Trade and investment prospects between Palestine and BRIC Countries (1996 – 2017)

Khalil A. Elnamrouty
Department of Economics and Political Science
Islamic University – Gaza, Gaza Strip, Palestine.

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Palestine, BRIC, Exports, Imports and Investment.

Abstract

The study aims to explore the trade and investment prospects between Palestine and BRIC countries particularly Brazil, India and China, in order to stimulate demand and to boost growth in the Palestinian economy. Russia and South Africa are excluded because of their insignificant trade volume with Palestine. Descriptive statistics and time series model found an increasingly important trade growth between Palestine and BRIC throughout the study period, particularly with China and India. Forecasts results indicate that there is an increasing linear trend for Palestinian imports from the BRIC countries. More business and investment prospects can be achieved in different economic sectors.

Introduction

Palestine is an uprising economy with stable annual GDP growth rates, showing an excellent investment environment and huge potential for further growth in many sectors; Palestinian businesses have a reputation for their professionalism as well as the quality of their products. Large Palestinian enterprises are connected, with partnerships extending to Asia, Europe, the Gulf and the Americas. Due to the small size of the local market, access to foreign markets through trade is essential for private sector growth. However, Israeli restrictions on cross-border movements will remain in place, hampering exports and capital goods imports, (Hong Kong Trade Development Council, 2019).

In recent years, the Palestinian economy experienced further relative recovery; a combination of political and economic conditions promoted growth, mainly a stable economic situation and regular domestic and clearing revenues, a regulated financial situation, some recovery in economic activity, improvement in aggregate demand, and the ongoing gradual restoration of the Gaza's production base, devastated by the Israeli war in the summer of 2014. Such conditions have boosted production and the growth rate. In the Gaza Strip, growth increased by 7.7 percent compared to 6.1 percent the previous year, mainly supported by an increased investment, while in the West Bank, economic activity expanded a little, growth rate reached 3.0 percent in 2016 compared to 2.6 percent in 2015, (PMA, December 2017).

The Palestinian economy is small and relatively open. As Table (1) shows, the value of imports was $2.016 Billion standing at 36.77 percent of 1996 GDP, while the total imports increased to $ 5.854 Billion, at a rate of 42.77 percent of 2017 GDP. On the other hand, the Palestinian economy's exports of goods and non-factor services as a share of GDP are less than half those of a comparable group of countries, the value of exports was $ 340 million and just 6.19 percent to 1996 GDP, Exports increased to $ 1.065 Billion and close to 7.78 percent to 2017 GDP. Export performance has deteriorated over the years since Oslo agreement (signed between Israel Occupation and Palestinian Liberation Organization in 1994). In 2017, Palestine trade deficit was $ 4.789 billion of which $516 million with BRIC countries.

World Bank report suggests that the removal of restrictions, including improved access to all of the Palestinian economy's natural resources (Area C), could triple the economy's growth rate to 2025, to growth rates in the 8-10% range, and vastly reduce unemployment. Such growth rates would enable the Palestinian economy to roughly double in size between 2017 and 2025. As for Gaza, lifting the blockade would open it up for critical trade needed to rebuild its infrastructure and economy, and could lead to additional cumulative growth in the range of 32 percent by 2025.

Table (1): Merchandaise Export and Import, percentage to GDP, 1996-2017 (thousands US$)

