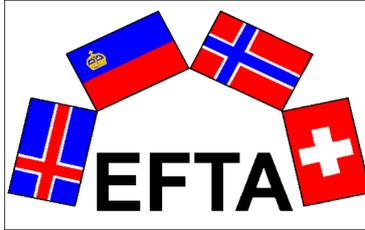




Schweizerische Eidgenossenschaft  
Confédération suisse  
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**State of Palestine  
Palestinian Central Bureau of  
Statistics (PCBS)**

## **Asymmetry Study on External Trade Statistics between Palestine and Switzerland**

August, 2014

## **Acknowledgment**

The Palestinian Central Bureau of Statistics (PCBS) and the Directorate General of Swiss Customs would like to extend their sincere gratitude and appreciation to the Statistical Office of the European Free Trade Association (EFTA) for their support facilitating the project both financially and logistically.

It is needless to mention that the mirror exercise on external trade statistics would not have been possible without the efforts of the experts from Palestine and Switzerland and the cooperation with the providers of necessary official data in both countries.

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## **Abbreviations and Acronyms**

<b>HS</b>	Harmonized Commodity Description and Coding Systems
<b>PCBS</b>	Palestinian Central Bureau of Statistics
<b>PS</b>	Palestine
<b>CH</b>	Switzerland
<b>USD</b>	United States Dollar
<b>VAT</b>	Value Added Tax
<b>FCA</b>	Swiss Federal Customs Administration
<b>EFTA</b>	European Free Trade Association
<b>PMOF</b>	Palestinian Ministry of Finance
<b>MEDSTAT</b>	Euro Mediterranean Statistical Cooperation

# Chapter One

## 1.1 Introduction

The idea of conducting a mirror study on external trade statistics was proposed and discussed during the Joint EFTA –Palestinian Free Trade Committee meeting held in Geneva on October 2012. It was agreed on that the exercise should be conducted between Palestine and Switzerland since Switzerland is the far biggest trade partner with Palestine among the EFTA States.

The EFTA Statistical Office followed up on the agreement and undertook the necessary planning as well as providing funding for bringing together experts from the Swiss Federal Custom Administration (FCA), the Palestinian Central Bureau of Statistics (PCBS) and the Palestinian Customs Authority. The aim with the study was to measure the level of bilateral asymmetries in external trade statistics for the year 2011 and to carry out discussions and investigations on possible causes of discrepancy in trade figures and to define a work program in order to limit them in the future.

Two meetings/ visits were held for the purpose of conducting this study and the first meeting was held in Bern – Switzerland. It was hosted by FCA in October 2013 where the general objectives were recalled and the preliminary results of the bilateral mirror exercise prepared by the two countries were also discussed during the meeting.

The second meeting was held in Luxembourg on February 2014 at EFTA premises, in addition to the two delegations representatives from EFTA and EUOROSTAT attended parts of the meetings. The two delegations discussed in details all aspects and agreed on a list of follow up actions - mainly some bending issues.

A summary and description of the proposed methodology was discussed during the first meeting and it was agreed to include such a description in this report.

The first set of results of the mirror study, based on 2011 figures, reported according to total trade, HS chapters and main groups in addition to some details on 6 digits level of the HS for some specific commodities.

Palestine proposed to use the same method applied within the MEDSTAT Programme analyzing trade asymmetries, i.e. by focusing on the biggest discrepancies for values bigger than 1 million USD for eastbound trade and 10 Thousand USD for westbound trade, in addition to tables showing discrepancies for each trade flow (eastbound and westbound)<sup>1</sup>.

Switzerland (CH) proposed to use – the same methodology used in a mirror study with Morocco in 2008- in addition to the tables, and it was agreed to use tables and graphs in presenting the results both in the same report.

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<sup>1</sup> The trade flows between two partner countries, which are geographically located on the same parallel, are named “Eastbound trade” and “Westbound trade”. The “Eastbound trade” defines the exports of the country geographically located at the west and the imports declared by its partner country. At opposite, the “Westbound trade” defines the export of the country located at the east and the imports declared by its partner country. Similar explanations can be applied in case of “Northbound trade” and “Southbound trade” when countries are located on the same meridian.

## **1.2 Executive summary**

The main findings of the study shows a discrepancy in eastbound trade of around 8 million USD which represents 25% of the total PS imports for 2011. PS recorded around 40 million USD as import from CHs while CH recorded around 32 million USD as exports to PS.

On the other hand westbound flows show a discrepancy of around 10%. CH recorded 489 Thousand USD as imports from PS while PS recorded 444 Thousand USD as exports to CH. The main cause for this discrepancy might be explained by C.I.F and F.O.B adjustments.

It was agreed that an in-depth analysis on discrepancies between the two countries should concentrate on eastbound trade since the westbound trade was rather small (less than one million USD).

## **1.3 Objectives of the study:**

- Inform the concerned parties on the importance of data quality.
- Identify the main asymmetries between Switzerland and Palestine data at the total and detail levels.
- Enhance data exchange among the two countries.
- Reduce asymmetries in published data.
- Improve the quality of external trade statistics for the two countries.
- Exchange experience between experts of the two countries in terms of all related issues.

## **1.4 Main findings:**

This asymmetry study showed the following results:

- Discrepancy of around 25% of total trade in eastbound trade - this discrepancy was clarified by the two partners. There were some reasons referring to C.I.F, F.O.B adjustments and other reasons referring to the country of last destination in addition to time of recording which seems to be more reliable mainly for goods exported from CH to PS during end of Dec. 2011 or Dec. 2010.
- The trade volume between the two countries was comparatively on a small level compared to total trade in 2011. This brought relevant discrepancies easier into focus.
- Furthermore, the eastbound trade outbalanced the westbound trade more than ten times.
- Eastbound figures: the discrepancies are largely identified in 3 chapters: chapter 24 (tobacco), chapter 30 (pharmaceutical products) and chapter 85 (electrical machinery and equipment).
- The clarifications of both country partners implied systematically double checks and consultations with companies.
- The study showed no substantial methodological deviation between the statistics of the two countries.
- Consequently, there are no specific recommendations required or actions to be taken.

## Chapter Two

### Comparison of Methodology

The methodologies, concepts and definitions used by the Swiss customs and the PCBS have been compared point by point and screened for differences or other sources of data discrepancies. A list of points considered potentially relevant to explain discrepancies in the data follows. For the full list of points compared, please refer to Appendix A.

- Territory covered: The Swiss customs authorities comprise the external trade of the Principality of Liechtenstein in the data it publishes, though the data is collected separately. The PCBS publishes the data for the two countries separately. This causes no issue, as there has been no trade between Liechtenstein and Palestine in years for which data is compared.

- Data source: For data collected by PCBS from VAT vouchers, Israel is always assumed to be the country of origin. This assumption does not always hold true, which means that Palestinian imports from Israel tend to be over- and those from all other countries (including Switzerland) understated.

- Trade partners: In the observed period, Palestine and Switzerland both used the concept of country of production (definition of country of production used by PS to be inserted) for imports a country of destination for exports. This poses problems if a product is exported from Palestine into a third country, is nationalized there, and is then exported from the third country to Switzerland. In this scenario, the trade flow can be registered in Palestine either as an export to the third country or to Switzerland (depending on whether or not it is known that Switzerland is the final destination), but will be registered as an import from the third country in Switzerland. Thus, there is a mismatch between export and import data from the two data collectors. This holds true for westbound as well as for eastbound trade.

- Value: Both countries use f.o.b. values for exports and c.i.f. values for imports. This means that the data collected by the two authorities will differ by the cost of moving goods between the borders of Palestine and Switzerland, including freight and insurance. According to the experience of the Palestinian experts, c.i.f. values of imports into Palestine should be adjusted downwards by around 10-12 % to obtain an estimate of the f.o.b. values (freight and transportation).

## Chapter Three

### Eastbound asymmetry tables

This table described the eastbound main discrepancies in external trade between PS and CH.

Tab.1: CH and PS eastbound mirror discrepancies for the years 2009 - 2011

Value in 1000 USD

<b>Mirror Analysis 2009 – 2012</b>				
Eastbound				
Year	CH exp to PS	PS imp from CH	Eastbound Mirror Discrepancy	
			Value	Percentage
2009	25,720	23,054	-2,666	12
2010	26,560	37,270	10,710	29
2011	32,419	40,423	8,004	20
2012	28,959	13,842	-15,117	109

Source: PCBS & Swiss customs.

CH Exports to PS in 2011 Imports declared in 2011 amounted to 32.4 million USD. On the other hand PS reported 40.4 million USD as imports from CH, more analysis for the mentioned figures will be shown in the next tables.

Regarding 2012 PS imports, double check was made by PCBS with PS customs, and it was found that the recorded amount is equal to 13.8 Million USD

### 3.1 Descriptive data eastbound trade

Annual total eastbound trade flows between Switzerland and Palestine - all goods exported from Switzerland, or imported into Palestine, respectively - have been relatively limited in the time period observed. According to the data registered by the Swiss Federal Customs Authorities, this flow has steadily increased from USD 25.7 million in 2009 to USD 28.9 million in 2012. The data of the PCBS indicate the annual figures for the according years to be between USD 13.8 million and USD 40.4 million. In two out of four years, data recorded in Switzerland is lower. The differences with the PCBS's values deviating from the FCA's by between 12% and 41%, or by between USD 8.0 million and USD 9.6 million.

