

Israeli–Palestinian Chamber of Commerce and Industry March 2011 Newsletter

Chamber's activity

In spite of the uneasy political climate, which generally affects also the ability to hold events and business gatherings on a large scale, it seems that business people on both sides are interested in holding private meetings for the benefit of promoting their businesses.

In light of this, the Chamber has worked in the past two months mainly with business people and individual companies that had expressed their interest in establishing ties with business people on the other side:

- ✓ A senior business man from Gaza, who is involved in the food business in the Gaza Strip, has approached the Chamber asking for assistance in contacting The Strauss Group, in order to become their exclusive distributor in the Strip. Following several discussions and meetings, in some of which the Chamber was involved, a contract has been signed between The Strauss Group and the Palestinian business man from the Gaza Strip.
- ✓ Three energy companies turned to the Chamber asking to locate a Palestinian addressee with whom they could promote business activities. We are currently working on locating the right Palestinian addressee.
- ✓ A communications company has turned to the Chamber asking to locate a Palestinian communications business entity for marketing a product designed to facilitate connection to the internet, in places where there are connection difficulties.
- ✓ A company that manufactures hangers from recycled paper (a nice and green idea) turned to the Chamber in order to investigate how to contact a Palestinian business man, to examine the possibility of establishing a similar factory in the Territories in the future.

- ✓ A Palestinian marketing company from Nablus contacted the Chamber asking to be connected with Israeli distributors of tobacco and cleaning products. The Chamber has established the contact with the Israeli distributors and joined between the parties, hoping they can maintain a business relationship.
- ✓ The Chamber initiated jointly with the Israel-France Chamber of Commerce meetings between a food company and a furniture company from Ramallah and a French business woman, for the purpose of promoting Palestinian products in France. The objective is to promote an exhibition in France in which both Israeli and Palestinian companies will take part in the area that will be determined in coordination with the French business woman.

A side all those meetings, The Chamber management visited the city of Nablus as guests of Mr. Jibril al-Bakri, Governor of Nablus. During the visit, we met with the governor and with over twenty senior Palestinian business people from Nablus, and heard about the great economic improvement that has occurred in recent years, the development plans and the complex challenges that the business sector is faced with. This visit strengthened the ties between the Israeli-Palestinian Chamber of Commerce and the local Chamber of Commerce in Nablus. The Governor of Nablus is expected to visit the Israeli Chamber with his team, to examine how the business ties between the District of Nablus and the Israeli business community can be promoted, with the Chamber's assistance.

Economic news from Palestinian media:

A Palestinian branch of the International Chamber of Commerce:

An article from the Al Quds newspaper dated January 25th, 2011, regarding the opening of the Palestinian branch of the ICC - International Chamber of Commerce:

"A delegation of Palestinian business people inaugurated yesterday (January 24th) the official joining of Palestine as a member in the ICC. The ceremony took place in the presence of ICC's Secretary-General, Mr. John Cryer and the Palestinian representative, Munib al-Masri, who serves as the chairman of the Palestinian Chamber". The Chamber is located in Ramallah and a sub-branch will open in East Jerusalem.

Members of the founding committee are: Munib al-Masri, Chairman of the Palestinian branch, Hashem a-Shawa, CEO, as well as Zahi Khouri, Sameer Hulaila, Mohammad Auni Abu Ramadan, Talal Nasser a-Din, Nassar Nassar, Bashar al-Masri, Sami Abu Dia, Aziz al-Jawad and Mohamad Nafez Al-Hirbawi.

Munib al-Masri said that joining the ICC would help resolve commercial conflicts on an international level, and conflicts between Israeli and Palestinian companies, using tools that are customary in the world of business. Moreover, Palestine's membership in the Chamber would enable the extension and development of the Palestinian commerce with markets in the world, and open new opportunities for both Palestinian investment abroad and investments in Palestine. He added that the Palestinian branch was committed to promoting the principles of free market with Palestine.

Hashem a-Shawa said that the opening of the Palestinian branch would help in promoting investments from international companies in Palestine and would open commercial channels for Palestinian companies.