Year	Exports	Imports	BT	%Exp/Imp	%Exp/GDP	%Imp/GDP	GDP
1996	339,467	2,016,056	-1,676,589	16.84	6.19	36.77	5,483,540
1997	382,423	2,238,561	-1,856,138	17.08	6.08	35.60	6,287,823
1998	394,846	2,375,102	-1,980,256	16.62	5.49	33.04	7,189,132
1999	372,148	3,007,227	-2,635,080	12.38	4.78	38.63	7,784,423
2000	400,857	2,382,807	-1,981,949	16.82	5.63	33.47	7,118,374
2001	290,349	2,033,647	-1,743,298	14.28	4.50	31.50	6,455,607
2002	240,867	1,515,608	-1,274,741	15.89	4.26	26.83	5,649,354
2003	279,680	1,800,268	-1,520,588	15.54	4.34	27.95	6,441,160
2004	312,688	2,373,248	-2,060,560	13.18	4.40	33.39	7,107,374
2005	335,443	2,667,592	-2,332,149	12.57	4.26	33.87	7,874,882
2006	366,709	2,758,726	-2,392,017	13.29	4.85	36.45	7,567,715
2007	512,979	3,284,035	-2,771,056	15.62	6.36	40.71	8,066,472
2008	558,446	3,466,168	-2,907,722	16.11	6.53	40.51	8,556,857
2009	518,355	3,600,785	-3,082,430	14.4	5.57	38.73	9,298,097
2010	575,513	3,958,512	-3,382,999	14.54	5.73	39.38	10,051,159
2011	745,661	4,373,647	-3,627,986	17.05	6.60	38.71	11,298,873
2012	782,369	4,697,356	-3,914,987	16.66	6.51	39.12	12,008,921
2013	900,618	5,163,897	-4,263,280	17.44	7.34	42.07	12,275,209
2014	943,717	5,683,199	-4,739,482	16.61	7.70	46.38	12,252,882
2015	957,811	5,225,467	-4,267,656	18.33	7.56	41.23	12,673,000
2016	926,499	5,363,768	-4,437,269	17.27	6.98	40.42	13,269,700
2017	1,064,884	5,853,850	-4,788,966	18.19	7.78	42.77	13,686.400

Source: PCBS, various issues.

Percentages calculated by researcher.

The Palestinian economy's small and trade-reliant economy is falling behind that of its regional peers. Table (2) clearly shows that, Israel is the main source of Palestine imports; Israel share has declined from 86.46 percent in 1996 to 55.25 percent in 2017, trade deficit with Israel reached $ 2.356 Billion. The second source of imports in 2017 is the group of Asian countries with 20.75 percent, China dominate the group of Asian countries; the third group is the European countries. In the export side, Israel remains the main direction, with 94.04 percent in 1996 and 82.50 percent in 2017.

Elnamrouty (2017) found that the low share of Palestine exports to the rest of the world is due to the different processes imposed by the Israeli occupation on the movement of goods from the exporter's location (West Bank and Gaza Strip) to the target market. Such restrictions on movement also involve significant financial costs as well as costs associated with imperfect information, weak infrastructure, lengthy and uncertain delivery times.

Table (2): Palestine Direction of Exports and Source Imports (Thousands of US$)

Country Group	Year	1996	2000	2005	2010	2014	2015	2016	2017
Israel	M	1,743,190	1,739,541	1,873,700	2,873,343	3,958,259	3,044,627	3,123,190	3,234,784
	X	319,247	369,680	290,558	488,396	791,540	803,626	770,812	878,617
Arab Countries	M	26,551	39,668	69,001	129,817	274,375	343,209	320,050	358,340
	X	19,054	29,122	25,855	65,898	112,610	121,105	119,032	141,439
European Countries	M	146,987	263,605	283,183	367,477	581,191	724,021	760,125	914,772
	X	244	1,675	11,644	9,865	21,253	16,473	18,777	18,115
Asian Countries	M	52,898	218,780	376,620	458,266	754,505	977,417	1,033,174	1,214,635
	X	107	309	2,002	1,227	4,492	5,111	5,949	11,320
American Countries	M	28,876	66,967	51,148	67,120	94,786	114,998	108,026	111,955
	X	815	71	4,321	9,508	13,115	11,281	11,521	14,950
Rest of the World	M	17,759	54,246	13,940	62,489	20,083	21,194	19,202	19,364

	X	0		1,063	619	707	215	408	443
Total	M	2,016,261	2,382,807	2,667,592	3,958,512	5,683,199	5,225,466	5,363,767	5,853850
	X	339,467	400,857	335,443	575,513	943,717	957,811	926,499	1,064,884

Source: PCBS various issues.