The figures below shows the trend of trade figures for the period 2009 – 2012.

Fig. 1: Total trade, in million USD

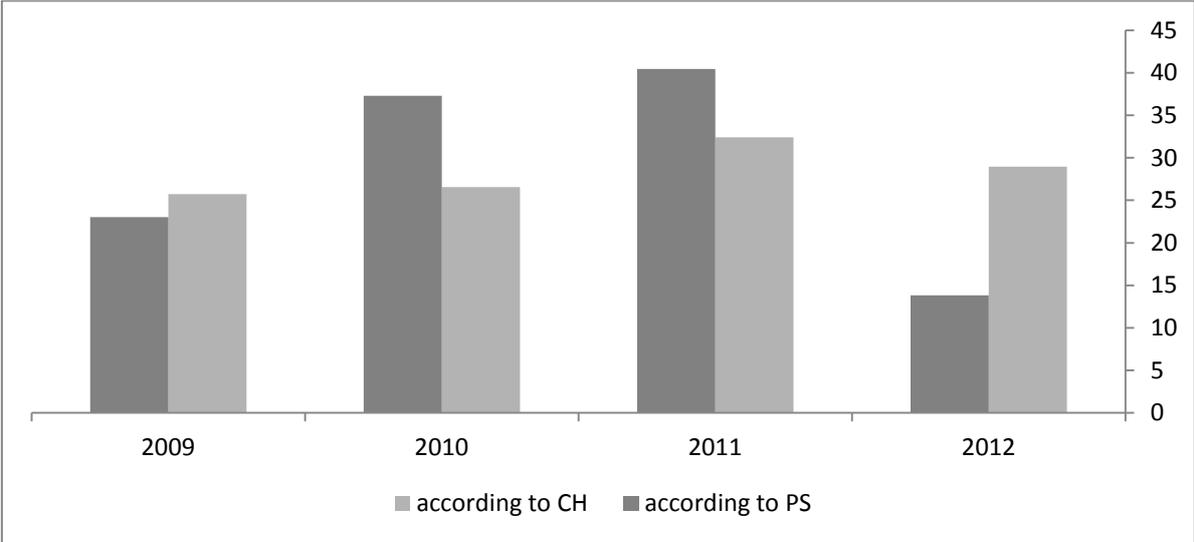
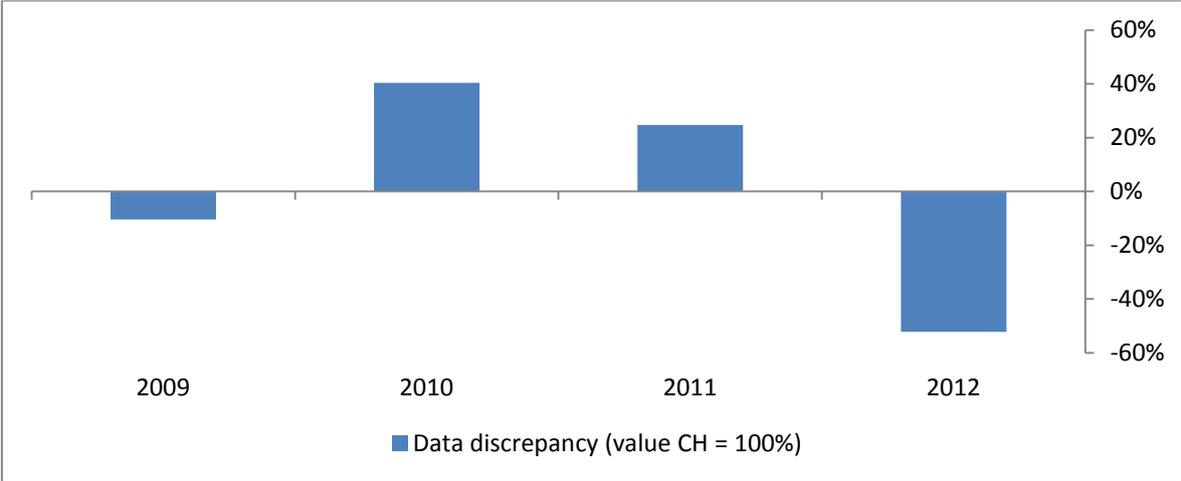


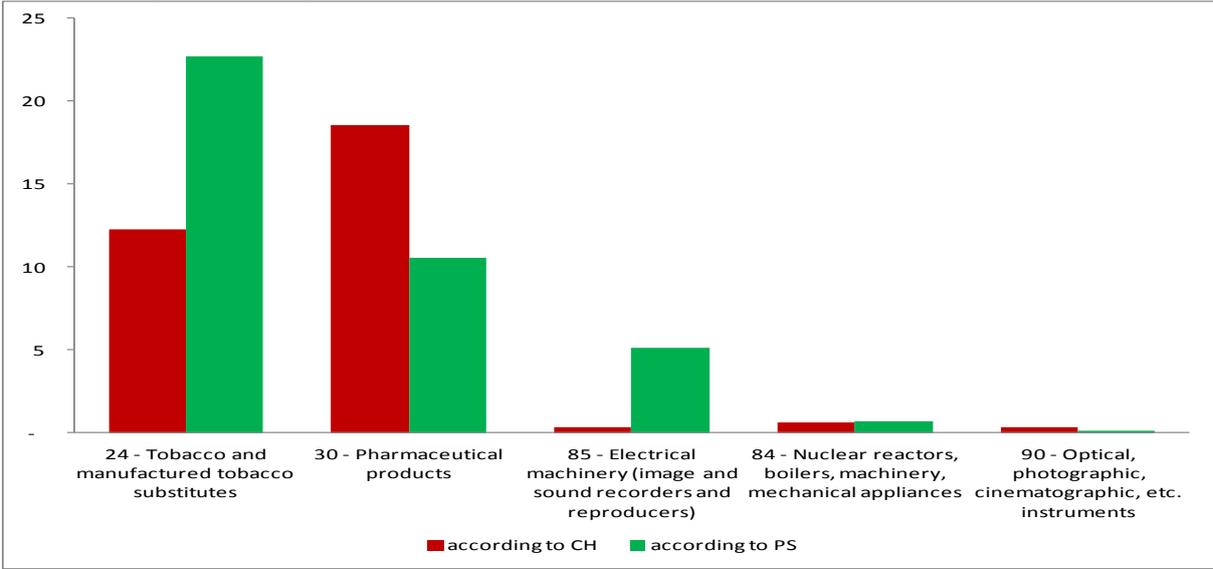
Fig. 2: Data discrepancy (value CH = value exporter = 100%)



**3.2 Trade by chapter**

Breaking down eastbound trade by chapter shows that the three most prominent chapters (24 - Tobacco and manufactured tobacco substitutes, 30 - Pharmaceutical products and 85 - Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles) together make up 96% (Swiss data) or 95 % (Palestinian data) respectively of the flow. It follows from this that the overwhelming majority of discrepancies in data recorded by the two agencies fall into these three chapters. Due to this reason, further analyses for eastbound trade will be focused on these three chapters.

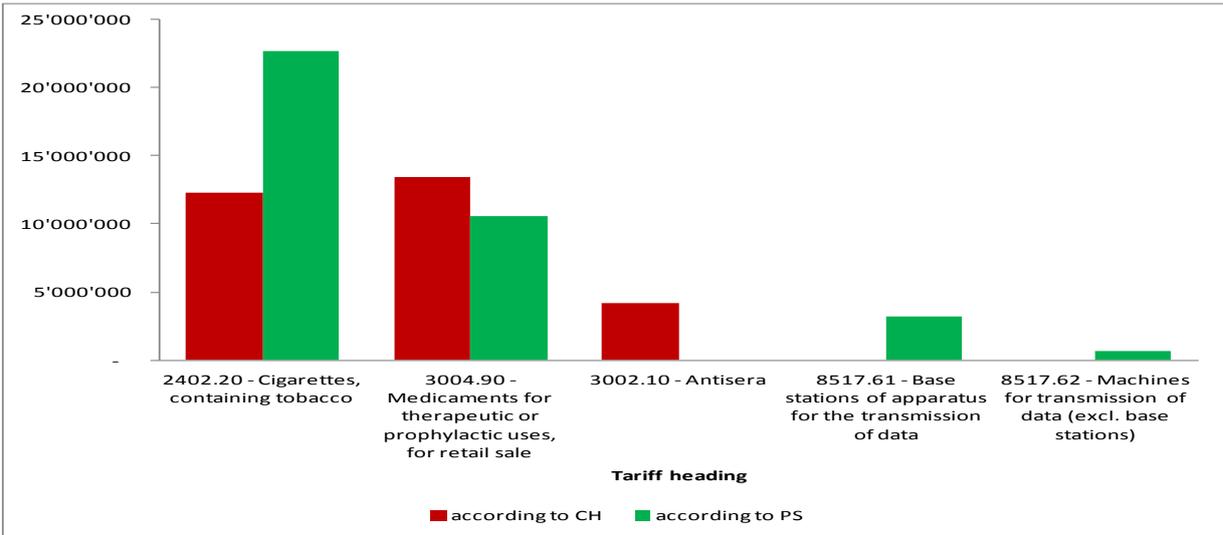
Fig. 3: 5 most prominent chapters in eastbound trade in 2011, in million USD<sup>2</sup>



