israel.

Huleileh also cited the unjust aspects of the protocol such as the fact that Israel didn't allow imports from some Islamic and Arab countries under the pretext that they had no diplomatic ties with them. In all cases, participants agreed that the protocol was not viable today because it is part of a political agreement that had also expired.

The question of whether any kind of viable economic agreement could be discussed while the Palestinians remained under occupation was also deliberated given that the occupation authorities decide everything– what goes in and out, what gets taxed, customs, etc. Enacted agreements should be between applicable between one state and another. In this context, the possibility of halting all political, security and economic agreements with Israel was studied in light of the current developments.

Since 2002 when Israel invaded the Palestinian territories, the protocol and all political agreements were effectively over. The timeframe for the protocol had ended and the occupation remained in full force. The question is how to make this an equal partnership and relationship. Israeli goods enter our territories easily while our goods do not and are not marketed easily in Israeli markets.

After Israel changed its economy into an advanced technological and digital economy, it declared in 2002 that it no longer wanted Palestinians as an economic partner or to offer us any economic facilitation. It wanted to change us into an economy that looked eastward in its development rather than westward to Israel or to more developed countries in order to bring down our standard of living. However, with technological developments a lot can be done and benefits can be made.

**Recommendations:**

1. There is a need to reevaluate the network of relationships and committees that are working independently on economic agreements with Israeli ministries and commissions without an official unified framework that could organize the process.
2. Reorganization of internal procedures that would strengthen the relationship between PA institutions and the private sector; we should not leave the door open for the Israelis to deal directly with the private sector, which would only weaken Palestinian institutions and create an atmosphere of confusion and mistrust between them.
3. Assessment of the economic situation to see if international parties could help implement the protocol rather than renegotiate it with Israel until a final solution is reached, especially since the problem lies in the mechanisms put by

Israel for applying the Paris Protocol. This calls for a modification of the mechanisms whereby they are in line with the international standards and principles stipulated in the protocol without having to open the door to negotiations with Israel.

4. Expand the agreement regionally with Arab countries, which would advance the Palestinian economy, without waiting for Israel's "approval" of our trade policies; enter bilateral agreements with other countries and ban double taxation.
5. Seek freedom of movement in order to get the imports we need and to be part of other economic possibilities with a third party since Israel abandoned the agreements and isolated itself from us with the separation wall, which means there is no exchange of goods.
6. Take legal steps against Israel over violations of protocol, through the International Trade Organization, the Customs Federation international courts of arbitration and Israeli and international courts including the ICC after Palestine became a full member.
7. Urge international parties to force Israel into fulfilling its obligations. For example, Israel is declaring war by stopping the transfer of revenues.
8. Find ways to create economic stability without entering into unfruitful negotiations through: relationships with international organizations and third parties and the creation of virtual borders as a way of controlling customs without having an actual presence on the borders; strengthening the relationship between the private sector and Palestinian institutions without resorting to the Israeli side to finish its paper work and procedures.
9. The PLO needs to focus and take control of the relations between government institutions and Israel and to review the mechanism for monitoring this issue.
10. Organize relations with Israel instead of signing agreements and not open the door to negotiations with it on the Paris Protocol, especially in light of the current political impasse.
11. Final status negotiations should not include bilateral issues including economic relations, which should be left until a negotiations platform is provided that is based on a state-to-state relationship.