Literature Review

Palestine Trade Center (2010) concludes that political uncertainty and the movement and access restrictions are the main obstacles impeding investors and direct foreign investment in Palestine. Israel is intentionally feeding the investors' feeling of this uncertainty using a continuous internal and external closure regime. International Bank for Reconstruction and Development (2014) found that labor productivity of Palestinian firms is on par or nearly so with countries at a similar GDP rate. Indeed, labor productivity is higher than in Yemen, Egypt, and Tunisia in recent years. However, it is less than the best-performing comparator countries in the region, including Lebanon and Jordan. This moderate labor productivity performance seems to be the result of firms with relatively low capital investments in low productivity sub-sectors at a relatively high technical efficiency. While low capital intensity may be attributed to the uncertainty in the investment climate. Palestine Trade Center (2014) found that Palestine has a skilled workforce impresses with an efficient banking system and the availability of needed infrastructure throughout all sectors and in almost the whole country. As indicated by the World Bank, the West Bank and Gaza business environment is highly favorable compared with much of the rest of the region. Shunnar (2011) showed that the Palestinian Authority is implementing an open investment policy with the goal of attracting foreign investment and re-orienting domestic savings and investment to augment Palestinian development efforts. World Bank (2017) mentioned that Israel's restrictions on the movement of people and goods, high trade logistics costs, and lack of many instruments and freedom to conduct an independent economic policy, the Palestinian economy's small and trade-reliant economy is falling behind that of its regional counterparts. Meanwhile, various estimates of the impact of easing trade and other ongoing restrictions on the normal functioning of the Palestinian economy show the potential for significantly improving economic conditions, growth, jobs and trade. International Trade Center (2015) concludes the dominance of Israel as both destination for exports and country of origin of imports calls for the diversification of Palestinian export and import markets. In 2012, out of US$ 782 million of total Palestinian exports, goods worth US$ 639 million were exports to Israel. For imports, the value of goods originating from Israel amounts to $ 3.3 billion (out of $ 4.6 billion total import value). Palestinian Federation of Industries (2009) found there are many potential opportunities and reasons to invest in the industrial sector in Palestine, the most prominent reasons are the abundant human resources and the absorptive capacity of the market.

BRICS

Previously BRIC was coined by Jim O'Neill in 2001 as an acronym of four countries that were all deemed to be at a similar stage of a newly advanced economic development. In economics, BRIC is a grouping acronym that refers to the countries of Brazil, Russia, India and China. It is typically rendered as "the BRICs" or "the BRIC countries" or "the BRIC economies" or alternatively as the "Big Four". A related acronym, BRICS, adds South Africa. There are arguments that Indonesia should be included into the grouping, effectively turning it into BRIIC or BRIICS (Wikipedia).

Although initially thought of purely in terms of the size of their economies, the members have become an important political force in the global trading system and heavily influenced the World Trade Organization (WTO), and are also known to have significant influence on regional affairs. All are also members of the G20.

The economic potential of Brazil, Russia, India and China is such that they could become among the four most dominant economies by the year 2050. The thesis was proposed by Jim O'Neill, global economist at Goldman Sachs, Financial Times, (2006). These countries encompass over 25% of the world's land coverage and 40% of the world's population and hold a combined GDP (PPP) of $20 trillion. On almost every scale, they would be the largest entity on the global stage. These four countries are among the biggest and fastest-growing emerging markets (Wikipedia).

According to Financial Advisor (August 1, 2018). The global economy is worth an estimated $79.98 trillion, according to the World Economic Forum. As the world's economies grow, however, there is

expected to be a reshuffling when it comes to the largest national economies. China and India, for example, are projected to be the two largest economies by 2050. Indonesia, Russia and Mexico are predicted to climb in the rankings, passing Germany, France and the United Kingdom, the report said. Turkey and Vietnam are also viewed as fast risers.