### 3.3 Analyzing discrepancies at HS6 level

A further breakdown into 6-digit tariff headings reveals that only four tariff headings do the records of the two agencies differ by more than USD 1 million. A single tariff number, 2402.20 (cigarettes containing tobacco), explains all of the difference in the most troublesome chapter, chapter 24. In other two chapters with significant discrepancies, several tariff headings contribute to the issue, though at varying degrees. It can also be noted that the differences appear systematically per chapter, e.g. the FCA consequently records higher eastbound flows for affected tariff headings of chapter 30 and lower flows for chapter 85 in all years observed

Fig. 4: Tariff headings with strongest data discrepancies of eastbound trade between Switzerland and Palestine, 2011

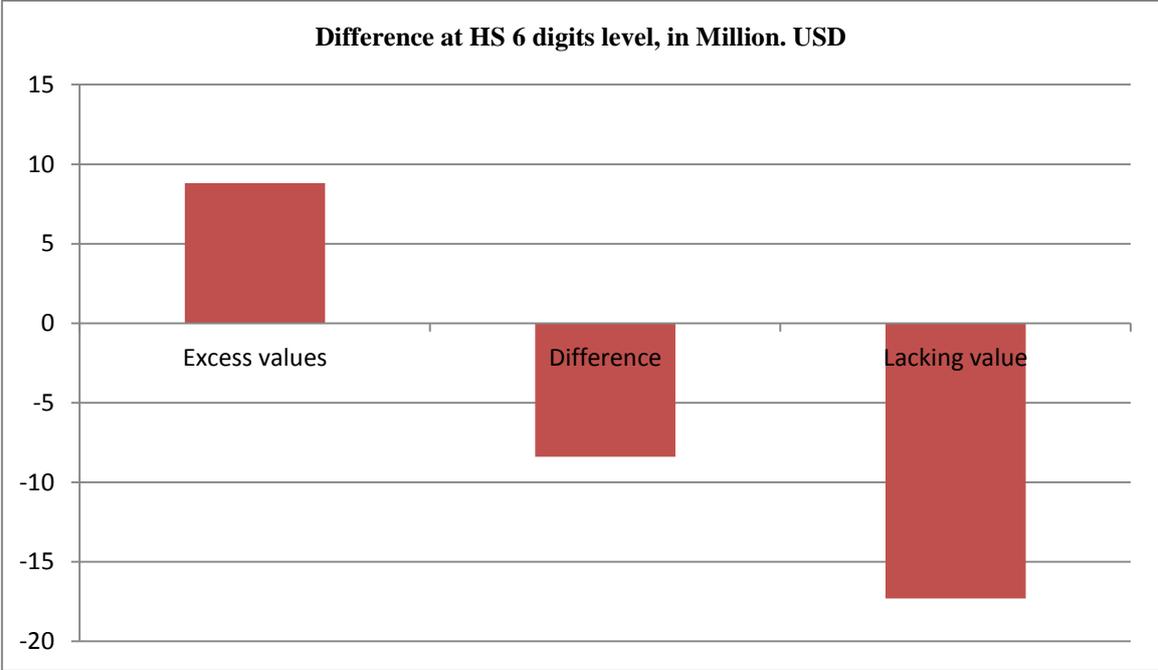


<sup>2</sup> Description of chapters and tariff headings shortened in all graphs.

Analyses at the total trade or chapter level have a potential to hide data discrepancies. Namely over-recording of one product type can cancel out under-recording of another. To shed more light on the cumulated misreporting in both directions, the sum of over-recorded values of all 6-digit tariff numbers are contrasted with those that are under-recorded.

For the year 2011, this reveals that the USD 8.4 million data discrepancy in total trade results from the FCA reporting USD 8.8 million more trade than the PCBS in some tariff headings, in addition to USD 17.3 less in others.

Fig. 5: Data discrepancies at HS6 level in eastbound trade between Switzerland and Palestine, 2011<sup>3</sup>



Analyzing the tariff headings with the largest data discrepancies shows that only five individual tariff headings of each error type cause 80% of both, over- and underreporting. This also turns out to be true for the preceding years. Further, it becomes clear that goods from chapter 30 tend to be over- and those from chapter 85 underreported by Switzerland compared to Palestine. Meanwhile, there is no such consistency for data for 2402.20.

<sup>3</sup> The *difference* is the discrepancy in total trade recorded by the two customs authorities. It is the netted value of excess and lacking values. *Excess values* is the sum of all data discrepancies in all HS6 tariff headings level, for which the FCA records higher values than the PCBS, while lacking values shows the sum of discrepancies for which the FCA underreports values compared to the PCBS.

Tab.1: Most over- and under-reported 6-digit tariff headings in 2011<sup>4</sup>

	Discrepancy		Weight	
	Excess values in USD	Explains % of total excess values	weight of TN6 (according to CH)	weight of TN6 (according to PS)
<b>Total</b>	8821766			
3002.10 - Antisera and other blood fractions and modified immunological products, whether or not obtained by 3004.90 - Medicaments for therapeutic or prophylactic uses, put up in measured doses, incl. those in the form of transdermal administration systems, or in forms or packings for retail sale (excl. goods of headings 3004.20 - Medicaments, containing antibiotics, put up in measured doses, (incl. those in the form of transdermal administration systems), or in forms or packings for retail sale (excl. medicaments containing penicillins or derivatives thereof with a penicillanic 3004.39 - Medicaments, containing hormones or steroids used as hormones but not containing antibiotics, put up in measured doses, incl. those in the form of transdermal administration systems, or in forms or packings for retail sale (excl.	4'162'382	47%	13%	0%
3004.20 - Medicaments, containing antibiotics, put up in measured doses, (incl. those in the form of transdermal administration systems), or in forms or packings for retail sale (excl. medicaments containing penicillins or derivatives thereof with a penicillanic 3004.39 - Medicaments, containing hormones or steroids used as hormones but not containing antibiotics, put up in measured doses, incl. those in the form of transdermal administration systems, or in forms or packings for retail sale (excl.	2'926'696	33%	42%	0%
3004.39 - Medicaments, containing hormones or steroids used as hormones but not containing antibiotics, put up in measured doses, incl. those in the form of transdermal administration systems, or in forms or packings for retail sale (excl.	514'022	6%	2%	0%
3004.90 - Medicaments for therapeutic or prophylactic uses, put up in measured doses, incl. those in the form of transdermal administration systems, or in forms or packings for retail sale (excl.	207'917	2%	1%	0%
8544.49 - Electric conductors, for a voltage <= 1.000 V, insulated, not fitted with connectors	200'060	2%	1%	0%
<b>cumulated</b>		91%	57%	0%

	Discrepancy		Weight	
	Lacking values in USD	explains % of total lacking values	weight of TN6 (according to CH)	weight of TN6 (according to PS)
<b>Total</b>	(17270'211)			
2402.20 - Cigarettes, containing tobacco	(10'419'699)	60%	38%	56%
8517.61 - Base stations of apparatus for the transmission or reception of voice, images or other data	(3'163'666)	18%	0%	8%
8517.62 - Machines for the reception, conversion and transmission or regeneration of voice, images or other data, incl. switching and routing apparatus (excl. telephone sets, telephones for cellular networks or for other wireless networks)	(705'547)	4%	0%	2%
8502.12 - Generating sets with compression-ignition internal combustion piston engine "diesel or semi-diesel engine" of an output > 75 kVA but <= 375 kVA	(360'981)	2%	0%	1%
8502.11 - Generating sets with compression-ignition internal combustion piston engine "diesel or semi-diesel engine" of an output <= 75 kVA	(347'892)	2%	0%	1%
<b>cumulated</b>		87%	38%	68%

Tab. 2: Most over- and under-reported 6-digit tariff headings in 2010

	Discrepancy		Weight	
	Excess values in USD	explains % of total excess values	weight of TN6 (according to CH)	weight of TN6 (according to PS)
<b>Total</b>	6666'316			
3002.10 - Antisera and other blood fractions and modified immunological products, whether or not obtained by 3004.90 - Medicaments for therapeutic or prophylactic uses, put up in measured doses, (incl. those in the form of transdermal administration systems), or in forms or packings for retail sale (excl. medicaments containing penicillins or derivatives thereof with a penicillanic 9018.90 - Instruments and appliances used in medical, surgical or veterinary 3004.39 - Medicaments, containing hormones or steroids used as hormones but not containing antibiotics, put up in measured doses, incl. those in the form of transdermal administration systems, or in forms or packings for retail sale (excl.	4'281'817	64%	16%	0%
3004.90 - Medicaments for therapeutic or prophylactic uses, put up in measured doses, (incl. those in the form of transdermal administration systems), or in forms or packings for retail sale (excl. medicaments containing penicillins or derivatives thereof with a penicillanic 9018.90 - Instruments and appliances used in medical, surgical or veterinary 3004.39 - Medicaments, containing hormones or steroids used as hormones but not containing antibiotics, put up in measured doses, incl. those in the form of transdermal administration systems, or in forms or packings for retail sale (excl.	929'979	14%	4%	0%
3004.39 - Medicaments, containing hormones or steroids used as hormones but not containing antibiotics, put up in measured doses, incl. those in the form of transdermal administration systems, or in forms or packings for retail sale (excl.	718'344	11%	3%	0%
3004.32 - Medicaments, containing corticosteroid hormones, their derivatives or structural analogues, but not containing antibiotics, put up in measured doses, incl. those in the form of transdermal administration	207'406	3%	1%	0%
3004.90 - Medicaments for therapeutic or prophylactic uses, put up in measured doses, (incl. those in the form of transdermal administration systems), or in forms or packings for retail sale (excl. medicaments containing penicillins or derivatives thereof with a penicillanic 9018.90 - Instruments and appliances used in medical, surgical or veterinary 3004.39 - Medicaments, containing hormones or steroids used as hormones but not containing antibiotics, put up in measured doses, incl. those in the form of transdermal administration systems, or in forms or packings for retail sale (excl.	153'029	2%	1%	0%
<b>cumulated</b>		94%	24%	0%