Palestinian economy policy

In a meeting that was held at the Chamber of Commerce in Nablus in early March, the policy of the Palestinian economy was discussed. Dr. Nasser Abd Alkarim from the Birzeit University said that the Palestinian economy should operate on two levels: a practical level regarding all that was related to the link between the Palestinian and Israeli economies, primarily the issue of the Israeli control over the Palestinian economy, and on an internal level related to the ability of the Palestinian Authority to turn the Palestinian economy into a free market economy.

Dr. Bassam Makhoul from the Al-Najah National University indicated that the extent of the economic growth in the past three years in the Palestinian Authority was 8%, second in the world, following China. He said that the economic growth was mainly in the real estate area, which has led to consumer growth, and not necessarily to workers in the Palestinian Authority. Dr Makhoul indicated that the legal status in the area of tax collection has served the big companies at the expense of the smaller ones, and claimed that 83% of the new companies did not benefit from the reliefs included in the Palestinian Tax Law. In order to illustrate his point, he said that the Palestinian Authority ranked at the 28th place out of 128 countries in terms of tax system, but was ranked at the 135 place out of 183, in terms of investment regulation, and this proved that obstacles exist in the way to economic improvement.

During the conference, all participants agreed that the private sector has played a major role as the main employer and an engine that could advance the economy. They have also claimed that the extent of the clerical level in the public sector has turned into a heavy burden on the balance sheet of the Palestinian Authority. The participants urged the government to re-examine the taxation laws and give priority to local products after review of the import laws.

In this context, Al Quds newspaper published last January an article dealing with the question regarding the Palestinian economy's ability to develop. The article dealt with the need to consolidate a reform program, without which there could be no major industrial development, and also with the consolidation of a strategic program that would lead to the

improvement of the competition ability of the Palestinian industry vs. Israel and foreign products that are imported to the Palestinian Authority.

The article mentions again the need for developing an industry that requires many workers, as opposed for example, to the hoteliers sector that contributes to the improvement of tourism, but does not require many workers. The article specifies the traditional industries in the West Bank, emphasizing the textile and leather in Hebron and the olive and soap in Nablus, and claims that these industries have no competitors in the Arab world. Therefore, it is required to develop these industries, in order to increase their profits.

The article mentions that the central components in the improvement of the competition ability, are strategic vision together with the implementation of a practical plan for the benefit of increasing the competition ability, development of product quality, improving the income level of the Palestinian industry worker, providing equal opportunities, and promoting the purchase of local products by the Palestinian consumer.

The food industry in Hebron

An article published in Al Quds newspaper in early February discussed the improvement that has occurred in the food industry in Hebron. The article states that the food industry already competes successfully with the developed stone industry in the Hebron District, in spite of obstacles, such as the Israeli security inspections at the crossing points and the harsh competition with the imported products. The article mentions the food industries in Hebron as the most important factories in the West Bank, emphasizing the potato chips industry, which covers approximately 70% of the demand in the West Bank.

Hanan Abu Armila, manager of the research and development department at the Chamber of Commerce in Hebron said that the main problems that food factory owners were faced with were mainly the increase in the price of local and imported raw materials, a decrease in the workers' level of training, and their lack of awareness that they work with food materials. In addition, Israel's policy relating to non-issuance of commercial certificates for

exporting the goods into Israel for security reasons, together with the competition against imported food, have left a very small profit for the industry.

Cost of living in the West Bank

According to the Palestinian Central Bureau of Statistics, during February 2011 the inflation rate has risen by 0.44%. The relative rise of prices was at the rate of 3.62% compared to February 2010. This is mainly due to the rise in the prices of food, leisure and tourism services, such as hotels, cafes and restaurants, as well as prices of furniture and household products.

Addition to the number of Palestinian workers allowed to enter Israel:

The Ma'an Palestinian News Agency quoted Asef Sa'ed, General Manager of Employment Services in the Palestinian Ministry of Labor, who said that Israel has approved the entry of 4,000 additional Palestinian workers from the West Bank only, to work in Israel.

The European Union donation to the Palestinian Authority

The Ma'an Palestinian News Agency reported that the European Union donated €20 million in March towards payment of salaries and pensions in the West Bank and Gaza. The aid, which is estimated at \$28 million, would help pay the salaries and pensions of 85,000 Palestinian public servants and pensioners for the month of February.