Brazil has population of more than 207 million, in 2017, according to the estimates by the International Monetary Fund; Brazil's economy has a gross domestic product (GDP) of $2,055 Billion being ranked as the 8th largest economy in the world. It is the second largest in the American continent, only behind the United States' economy. Brazil exports $218 Billion and imports $151 Billion.

The economy of **India** is a developing mixed economy. It is the world's seventh-largest economy by nominal GDP $2,067 Billon and the third-largest by purchasing power parity (PPP). The country ranks 139th in per capita GDP (nominal) with $2,134 and 122nd in per capita GDP (PPP) with $7,783 as of 2018. After the 1991 economic liberalization, India achieved 6-7% average GDP growth annually. In 2017, India runs trade deficit $157 Billion. Since 2014 until of 2017, India's economy has been the world's fastest growing major economy, surpassing China.

The People's Republic of China is the world's second largest economy by nominal GDP and the world's largest economy by purchasing power parity. Until 2015, China was the world's fastest-growing major economy, with growth rates averaging 6% over 30 years. China's public sector accounts for a bigger share of the national economy than the burgeoning private sector. According to the IMF, on a per capita income basis China ranked 71st by GDP (nominal) and 78th by GDP (PPP) per capita in 2016. The country has an estimated $23 trillion worth of natural resources, 90% of which are coal and rare earth metals. China also has the world's largest total banking sector assets of $39.9 trillion. China is the world's largest manufacturing economy and exporter of goods, with trade surplus of $419 Billion in 2017.

Objectives

After 71 years of occupation, Israel continues to be the main trading partner, accounting for 82.50 percent of Palestine merchandise exports and more than 55 percent of Palestine merchandise imports in 2017. Under this context, Palestine needs to diversify trade relations with the rest of the world. Table (3) clearly shows the growing importance of trade relations between Palestine and the emerging markets (BRIC countries). In general, the study aims to achieve the following objectives:

1. To shed light on and analyze volume and composition between Palestine and BRIC countries.
2. To determine the most important areas of trade and investment.
3. To identify business climate and the wide range of investment opportunities in Palestine.
4. To forecast the volume of Palestine imports from BRIC for the period 2018: Q1 – 2022: Q4.
5. To identify the most significant difficulties and obstacles facing the improvement of trade and investment in Palestine.

Methodology

In order to study the trade relationship between Palestine and BRIC countries, the research methodology depends on the analytical descriptive and quantitative approach. The analysis of the study is based on time series secondary data; data start from the first quarter of 1996, to the fourth quarter of 2017. Data were obtained from the official publications of the Palestinian Central Bureau of Statistics (PCBS) and Palestinian Monetary Authority (PMA).

The statistical analysis is performed by using E-Views statistical software program. Descriptive statistics and Time Series model are conducted for Palestine imports from each BRIC country under study. Stationary assumption is achieved for the data by using Phillps-Perron unit root test. Durbin-Watson test is used to check the assumption of residuals autocorrelation.

Volume of Trade

In recent years, particularly after the establishment of the Palestinian Authority in 1994, Palestine foreign trade sector witnessed significant changes in the sources of imports, as mentioned above; 86.46 percent of imports comes from Israel, and this percentage dropped to 55 percent in 2017. The decline of imports from Israel is an unofficial strategy adopted by the Palestinian private sector to diversify the sources of imports to minimize the cost of doing business with Israel; the strategy benefited both European and Asian countries. Table (3) presents Palestine trade with Five BRIC countries.

In 1996, only 0.62 percent of Palestine imports came from BRIC countries, increased to 8.52 percent in 2017. The main BRIC trade partners are China, India, Brazil, Russia and South Africa respectively. Russia and South Africa are excluded from this analysis because of their less significant trade importance with Palestine. Despite the high transportation and logistics costs of imports from BRIC with comparison to Israel, the value of imports from China and India has increased more than forty times and twenty-four times for Brazil throughout the study period 1996–2017. This clearly shows the importance of future trade relationship between both groups.