	Discrepancy		Weight	
	Lacking values in USD	explains % of total lacking values	weight of TN6 (according to CH)	weight of TN6 (according to PS)
<b>Total</b>	(17374'931)			
2402.20 - Cigarettes, containing tobacco	(11'861'074)	68%	39%	59%
3004.90 - Medicaments for therapeutic or prophylactic uses, put up in measured doses, incl. those in the form of transdermal administration systems, or in forms or packings for retail sale (excl. goods of headings 3002, 3004.10 3004.50 to 3005, or 3808.91 - Insecticides	(3'044'979)	18%	35%	33%
3808.91 - Insecticides	(470'057)	3%	0%	1%
8502.12 - Generating sets with compression-ignition internal combustion piston engine "diesel or semi-diesel engine" of an output > 75 kVA but <= 375 kVA	(237'563)	1%	0%	1%
7601.20 - Unwrought aluminium alloys	(227'998)	1%	0%	1%
<b>cumulated</b>		91%	73%	95%

<sup>4</sup> Again, excess value is defined as value reported by CH > value reported by PS and lacking value as value reported by CH < value reported by PS

Tab. 3: Most over- and under-reported 6-digit tariff headings in 2009

	Discrepancy		Weight			Discrepancy		Weight	
	Excess values in USD	explains % of total excess values	weight of TN6 (according to CH)	weight of TN6 (according to PS)		Lacking values in USD	explains % of total lacking values	weight of TN6 (according to CH)	weight of TN6 (according to PS)
<b>Total</b>	8'394'236				<b>Total</b>	(5'714'004)			
3002.10 - Antisera and other blood fractions and modified immunological products, whether or not obtained by means of biotechnological processes	3'362'070	40%	13%	0%	3004.90 - Medicaments for therapeutic or prophylactic uses, put up in measured doses, incl. those in the form of transdermal administration systems, or in forms or packings for retail sale (excl. goods of headings 3002, 3004.10 3004.50 to 3005, or 3006)	(3'504'027)	61%	36%	56%
3004.20 - Medicaments, containing antibiotics, put up in measured doses, (incl. those in the form of transdermal administration systems), or in forms or packings for retail sale (excl. medicaments containing penicillins or derivatives thereof with a penicillanic	2'272'714	27%	9%	0%	3808.91 - Insecticides	(508'446)	9%	0%	2%
2402.20 - Cigarettes, containing tobacco	1'945'640	23%	39%	35%	2106.90 - Food preparations, n.e.s.	(365'940)	6%	0%	2%
3004.39 - Medicaments, containing hormones or steroids used as hormones but not containing antibiotics, put up in measured doses, incl. those in the form of transdermal administration systems, or in forms or packings for retail sale (excl.	414'586	5%	2%	0%	3808.92 - Fungicides	(244'409)	4%	0%	1%
3004.32 - Medicaments, containing corticosteroid hormones, their derivatives or structural analogues, but not containing antibiotics, put up in measured doses, incl. those in the form of transdermal administration	107'461	1%	0%	0%	9018.90 - Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	(126'340)	2%	0%	1%
<b>cumulated</b>		97%	63%	35%	<b>cumulated</b>		83%	36%	61%

## Chapter 24 (Tobacco and Manufactured Tobacco)

Table 4: Eastbound trade for HS groups between CH and PS for HS Chapter 24 (Tobacco and Manufactured Tobacco)

	CH Export		PS Import	
	Value (1000 USD)	Quantity (Cigarettes)	Value (1000 USD)	Quantity (Cigarettes)
<b>Total HS 24</b>	<b>12,294</b>		<b>22,724</b>	
<i>Of which</i>				
2402	12,294	986,860,000	22,724	1,038,230,000

Only 2402 group was declared by the two partners where the main asymmetry in eastbound trade of chapter 24 is due to exports declared by CH under group 2402, the 6 digits HS was “240220” “Cigarettes, containing tobacco”, while PS recorded around double value of the same commodity.

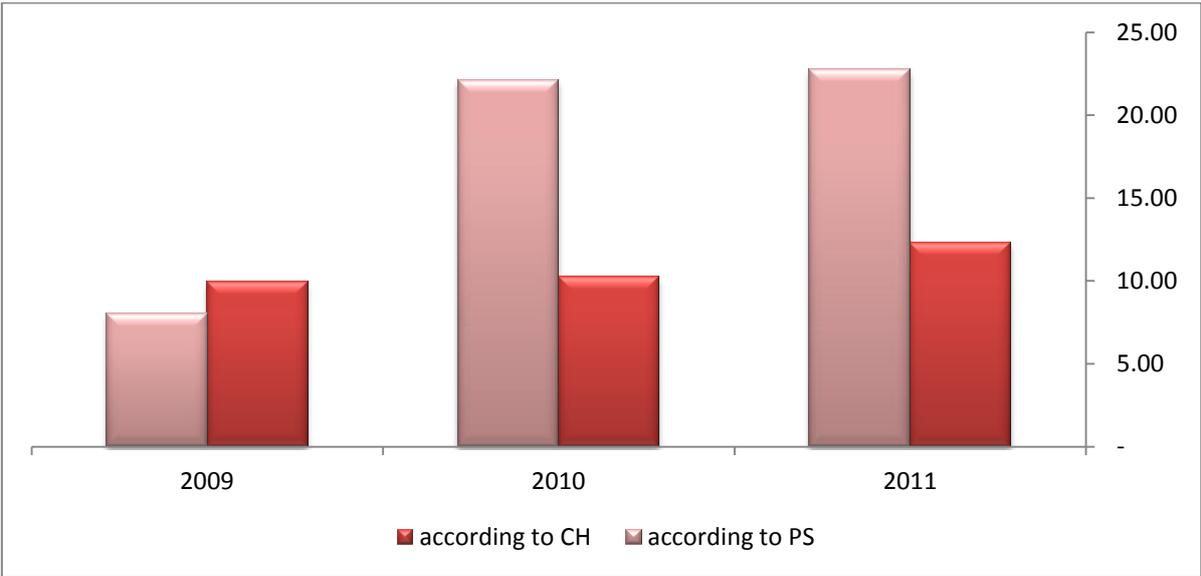
By comparing quantities, the results show positive increase of PS imports by around 5%. More investigation was made by both agencies and the following results were reported (see next pages). During investigation on the details, two PS companies are only recorded as cigarettes importers from CH.

**Tariff heading 2402.20 - Cigarettes, containing tobacco**

**Situation:**

This single tariff heading, cigarettes, is easily the largest source of data discrepancies in the past years, explaining 60% (or USD 10.4 million) of Swiss under-reported or Palestinian over-reported data in 2011. The sharpest discrepancy was recorded in 2010, when Switzerland reported USD 10.2 million exports of this tariff heading to Palestine, while Palestine reported imports from Switzerland of USD 22.1 million for the same year. It is worth noting that Switzerland, compared to the data of the Palestinian customs, underreports the value of cigarettes exported in only two of the three investigated years, while there is over-reporting for the remaining two years.

Fig. 6: TN6 2402.20, in million USD



Investigations concerning tariff heading 2402.20 have run in three directions:

- Given the high proportion of taxes in the value of this product, it has been agreed to compare quantity (weight, or if possible, units of cigarettes) in addition to value of trade, in order to exclude issues related to falsely including taxes or other price components in the value of trade. The value recorded by the PCBS (USD 22.7 million) in 2011 was 85% above the value recorded by the FCA (USD 12.3 million). By number of cigarettes, however, the discrepancy reduces to 5% (1'038'230'000 units recorded by PCBS, 986'860'000 units recorded by the FCA). This means that the unit price per cigarette at point of export from Switzerland is recorded at USD 0.0125, while the unit price per cigarette imported in Palestine is recorded at USD 0.0219. Investigations have shown that cigarettes are commonly sold between the time of export and the time of import by the producing company to a trading company. It can be assumed that the legitimate margin of the trading companies explains a large part of the price differential.

