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OCCASION

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In Israel there is as yet no free zone. This subject is still in the planning phase. However, all the legislative procedures have already been made to establish such a port. A number of committees have been set up and several studies have been made to investigate the possibilities of effectuating such a port and to find a suitable location for it.

Legislation

Israel's law already enables the Government to establish a free zone in the port area. The area will be administered by a council made up of the managers of the Port Authority and the representative of various economic agencies.

Only business establishments authorized by the Council would be permitted to operate within the free zone. The Minister of Finance is permitted to exempt these establishments from all the taxes imposed on import, export and production of merchandise imported into the area, produced with it or exported from it. Likewise, he may exempt an authorized establishment from Income Tax. There would be no need for import and export licences and there would be no inspection on foreign currency transactions. Merchandise earmarked for personal use will not be brought into the free port and they will not be exempt from indirect taxes. The Ministers of Finance and Transportation are in charge of putting the law into effect. The Port Commissioner in whose jurisdiction the free zone would also act as the commissioner of the free port zone.

The Economic and Administrative Background

The essential limitation that Israel suffers from is the lack of a wide hinterland which prevents the establishment of the port as a distribution centre. Therefore the scope of the free zone would be limited to two functions;

- (a) Import from distant countries (the Far East, South America) for distribution within the Mediterranean region either before or after manipulation.
- (b) Industries that specialize in finishing processes, and which are mainly based on the assembly of import items.

Israel has already developed different administrative methods that enable the exporter - whether he is a producer or an importer - to effectuate export transactions with non-payment of duties or other tax on the merchandize

destined for export. The drawback procedures differ and the different bonded warehouses have achieved largely already the goals that act as a base for the establishment of a free port.

Nevertheless it seems that there is room for a free port in Israel for two reasons:

1. There are industrial enterprises and export businesses that are bound up with manipulations for which the existing administrative systems comprise a considerable burden, and in various cases there are even limitations in the existing laws.
2. In every area where the investor or the exporter works there usually are reasonable arrangements. But the exporter has to come up against numerous authorities (such as import licensing agency, customs division, foreign currency department etc.)

All these combine to form a deterrent that can be avoided within the framework of a free port. This only to the extent that a free port will not be a defined area near the dock but an agency that will concentrate on all the handling of the investor.

Guidelines

1. To encourage investors in enterprises most suitable for a free port.
2. The free port should have the following functions.
 - (a) To deal with all matters of an ordinary port in a most efficient manner.
 - (b) A free zone in which the maximum facilities will be furnished as a means of encouraging investments in merchandise trade and industry when the essential point is export activities.
3. The administrative agency of the free zone will be responsible not only for the physical operation of the port but also for all the other details connected with its operation such as import and export formalities, foreign currency regulations, health and security. The customs authorities will function separately.

The day-to-day operation of the free zone will be managed by the general port administration which in turn will be subject to the instruction of free port council.

4. There are already customs regulations which cover most situations related to a free port (temporary entrance, drawback bonded warehouses etc.) The basis for these instructions is that the imported commodities were actually imported to the country, and proof must be presented that the merchandize was exported. Such a requirement does not exist in a free zone. These regulations must be adjusted to the conditions of a free zone and they will thus facilitate the activities of the exporter.