Table (3): Palestine trade with BRICS 1996 – 2017 (Thousands of US$)

Year	Brazil		China		South Africa		Russian		India	
	Imp	Exp	Imp	Exp	Imp	Exp	Imp	Exp	Imp	Exp
1996	753	0	10643	0	221	0	285	1	2661	0
1997	883	0	16183	0	593	0	1036	71	3201	0
1998	1711	0	33817	0	428	27	4701	0	7457	0
1999	2060	0	98190	0	2064	0	12279	0	14033	0
2000	3841	0	89304	0	605	0	17522	0	7686	463
2001	6707	0	45989	0	495	0	11836	0	5792	34
2002	3836	0	43969	0	212	0	3608	0	6654	0
2003	5584	0	63584	43	879	0	6715	2	7567	78
2004	8655	0	88705	504	828	9	2593	0	9612	20
2005	9213	0	110936	373	1419	0	7070	0	12375	83
2006	15063	0	114326	139	815	0	11868	25	10968	153
2007	9786	2	143835	113	425	0	7988	0	12561	0
2008	18037	0	121017	48	306	0	15559	0	11828	0
2009	15741	0	157816	11	517	2	2513	0	15113	0
2010	9179	204	181261	21	366	11	10263	0	17084	0
2011	18911	65	194127	0	315	0	8548	0	21467	0
2012	19326	72	197341	0	774	18	3963	0	22674	0
2013	20036	0	236602	0	560	69	6185	0	23507	0
2014	23438	142	281811	44	660	181	1969	0	27611	0
2015	37049	0	368037	1	320	0	3955	0	34815	0
2016	26628	153	382679	61	1586	0	7357	0	38985	0
2017	24392	196	428680	19	1880	0	15088	0	46053	0

Source: PCBS various issues.

Descriptive Statistics

Table (4) shows the descriptive statistics for quarterly data starts from 1996: Q1 to 2017: Q4 of the imports form three BRIC countries.

For Brazil, the imports range from 52 to 15116 (US$ thousands) with mean 3192.24 (median = 2600) and standard deviation of 2802.608.

For China, the imports range from 1079 to 113561 with mean 38736.95 (median = 31894.00) and standard deviation of 30312.406.

For India, the imports range from 170 to 14666 with mean 4087.55 (median = 3256.00) and standard deviation of 2990.372.

Table (4): Descriptive Statistics

Statistics	Brazil	China	India
Mean	3191.24	38736.95	4087.55
Median	2600.00*	31894.00	3256.00*

Std. Deviation	2802.608	30312.406	2990.372
Skewness	1.279	0.872	1.179
Std. Error of Skewness	0.257	0.257	0.257
Minimum	52	1079	170
Maximum	15116	113561	14666

Values are in Thousands of US$

* The median is used because the skewness is more than twice its standard error

Stationary Condition

Schwarz information criterion (SC) is used to determine the number of lags used in order to determine the stationary of the imports. Lag order selected by the SC for each country is shown in Table (5). Phillips-Perron Test for unit root (Stationary test) including Trend and Intercept indicates the imports variable is stationary in its level for each country.

Table (5): Stationary test

Country	No. of lags	Trend & Intercept	Unit root test
Brazil	1	0.0000	0.0000*
China	4	0.0002	0.0158*
India	4	0.0003	0.0154*

* The stationary assumption is satisfied

Regression Analysis

Table (6) shows the regression coefficients, their P-values, R-Square, and DW for each country.

Durbin-Watson test is used to check if the disturbances are independent, the test statistic (DW) is scaled so that it is around 2 if no autocorrelation is present and near 0 if it is very strong.

By using Durbin-Watson table, d_L=1.63, d_U = 1.68, since DW for each country as shown in the table is greater than d_U, we conclude there is no autocorrelation, i.e. disturbances are independent.

The coefficients of determination, R-Squares for each country indicate that 89.71%, 85.13%, and 68.52% of the variation in imports is explained by time index for China, India, and Brazil, respectively. The coefficient of determination is the most important criteria because the main objective of this study is to determine the forecast of the imports.