- Further, it has also been suspected that for some cigarettes exported from Switzerland, the final destination might not have been known at the time of export. Cigarettes might have been sent to intermediary logistical hubs outside of Switzerland. This practice would result in the trade partner of such exports being recorded as the country in which the hub is located, not the final destination. This practice would be in line with the methodology of Switzerland and of Palestine (please refer to annex A, "trade partner for imports" and "trade partner for exports"), as long as the final destination is not known at the time of export. All companies exporting cigarettes out of Switzerland have been contacted by the FCA. They confirmed that the practice described above has not taken place in 2011: All exporters of cigarettes have confirmed that all their shipments to Palestine were made directly.

- And lastly, the high values and quantities of trade reported for this tariff heading have led to the assumption, that the country of origin appearing on the declarations as received by the Palestinian custom authorities might be misrepresented. Several companies that produce cigarettes have their headquarters, which process billing issues, in Switzerland, and at the same time also have subsidiaries in third countries, which produce cigarettes and export these to Palestine. This might lead to the billing country instead of the country of origin or country of consignment to be listed, wrongly, as the trade partner. The Palestinian delegation has singled out Turkey as the most probable third country for which the billing address could be an issue and found that this assumption was not the case.

### Chapter 30 (Pharmaceutical Products)

Table 5: Eastbound trade for HS groups between CH and PS for HS Chapter 30 (Pharmaceutical Products)

	CH Export		PS Import	
	Value (1000 USD)	Quantity (TON)	Value (1000 USD)	Quantity (TON)
<b>Total HS 30</b>	<b>18,576</b>		<b>10,554</b>	
<i>Of which</i>				
3002	4,162	2.1	3	-
3004	14,408	25.0	10,549	-
3006	6	6	2	-

-: Null Value

PS assures that imports of CH HS 30 was around 39 Million USD, of which 8 Million USD of HS 300490 was from Israel, around 7 Million USD was imported in 2011 from HS group of 3002 from all countries, Israel can be a country of consignment in this case.

For several tariff headings of this chapter, data from the PCBS is completely absent for the period of 2007 to 2013, while the FCA does report exports to Palestine. This is the case for tariff headings 3002.10<sup>5</sup>, 3004.20<sup>6</sup>, 3004.39<sup>7</sup>, 3004.32<sup>8</sup>, 3004.50<sup>9</sup> and 3004.40<sup>10</sup>, which together accounted for 59% of over-reporting in the Swiss data, respectively under-reporting in the Palestinian data for 2011. Further, there are large discrepancies for tariff heading

5 Antisera and other blood fractions and modified immunological products, whether or not obtained by means of biotechnological processes

6 Medicaments, containing penicillins or derivatives thereof "with a penicillanic acid structure" or streptomycins or derivatives thereof, put up in measured doses, incl. those in the form of transdermal administration systems, or in forms or packings for retail sale

7 Medicaments, containing hormones or steroids used as hormones but not containing antibiotics, put up in measured doses, incl. those in the form of transdermal administration systems, or in forms or packings for retail sale (excl. medicaments containing insulin or corticosteroid hormones, their derivatives or structural analogues)

8 Medicaments, containing corticosteroid hormones, their derivatives or structural analogues, but not containing antibiotics, put up in measured doses, incl. those in the form of transdermal administration systems, or in forms or packings for retail sale

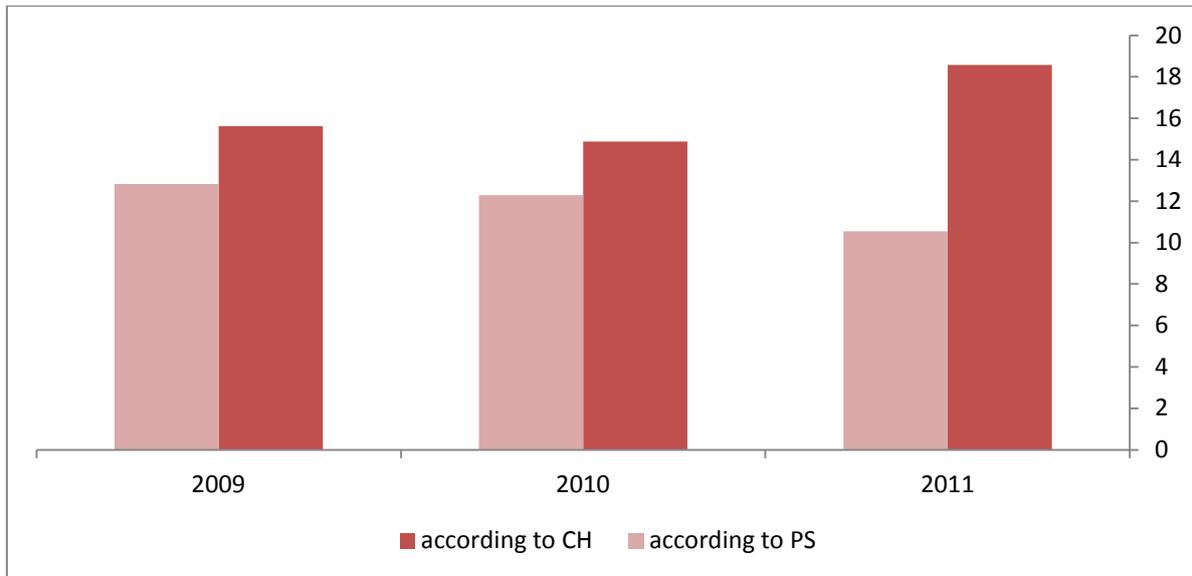
9 Medicaments, containing provitamins, vitamins, incl. natural concentrates and derivatives thereof used primarily as vitamins, put up in measured doses, incl. those in the form of transdermal administration systems, or in forms or packings for retail sale, n.e.s.

10 Medicaments, containing alkaloids or derivatives thereof, but not containing hormones, steroids used as hormones or antibiotics, put up in measured doses, incl. those in the form of transdermal administration systems, or in forms or packings for retail sale

3004.90<sup>11</sup>, but here, the type of error is not constant over time. This structure led to three initial assumptions:

- declarations from certain importers might not be reaching the Palestinian customs authority. The Palestinian delegation is checking this assumption.
- The spike in discrepancies for 2011 might be a result of a large export out of Switzerland late in 2011, which has been cleared in Palestine in early 2012. Especially 3004.90 could be affected by such an effect. Monthly data has been sent to the Palestinian delegation to investigate this question.
- The tariff headings, for which data is lacking completely, might have been misclassified.

Fig. 7: Total trade of chapter 30, in million USD



## Chapter 85 - Electrical machinery and equipment

### Situation:

For several tariff headings of chapter 85, it can be observed, that eastbound trade has been registered by the PCBS, but not by the FCA. Examples for such tariff headings are 8517.61<sup>12</sup>, 8517.62<sup>13</sup>, 8502.12<sup>14</sup>, 8502.11<sup>15</sup> and 8517.70<sup>16</sup>. The five mentioned tariff headings cause 27% of data under-reported by the Swiss authorities, respectively over-reported by the Palestinian ones.

As products from these categories are more frequently imported into Palestine from Sweden than from Switzerland, the initial assumption has been made, that a confusion of the two countries' ISO codes might be causing these data discrepancies. The Palestinian has however been able to rule out this possibility.

Further, it was considered that exports are recorded by the Swiss customs as going to Israel if the final destination (Palestine) is unknown at the time of shipping. If this assumption is true,

11 Medicaments for therapeutic or prophylactic uses, put up in measured doses, incl. those in the form of transdermal administration systems, or in forms or packings for retail sale (excl. goods of headings 3002, 3004.10 3004.50 to 3005, or 3006)

12 Base stations of apparatus for the transmission or reception of voice, images or other data, incl. apparatus for communication in a wired or wireless network "such as a local or wide area network"

13 Machines for the reception, conversion and transmission or regeneration of voice, images or other data, incl. switching and routing apparatus (excl. base stations)

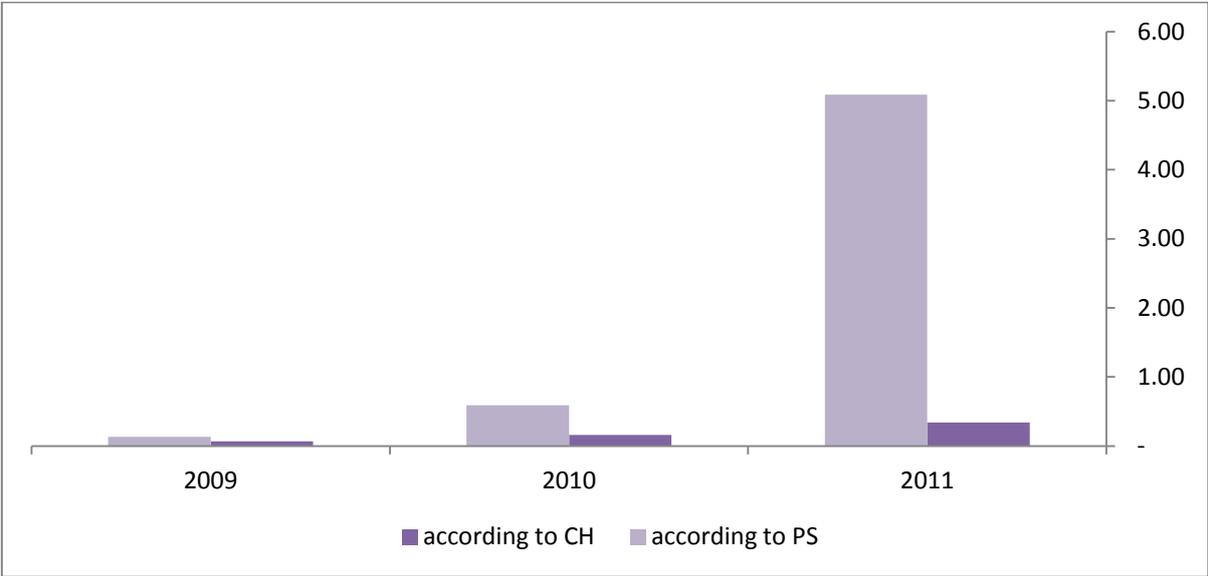
14 Generating sets with compression-ignition internal combustion piston engine "diesel or semi-diesel engine" of an output > 75 kVA but <= 375 kVA

