



Economic Policy Programme

Initiative of the European Union

Confidential

Palestine Seeks Observer Status in the World Trade Organization

Submitted to the
Economic Policy Programme
London School of Economics
by
Prof. Thomas Cottier
Remo Arpagaus

Legal Opinion
August 1997

The Economic Policy Programme is funded by the European Community (EC) and coordinated by the Ministry of Economy and Trade in collaboration with the London School of Economics and Political Science. The two-year project is an initiative launched as part of the European Community's programme of assistance to the Palestinian population of the West Bank and Gaza Strip. The objective is to provide the Palestinian Authority (PA) with policy support that will both assist it in clarifying and shaping trade policy and strengthen its capacity to negotiate with current and potential trading partners on economic and trade policy issues. The programme, which was launched in May 1996, works with a team of leading international experts - economists, political scientists and trade lawyers - in support of the ministry's policy agenda, and has held in collaboration with the ministry a number of roundtables on trade-related issues.

Economic Policy Programme

Programme Coordination Office
Room Z324, Department of International Relations
London School of Economics
Houghton Street, London WC2A 2AE

Programme Coordinator: Valerie Yorke
Tel: 44 171 955 6781/955 6175 Fax: 44 171 955 6176
Email: V.Yorke@lse.ac.uk

This report was prepared with financial assistance from the Commission of the European Communities. The views expressed herein are those of the Consultants, and do not represent any official view of the Commission.

Palestine Seeks Observer Status in the World Trade Organization

Lobby Paper

Non Paper

With the increasing importance of principles and disciplines of World Trade Law in the region, Palestine is convinced that her trade policies should be based upon these rules with a view to foster its trade in the region and worldwide. As a first step Palestine therefore seeks to achieve observer status in the WTO in order to become fully acquainted with the multilateral trading system and with the view to de facto application of WTO rules. The initiative shall eventually result in the membership of Palestine in WTO as a state or a separate customs territory, depending on the outcome of bilateral negotiations with Israel.

- Trade policy of Palestine is increasingly regulated by international agreements such as the Euro Mediterranean Interim Association Agreement between the EU and the PLO/PA and the Trade Agreement between the Government of the Hashemite Kingdom of Jordan and the Palestinian National Authority or unilateral acts under international law extending benefits to Palestine. Therefore, Palestine believes that her trade policy should find a sound foundation in the global trading system.
- It is recalled that Israel was a Contracting Party to the GATT since 1962. It is a founding Member of the World Trade Organization. Imports and exports from other WTO members not only to the State of Israel, but also to Palestinian territories are subject to rules and disciplines of the WTO. Moreover, existing agreements binding to Palestine on more than one occasion implicitly or explicitly refer to WTO rules and thereby affect the framework of Palestinian trade policy.
- Palestine is also convinced that future trade talks with her neighbors, in particular that with the State of Israel, should be based and led in the spirit of the World Trade Organization. Palestine is committed to open markets and to the removal of trade barriers which are still paramount in the region and which impair the development of Palestine's economy.
- Palestine is convinced that the principles and disciplines of WTO will assist the peace process to which Palestine is committed. It will also provide the essential building blocks in the process of creating an open regional trading system.

- Observer status will bring about full information on the activities in WTO. It will assist Palestine in building capacities and know how in the field of trade regulation. It will facilitate the process towards de facto application of WTO law in Palestine.
- Observer status in WTO will also support Palestine to seek trade agreements with its neighboring states in compliance with WTO law.
- {Observer status in WTO is the first step towards full autonomy of Palestine in matters related to trade in goods, services and intellectual property.}
- While observer status in WTO will assist all parties concerned to reach agreement on trade matters in conformity with GATT rules, it will also prepare the ground for full membership of Palestine in WTO as a state or as an independent customs territory. Autonomy in matters relating to trade as goods and services, including intellectual property rights, are necessary to shape policies which better respond to the needs of the Palestinian market.
- We recall that Article XII:1 of the Marrakesh Agreement Establishing the World Trade Organization allows for membership as a state or a separate customs territory with full autonomy in external trade relations and jurisdiction over internal economic affairs.
- The status of Palestine will to some extent depend on renegotiations of the Protocol on Economic Relations as part of the final peace negotiations with Israel. Palestine is convinced that the WTO rules will provide an adequate framework for the achievement of an appropriate trade agreement with Israel.
- Palestine seeks to accede to the WTO within five years upon the granting of observer status.

For all these reasons, Palestine respectfully requests the support of members to the WTO in achieving the goal of observer status and eventual membership. Such support is fully in line with widely shared perceptions and goals to promote the rules of WTO as a common basis for trade policy in the region and worldwide.