The time index variable is statistically significant for each of country since the P-value is smaller than the level of significance $\alpha = 0.01$

Table (6): Regression analysis results

Country	Coefficient	P-value	R-Square	DW
China	1085.456	0.0000*	0.8971	2.2377
India	104.1682	0.0000*	0.8513	2.3193
Brazil	87.93372	0.0000*	0.6852	1.9200

* The variable is statistically significant at $\alpha = 0.01$

Forecasting for imports in 2018-2022

After the end of descriptive and quantitative analysis, we are in a position to forecast the future trade, import side between Palestine and the BRIC countries. Table (7) shows the forecasting values for each country based on the final regression model obtained in Table (6). The forecasts results indicate that, there is an increasing linear trend for Palestinian imports from the BRIC countries in the period 2018: Q1-2022: Q4.

Table (7): Forecasting values for each country results for 2018: Q1-2022: Q4 (Thousands of US$)

Year	China	Brazil	India
2018: Q1	87672.591	7107.301	8793.818
2018: Q	88758.047	7195.235	8897.986
2018: Q3	89843.503	7283.169	9002.155
2018: Q4	90928.959	7371.103	9106.323
2019: Q1	92014.415	7459.036	9210.491
2019: Q2	93099.871	7546.97	9314.659
2019: Q3	94185.327	7634.904	9418.827
2019: Q4	95270.783	7722.838	9522.996
2020: Q1	96356.24	7810.77	9627.16
2020: Q2	97441.70	7898.70	9731.33

2020: Q3	98527.15	7986.64	9835.50
2020: Q4	99612.61	8074.57	9939.67
2021: Q1	100698.06	8162.51	10043.84
2021: Q2	101783.52	8250.44	10148.00
2021: Q3	102868.98	8338.37	10252.17
2021: Q4	103954.43	8426.31	10356.34
2022: Q1	105039.89	8514.24	10460.51
2022: Q2	106125.34	8602.17	10564.68
2022: Q3	107210.80	8690.11	10668.85
2022: Q4	108296.26	8778.04	10773.01

Conclusions and Recommendations

Table (8) Composition of Palestine Exports according to SITC sections (Thousands US$)

SITC code	1996	2005	2010	2012	2014	2015	2016	2017
0	48,836	36,180	80,153	114,700	145,308	166,369	163,292	183,641
1	15,400	14,322	24,040	40,485	46,858	46,455	43,204	37,690
2	23,316	13,165	71,862	98,098	83,266	71,388	52,352	80,017
3	8,276	12,220	1,532	2,467	2,198	1,574	1,515	1,013
4	8,720	12,276	14,960	30,395	28,108	42,122	46,709	44,350
5	23,692	28,866	46,082	51,319	46,869	50,695	54,185	59,657
6	138,041	129,788	190,525	256,429	328,844	323,802	319,434	390,571
7	20,314	18,522	31,558	34,562	37,583	32,512	31,176	33,042
8	51,997	64,645	113,485	153,914	224,684	222,893	214,633	234,905
9	875	5,459	1,316	0		0	0	0
Total	339,467	335,443	575,513	782,369	943,718	957,810	926,500	1,064,886

Source: Palestinian Central Bureau of Statistics

Tables (8 and 9) shows the composition of Palestine exports and imports according to SITC Sections. In the exports side, table (8) shows that, in 2017, the SITC code (6, Manufactured goods classified chiefly by material), is the main component accounting 36.68 percent of Palestine exports basket. The most important items of section (6, Manufactured goods classified chiefly by material) are articles of stone, plaster, cement, asbestos, mica or similar materials and Footwear, gaiters and the like; parts of such articles. Second; the SITC code (8, Miscellaneous manufactured articles) with 22.06 percent, most important items are Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof and Vehicles other than railway or tramway rolling stock, and parts and accessories thereof. Third; SITC code (0, Food and live animals), accounts 17.24 percent, Edible vegetables and certain roots and tubers, edible fruit and nuts; peel of citrus fruit or melons, and animal or vegetable fats and oils and their cleavage products. The three sections account for 76 percent of Palestine total exports.