15 Generating sets with compression-ignition internal combustion piston engine "diesel or semi-diesel engine" of an output <= 75 kVA

16 Parts of telephone sets, incl. telephones for cellular networks or for other wireless networks; parts of other apparatus for the transmission or reception of voice, images or other data, incl. those of apparatus for communication in a wired or wireless network "such as a local or wide area network" (excl. parts of apparatus of heading 443, 8525, 8527 or 8528)

the Swiss exports to Israel can be expected to be recorded as higher than the corresponding imports of Israel from Switzerland. For all of chapter 85, in the year 2011, this is true. Swiss exports to Israel are recorded at 69.5 million USD, while the Israelis recoded imports of only 1.5 million USD. It is, however, not true for the two tariff heading of this chapter with the highest discrepancies, 8517.61 and 8517.62. For both, Israeli imports are at higher levels (in terms of value), than Swiss exports to Israel. Distorted figures due to exports going through Israel and not to Palestine directly can therefore be ruled out.

Fig. 8: Total trade of chapter 85, in million USD



**3.4 Conclusions**

Since individual 6-digit tariff levels in some cases repeatedly cause large data discrepancies in the analyzed data, and because in other cases, several tariff headings from the same chapter cause problems, a combination of tariff headings and chapters have been selected for further investigation. This process has taken place during the first study visit, with data being exchanged as required in the following weeks for further investigation by the PCBS and the FCA. In this manner, further investigation has been agreed on into eastbound trade in chapter 30 (pharmaceutical products), chapter 85 (Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles) as well as tariff heading: 2402.20 (cigarettes containing tobacco).

## Chapter Four

### Westbound Asymmetry tables

Tab.1: CH and PS westbound mirror discrepancies for the years 2009 - 2012

<b>Westbound trade</b>				
<b>Mirror Analysis 2009 – 2012</b>				
Westbound (in 1000 USD)				
Year	PS exp to CH	CH imp from PS	Westbound Mirror Discrepancy	
			Value	Percentage
2009	173	270	97	36
2010	369	389	20	5
2011	444	489	45	9
2012	368	548	180	33

The table above reveals that the biggest discrepancy was in 2009 where westbound percentage discrepancy was around 36 of the difference value of PS exports to CH. On the other hand 2011 difference value was around 9percent of PS exports for the same period.

The mentioned discrepancy shows that the two countries recorded more accurate totals baring in mind that PS exports is very small vale (less than one million USD).

Fig. 1: Total trade, in million USD

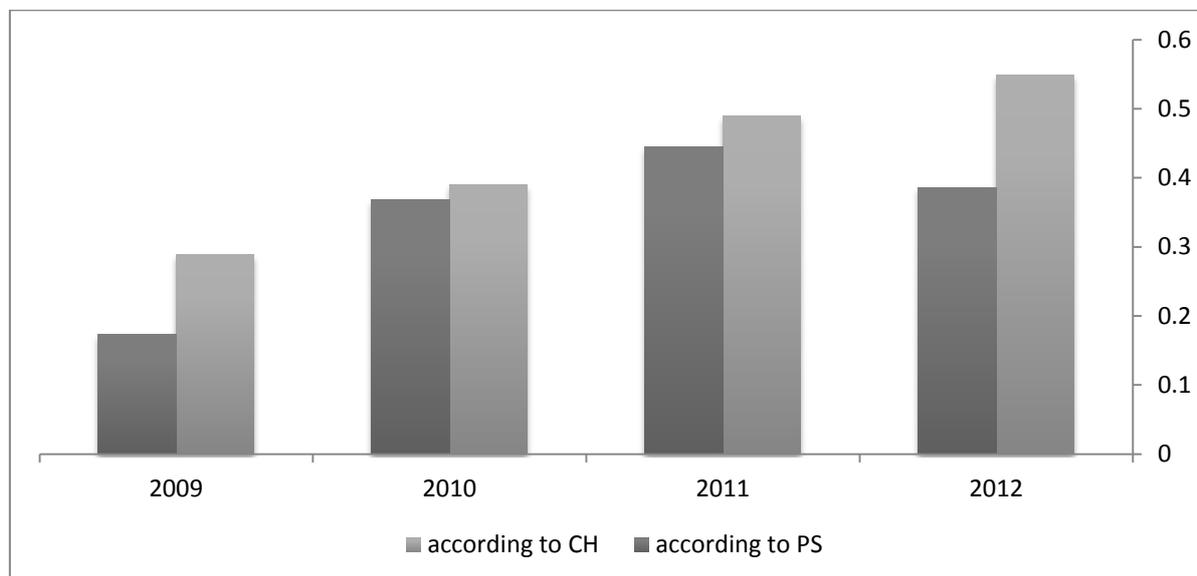
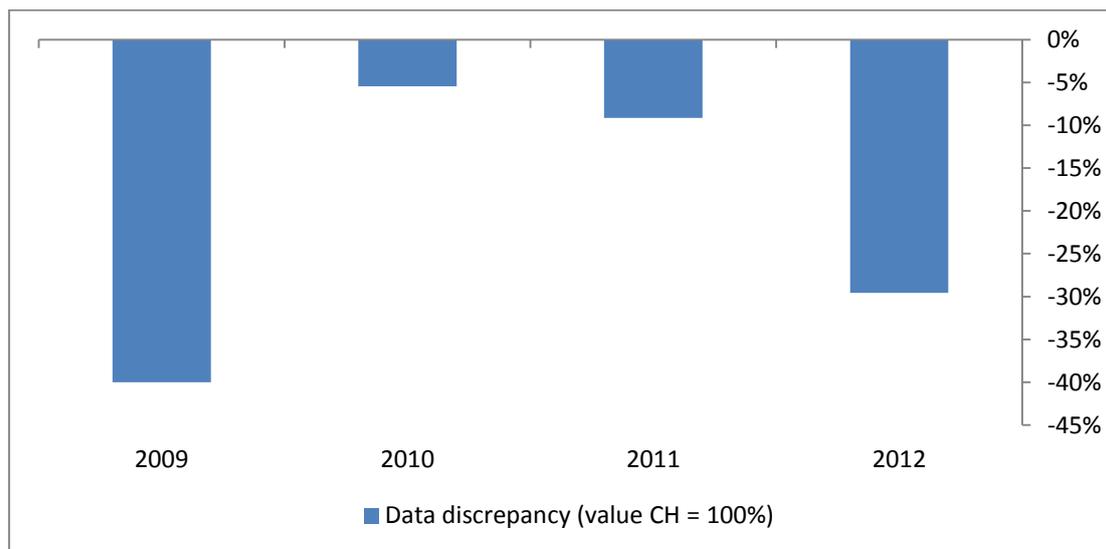


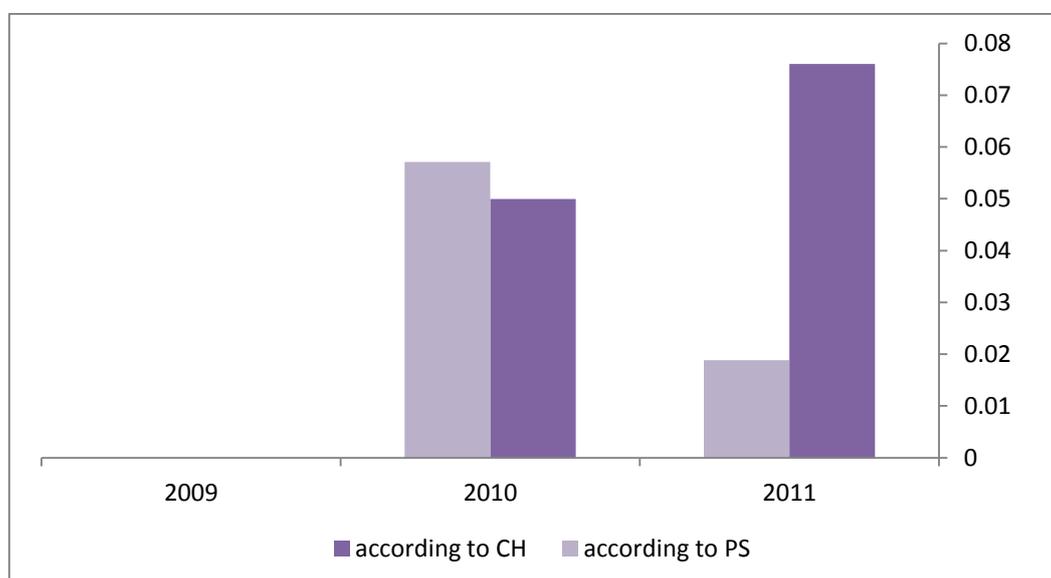
Fig. 2: Data discrepancy (value CH = value importer = 100%)



Tab. 2: Westbound trade PS-CH for HS chapter 08 (Fruit)

	PS Export		CH Import	
	Value (1000 USD)	Quantity (TON)	Value (1000 USD)	Quantity (TON)
<b>Total HS 08</b>	226		156	
<i>Of which</i>				
0802	201	14.4	73	5.0
0804	6	0.850	6	1.3
0810	19	6.2	76	9.8

Fig. 3: TN6 0810.10 (Westbound), in million USD



Main asymmetry in “PS-CH” westbound trade was found in chapter 08 (edible fruit and nuts) in both values and quantities.