Despite overall poor export performance, there have been limited but important gains in export market and product diversification. The gains in market diversification, while small, are important since they represent potential opportunities to diversify not only markets but also market channels, thereby gaining direct exposure to advanced buyers and markets. Nearly half of all exports are in limestone and agricultural produce, mostly with limited processing and low value added. Although export diversification has been limited in value, the emergence and continued growth of some high-value sectors, such as pharmaceuticals, furniture, agribusiness products, information technology (IT) services, and call centers, points to the future potential in services and some high value added industry, (World Bank, 2017)

Table (9) Composition of Palestine Imports according to SITC sections (Thousands of US$)

SITC code	1996	2005	2010	2012	2014	2015	2016	2017
0	422,863	452,224	692,850	895,751	1,125,367	1,085,184	1,164,629	1,244,631
1	107,576	102,389	166,361	189,521	196,799	277,606	300,561	324,852
2	68,117	62,034	65,071	58,046	84,038	95,019	103,711	98,937
3	384,609	718,268	1,242,305	1,447,718	1,868,878	1,132,258	1,074,516	1,134,859
4	22,870	20,343	19,368	25,113	29,283	28,326	27,154	42,096
5	158,038	222,997	326,823	389,793	491,034	491,034	504,685	544,810
6	462,829	490,493	688,427	848,371	889,317	938,142	1,027,294	1,096,477

7	251,261	433,895	545,165	587,106	706,555	823,396	794,295	1,014.655
8	133,085	147,529	212,142	255,920	291,923	311,093	366,800	352,116
9	5,013	17,420	0	17	5	1	122	417
Total	2,016,261	2,382,807	2,667,592	3,958,512	5,683,199	5,225,466	5,363,767	5,853850

Source: Palestinian Central Bureau of Statistics

In the imports side as shown in table (9), shows that, in 2017, the SITC code (0; Food and live Animals), dominating the imports basket with 21.26 percent. The most important items under this section is, vegetable products, live animals and animal products, Edible fruit and nuts; peel of citrus fruit or melons, Cereals and Dairy produce; birds' eggs; natural honey; edible products of animal origin respectively. Second; the SITC code (3, Crude materials, inedible, except fuels), with 19.38 percent. Third; the SITC code (6, Manufactured goods classified chiefly by material and SITC code 7; Machinery and transport equipment), 18.73 and 17.33 percent respectively. The most important items under the two sections are, Wood and articles of wood, Pulp of wood, plastic, textiles, machinery and mechanical appliances; electrical equipment; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles and transport equipment.

Table (10) Composition of Palestine Imports and Exports with Brics Countries by SITC Sections (Thousand US$)

Country	SITC code	2010		2012		2014		2016		2017	
		Imp	Exp	Imp	Exp	Imp	Exp	Imp	Exp	Imp	Exp
Brazil		6,892	-	16,669	72	21,561	142	20,932	153	19,498	196
		579	-	440	-	-	-	146	-	50	-
		116	-	67	-	-	-	158	-	-	-
		-	-	-	-	-	-	0	-	-	-
		-	-	-	-	6	-	8	-	-	-
		235	-	377	-	688	-	710	-	2,928	-
		912	-	845	-	861	-	2,333	-	1,326	-
		235	204	690	-	147	-	374	-	423	-
		212	-	237	-	175	-	1,967	-	167	-
China		4,552	5	7,191	-	8,643	14	10,027	-	10,115	-
		1,206	-	397	-	67	-	456	-	831	-
		1,400	-	1,400	-	2,067	1	4,609	-	2,130	-
		14	-	66	-	2	-	191	-	106	-
		370	-	74	-	70	27	272	-	520	-
		9,558	3	11,453	-	16,365	3	20,014	-	19,630	9
		65,295	11	76,133	-	102,759	0	138,418	61	139,630	10
		37,802	1	32,992	-	79,343	-	108,415	-	156,511	-
		61,066	-	67,635	-	72,494	0	100,277	-	99,206	-
		-	-	-	-	1	-	-	-	0	-
		4,033	-	6,382	-	10,343	60	11,513	83	15,883	131
India		232	-	113	-	-	-	598	-	615	-
		287	0	587	29	656	-	410	-	413	-
		43	-	45	-	99	-	31	-	54	-
		131	-	67	4	46	6	16	-	81	22
		3,631	-	4,760	-	4,712	-	5,307	-	6,966	-
		5,981	-	6,965	-	7,874	12	12,929	-	13,069	-
		1,204	-	1,462	-	1,122	-	3,671	-	5,386	-
		1,543	-	2,292	-	2,759	-	4,509	-	3,588	-

Source: Palestinian Central Bureau of Statistics.

Table (10) present Composition of Palestine Imports and Exports with Brics Countries by SITC sections. Palestine exports is highly insignificant to BRIC, this could be due to several reasons, such as,

Limited diversified export basket,

Higher production cost with comparison to labor intensive countries,

Complicated export procedures imposed by Israel and,

Higher transportation cost.

The composition of Palestine imports from BRIC countries shows that,

(0; Food and live animals) is the main imports from Brazil, the value of other imported goods is very limited.

(7; Machinery and transport equipment, 6; Manufactured goods classified chiefly by material, 8; Miscellaneous manufactured articles, 5; Chemicals and related products and 0; Food and live animals) are the main imported goods from China respectively.

(0; Food and live animals, 6; Manufactured goods classified chiefly by material, 5; Chemicals and related products) these are the main goods imported from India.

This finding indicates that, there will be strong business and investment opportunities between Palestine and the BRIC countries particularly with China and India.

Palestine enjoys numerous advantages that make it a highly interesting destination for investment. The strategic geographic location of Palestine, the presence of a skilled and young labor force, numerous free trade agreements with the main trading partners all over the world, the industrial states incentives, strongly encouraging governmental policies for trade and investment in the framework of the Palestinian Investment Promotion Law and investment guarantees and insurance from local and international institutions. It also impresses with an efficient banking system and the availability of needed infrastructure throughout all sectors and in almost the whole country. As indicated by the World Bank, the West Bank and Gaza business environment is highly favorable compared with much of the rest of the region. Palestine performed particularly well in terms of protecting investors (49th globally and 4th regionally) and paying taxes (55th globally and 10th regionally), (Palestine world trade center, 2014).

Descriptive and quantitative analysis and trade forecast proved the growing importance of trade between Palestine and BRIC countries, since the Palestinian economy has a small and trade-reliant economy, Palestine must work hard to sign free trade agreements and encourage investment with BRIC countries particularly China and India. Palestine has free trade agreements with global economic players, such as, The Interim Agreement on Trade and Cooperation with the European Union, EFTA, MERCOSUR, Morocco, Egypt, Jordan, Tunisia, Turkey, USA, Canada and other countries.

Palestine Trade Center (2014). In its report, why invest in Palestine' defined the different investment opportunities in many sectors in Palestine including the following:

Construction sector, Housing has become a growing need in the West Bank, Gaza Strip and East Jerusalem.

Developing the infrastructure in the public transportation sector and its sub-sectors.

Stone and marble products have a good potential based on its large value of exports, many existing export markets, a strong supply base and solid global demand. Palestinian stone and marble are in high demand in international markets.

Agri-Business, include olives, citrus fruits, vegetables, flowers and strawberries, and medicinal herbs, have accounted for the larger part of priority sectors in the Palestine National Export Strategy; high value added, high quality agricultural products are exported to the US, EU and Gulf markets and are gaining larger market shares on yearly bases.

Textiles and Garments: this sector largely consists of sub-contract manufacturing for international brands, with a highly skilled labor force and quality of production.

Other sectors, handicraft, paper industry, processed industry, health and financial sector, etc.

The huge Palestinian trade deficit with the rest of the world requires more action by the Palestinian Authority and international community, to force Israel to improve access to Palestinian resources and markets as well as the free movement of people to boost the growth of the economy.

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