The main product exported by Palestine was “Almonds”(HS 080212) for an amount of 14,356 kg, and “Strawberries” (HS 081010) for an amount of 6,215 kg.

As Switzerland reports more westbound trade in strawberries than the Palestinian customs authorities, it has been agreed to compare EUR.1 certificates of origin, which might be attached to such trades, in order to exclude any misrepresentation of the country of origin on either side. It has, however, been found by both sides, that a negligible amount of declarations in this tariff headings have such a certificate of origin, rendering this approach unhelpful.

To investigate on possible indirect trade through a third country (most probably a country bordering on Switzerland) distorting the data, it has been agreed to exchange monthly data on the westbound trade in this tariff heading. This might be a viable approach, as flows of strawberries from Palestine to Switzerland are limited to a few months in winter, when Switzerland does not export any strawberries at all.

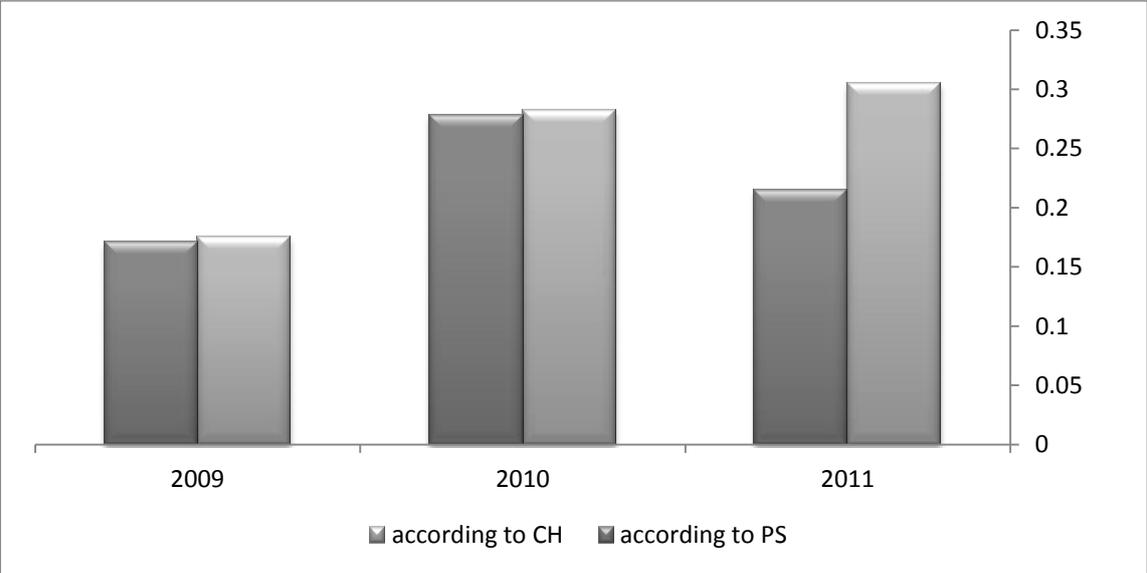
Further, to exclude any error in the data, the FCA has revisited all relevant declarations and has not found any mistakes or peculiarities.

Main findings provided by the exporting country :  
May be PS export to CH of 080212 as a gross weight and CH registered as a net weight.  
May be PS exports to CH of 081010 as a net weight and CH registered as a gross weight. and not all of exports is registered by Euro-1 certificate.

**Investigation on Chapter 15:** (Animal and vegetable fats and oils and their cleavage products; prepared edible fats; animals or vegetable waxes)

PS recorded an amount of 214, 000 USD, while CH recorded an amount of 305,000 USD with difference of 91,000 USD, PS double checked the value and found the same figures recorded in the report, the discrepancy might be due to prices recorded by PS (might be less than the real values).

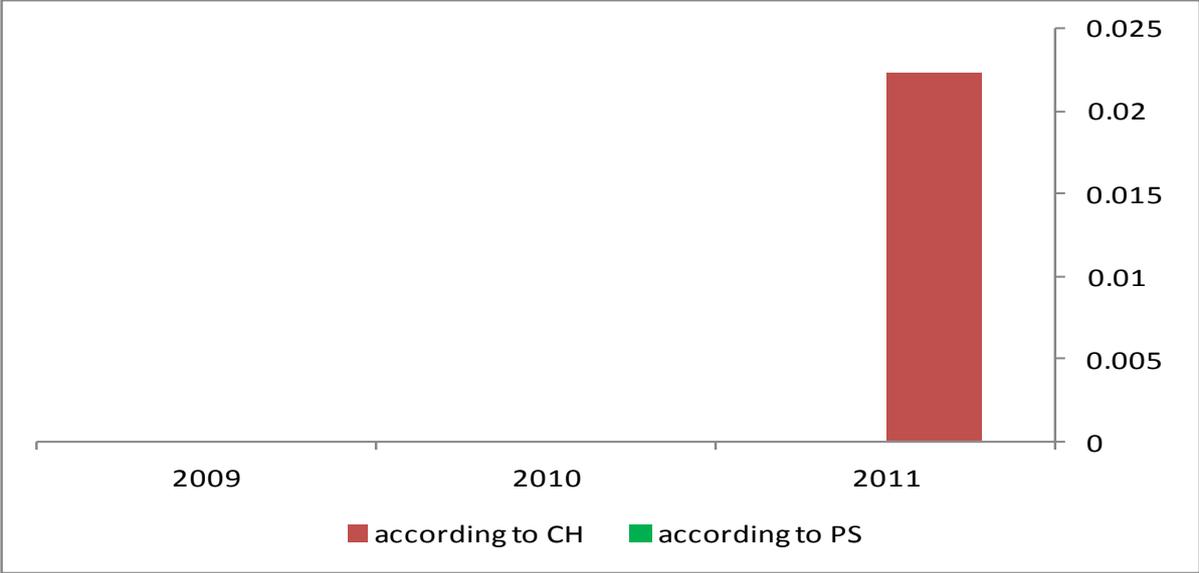
Fig. 4: Chapter 15 (Westbound), in million USD



**Westbound trade PS-CH for HS chapter 18 (Chocolate)**

The FCA confirms that 100% of westbound trade in the two relevant tariff headings (Chocolate 1806.3216 and 1806.9017) which occurred in 2011 was due to returned goods. These are correctly reported as imports into Switzerland (please refer to “data concept”), and should be recorded as exports out of Palestine.

Fig. 5: Chapter 18 (Westbound), in million USD



## Appendix A:

### Foreign Trade Methodology: State of Palestine and Switzerland.

The aim of this table is to document the methodologies used by the State of Palestine and Switzerland respectively to compile foreign trade statistics. The document aims to uncover possible sources of discrepancies between the trade data of the two parties.

Subject	State of Palestine	Switzerland	Comments / discrepancies
<b>Territory covered : Switzerland</b>	Principality of Liechtenstein possibly not included.	The Principality of Liechtenstein and the enclaves of Büsingen and Campione d'Italia belong to the Swiss customs territory and are included in the foreign trade statistics, whereas the valleys of Samnaun and Sampuoir are excluded.	No implication for mirror stat, as there is no trade between PS and Liechtenstein in the relevant years. PS will consider incorporating data for trade with Liechtenstein into their Swiss data in case of any further asymmetry studies on external trade in the future..
<b>Territory covered : Palestine</b>	East Jerusalem is not included.	Defined according to definition of European Union: “West Bank (including East Jerusalem) and Gaza Strip”	No practical implication.
<b>Data concept</b>	PS applied the relax definition of the special trade system due to the special case since Palestine has control, on its border , imports includes the following. <ul style="list-style-type: none"> <li>• Direct imports, mainly from VAT vouchers.</li> <li>• Direct imports from other countries</li> </ul>	Switzerland applies the <b>Special Trade System</b> . The foreign trade statistics are established in accordance with the UN guidelines on “International Merchandise Trade Statistics” and with the ”Balance of Payments Manual” of the International Monetary Fund, with few exceptions. Switzerland has signed the ”International Convention on the Harmonized Commodity Description and Coding System”,	No difference.

Subject	State of Palestine	Switzerland	Comments / discrepancies
	<p>other than Israel through Israeli ports.</p> <ul style="list-style-type: none"> <li>• Electricity.</li> <li>• Goods for processing.</li> <li>• No re-imports are recorded</li> </ul> <p>Exports are merchandise goods leaving the Swiss customs territory. They includes</p> <ul style="list-style-type: none"> <li>• Re-exports are part of total exports</li> </ul>	<p>the “Convention on Simplification of Formalities in Trade in Goods” and the "Convention on a Common Transit Procedure”.</p> <p><b>Imports</b> include merchandise for which an according declaration has been made and which thus may freely circulate. It includes:</p> <ul style="list-style-type: none"> <li>• direct imports of goods;</li> <li>• imports from duty-free warehouses with a final customs declaration;</li> <li>• reimports of Swiss goods;</li> <li>• electricity;</li> <li>• goods for processing (with or without change of ownership).</li> <li>• returned goods, i.e. goods which owing to non-acceptance, contract termination or non-saleability are returned to the sender in Switzerland unaltered;</li> <li>• certain border traffic</li> </ul> <p>Exports are merchandise goods leaving the Swiss customs territory. They includes</p> <ul style="list-style-type: none"> <li>• direct exports of Swiss goods;</li> <li>• exports to a duty-free warehouse with a final customs declaration;</li> <li>• re-exports of nationalized goods,</li> <li>• electricity;</li> <li>• goods for processing</li> <li>• foreign returned goods, i.e. goods which owing to non-acceptance, contract termination or non-saleability are returned to the sender abroad unaltered;</li> <li>• certain boarder traffic</li> </ul>	

Subject	State of Palestine	Switzerland	Comments / discrepancies
<b>Major flows excluded from foreign trade statistics</b>	No data collected for goods in consignments of less than 50 USD.	<ul style="list-style-type: none"> <li>• transit flows</li> <li>• duty-free warehouse flows</li> <li>• Foreign trade in monetary gold, silver and coinage is reported independently and separate from the special trade statistics.</li> <li>• goods transported within a range of ten kilometers on either side of boarder in connection with agricultural- or forestry production;</li> <li>• personal items (including imports and exports in tourist traffic);</li> <li>• non-tradables, i.e. merchandise which is listed exclusively in the list of exemptions (e.g. free-of-cost replacement deliveries, etc.);</li> <li>• export consignments of small unities (under 100 kg) and of negligible value (under CHF 1,000) which can be declared using the simplified procedure</li> </ul>	Gold: No implication, as according to Swiss data: no trade in monetary gold, silver and coinage in the past years in either direction of trade.
<b>Data source</b>	<ul style="list-style-type: none"> <li>• Goods from / to other trade partners than Israel: data from customs declarations.</li> <li>• Goods from / to Israel: data from VAT voucher forms</li> <li>• Estimates instead of administrative data for electricity, fresh agricultural goods, water, postal packages</li> </ul>	Data is collected from customs declarations, with the exception of electricity where special procedures apply. All declarations are made electronically as of January 1 <sup>st</sup> , 2013.	Goods not produced in but imported via Israel as potential source of data imprecision.
<b>Provisional data</b>	Data up to 2010 currently considered definite, 2011 data provisional.	All data used for the mirror statistics (up to data relating to 2011) is deemed definite and will not be updated, except in the rare case of major revisions.	Revisions of 2011 data: no major changes expected.
<b>Mixed goods</b>		When goods of multiple tariff numbers are mixed, they may	Discrepancies expected to

Subject	State of Palestine	Switzerland	Comments / discrepancies
		be declared as belonging to one tariff number, as long as the statistical value of the reclassified goods per tariff number does not exceed 1000 CHF or 1000 kg, and the total statistical value of all reclassified goods does not exceed 5000 CHF or 5000 kg.	be minor.
<b>Trade partner for imports</b>	Uses concept of country of production.	Up to 31.12.2011 : country of production, which corresponds to the country from which the item was imported. Ie. If a product was nationalized in a third country before entering Switzerland, this third country is recorded as the trade partner After a change in methodology, data for 2012 and later uses the concept of country of origin.	Implications in data 2011 and earlier: Problems expected for products that are nationalized in third country. This holds true for both directions of trade.
<b>Trade partner for exports</b>	The country of destination is relevant.	The country of destination is relevant for exports; this is the country to which the item is exported for final use or where the item will be processed or refined, as far as is known to the exporter.	Possible source of data discrepancies: Difficulty of recording the final destination where it is not known to the exporter.
<b>Value</b>	FOB for exports and CIF for imports.	All values shown in the foreign trade statistics refer to the invoiced price of the goods in Swiss francs carriage paid to the Swiss border (= statistical value). This includes transport and insurance costs as well as other expenditure up to the Swiss border in accordance with CIF (cost, insurance and freight), in the case of importation, or FOB (free on board) in the case of exportation. However, reductions, discounts, all customs duties, taxes (e.g. value added tax) and other charges are not included in the statistical value. If the invoice is in a foreign currency, the invoiced amounts are converted using the previous day's exchange selling rate.	Transportation cost as potential source of data discrepancies.
<b>Quantities</b>	No difference to CH.	The foreign trade statistics show the <b>net mass</b> of an item in kg (i.e. the actual weight of the item without packaging, padding	Data on “additional amounts” must be

<b>Subject</b>	<b>State of Palestine</b>	<b>Switzerland</b>	<b>Comments / discrepancies</b>
		or supports). For certain goods, there is also information on <b>additional amounts</b> such as number of units, liters, meters, pairs.	exchanged on a case-to-case basis, if available.
<b>Statistical date</b>	The date of clearing is relevant.	The date of clearing is relevant.	Possible discrepancies if goods are registered in different months in CH and PS as a consequence of long shipment / clearance times.
<b>Plausibility checks</b>	Data cleansing is undertaken.	Source data is submitted to several steps of plausibility tests, including risk-oriented sample checks.	No implications.
<b>Confidentiality</b>		In accordance to confidentiality obligations, data at the level of individual importers or exporters may not be shared. Generally speaking, the Swiss Foreign Trade statistics apply passive confidentiality. Data are disseminated publically up to 8-digit tariff heading level. Upon request by affected corporations or government agencies, confidentiality can be increased by publishing data at special levels of aggregation.	
<b>Currency</b>	Conversion into USD on weekly exchange rates.	Conversion CHF to USD on monthly exchange rates.	Discrepancies expected to be minor.

## Appendix B:

CH-PS mirror analysis at HS-2 level for the year 2011 (1 000 USD).

Mirror Analysis 2011						
	Eastbound			Westbound		
HS Chapters	CH exp to PS	PS imp from CH	Eastbound Mirror Discrepancy	PS exp to CH	CH imp from PS	Westbound Mirror Discrepancy
01			0			0
02			0			0
03			0			0
04			0			0
05			0			0
06			0	1		-1
07			0			0
08			0	226	156	-70
09			0		1	1
10			0			0
11			0			0
12			0			0
13			0			0
14			0			0
15			0	214	305	91
16			0			0
17	10	126	115			0
18	81	54	-27		22	22
19			0		0	0

Mirror Analysis 2011						
HS Chapters	Eastbound			Westbound		
	CH exp to PS	PS imp from CH	Eastbound Mirror Discrepancy	PS exp to CH	CH imp from PS	Westbound Mirror Discrepancy
20			0		0	0
21	45	47	3		2	2
22			0			0
23			0			0
24	12,294	22,724	10,430			0
25			0			0
26			0			0
27			0			0
28			0			0
29		231	231			0
30	18,576	10,554	-8,022			0
31			0			0
32		12	12			0
33	10		-10			0
34		0	0	4	2	-2
35			0			0
36			0			0
37		1	1			0
38	0	274	274			0
39	0	5	5			0
40	1	40	39			0
41			0			0
42			0			0
43			0			0

Mirror Analysis 2011						
HS Chapters	Eastbound			Westbound		
	CH exp to PS	PS imp from CH	Eastbound Mirror Discrepancy	PS exp to CH	CH imp from PS	Westbound Mirror Discrepancy
44	0	12	12			0
45			0			0
46			0			0
47			0			0
48		17	17			0
49	1	2	1			0
50			0			0
51			0			0
52			0			0
53			0			0
54			0			0
55			0			0
56			0			0
57		94	94			0
58			0			0
59		2	2			0
60			0			0
61		0	0			0
62			0			0
63		1	1			0
64			0			0
65			0			0
66			0			0
67			0			0

Mirror Analysis 2011						
HS Chapters	Eastbound			Westbound		
	CH exp to PS	PS imp from CH	Eastbound Mirror Discrepancy	PS exp to CH	CH imp from PS	Westbound Mirror Discrepancy
68			0			0
69		40	40			0
70		0	0			0
71			0			0
72			0			0
73	58	3	-56			0
74	9		-9			0
75			0			0
76	1	0	-1			0
77			0			0
78			0			0
79			0			0
80			0			0
81			0			0
82		172	172			0
83			0			0
84	646	681	35			0
85	340	5,087	4,746			0
86			0			0
87		3	3			0
88			0			0
89			0			0
90	312	118	-195			0
91		28	28			0

<b>Mirror Analysis 2011</b>						
HS Chapters	Eastbound			Westbound		
	CH exp to PS	PS imp from CH	Eastbound Mirror Discrepancy	PS exp to CH	CH imp from PS	Westbound Mirror Discrepancy
92			0			0
93			0			0
94		93	93			0
95			0			0
96	34	0	-34			0
97		0	0			0
98		0	0			0