



## MOVING AHEAD FROM DOHA TO CANCÚN: THE WTO DISCUSSIONS IN THE ARAB COUNTRIES

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While it is true that the Arab countries are often the subject of reports in the international media, the region very seldom plays a role when the issue concerned is international trade policy or the ongoing WTO World Trade Round. In the Arab countries themselves there is seldom an opportunity to engage in an intensive and transboundary dialogue on issues bound up with world trade. Organized by the Friedrich Ebert Foundation (FES) and the Egyptian Center for Economic and Financial Research and Studies (CEFRS, University of Cairo), the seminar "Moving Ahead from Doha to Cancun; Discussion of the Arab Countries' Position," held from 24 – 25 May 2003 in Cairo, offered such a rare occasion for an exchange of views between representatives of governments, research institutions, international organizations (WTO, Arab League), as well as some labor unions and NGOs. The participants included representatives from Egypt, Jordan, Lebanon, Morocco, Tunisia, and Sudan.

### **The present situation: Arab countries in the developing international trade and investment regime**

According to UN information, the Arab world's share in both international trade and international investment flows is relatively low (see Annex Table 1).

In 2000 the Arab share in world trade was 2.6% (exports 3.2%; imports 1.4%), with mineral oil exports accounting for a total of 70% of overall Arab exports (ESCWA 2002).

In the late 1990s a large number of Arab countries embarked on an accelerated course of economic reforms. These included liberalization of trade and investment and implementation of regional and multilateral trade agreements. One factor of significance in the region's cooperation with Europe is the so-called Barcelona Process. The Euro-Mediterranean conference of foreign ministers held in Barcelona in November 1995 adopted a Euro-Mediterranean Partnership between the 15 EU member states and twelve states of the southern Mediterranean region: Morocco, Algeria, Tunisia, Egypt, Israel, Jordan, the Palestinian Autonomy areas, Syria, Lebanon, Turkey, Cyprus, and Malta (in the meantime Libya is also attending the meetings as a guest of the EU Council Presidency). Agreement was reached on cooperation in three fields: 1. political and security issues, 2. economic, financial, and trade cooperation, and 3. social and cultural cooperation. Creation of a Euro-Mediterranean free-trade area as an "area of peace and stability" is envisaged by the year 2010.

Other agreements relevant to liberalization of foreign-trade policies in the Arab world include

the Greater Arab Free Trade Agreement (GAFTA) and, of course, WTO agreements (see Annex Table 2 for an overview of Arab WTO members and candidates for accession).

### **Public perceptions of the WTO in the Arab world**

In the Arab world there is relatively little public awareness of the WTO and its implications or of the accession efforts of Arab countries. In his highly informative country report on Egypt, Dr. Ahmed F. Ghoneim, co-organizer of the Cairo seminar and Deputy Director of the CEFRS, points out that the public perception of the WTO in Egypt is largely restricted to two issues: a) tariff reductions and b) the impacts of the TRIPS Agreement on the prices of medical drugs.<sup>1</sup> He further notes that, thanks to misleading media presentations, these two issues are widely misunderstood. Dr. Riad Al Khouri and Dr. Ibrahim Saif reported on a highly mixed set of perceptions in Jordan: while a majority of Jordanians polled on the issue indicate that they anticipate positive economic impacts in connection with the country's membership in the WTO (since 2000), there are also many voices in the country that see in the WTO a "club of the rich" in which developing countries have no more than a marginal influence and which has, since 1989, imposed its rules on Jordan in the framework of the IMF/World Bank's policy of structural adjustment. From Morocco, too, Hamdouch Bachir outlines a contradictory set of public opinions on the part of both the general public and interest groups. On the one hand, he noted, in view of lower prices for consumer goods, many Moroccans have a basically positive attitude to the WTO. However, there are also other voices highly critical of the WTO, including e.g. the globalization-critical NGO ATTAC Morocco and some labor unions. Even in the business camp we find both WTO-friendly positions (Association of Moroccan Exporters, ASMEX; Association of Fruit and Vegetable Producers, APEFEL) and critical positions (Association of the Moroccan Textile and Garment Trade, AMITH; Association of the Grain, Milk, Dairy Producers).

### **From Doha to Cancun: the state of the negotiations from the Arab point of view**

The Arab side – and precisely the Arab negotiators in Geneva – view the present state of the talks in the world trade round as an extremely difficult and uncertain situation. The extreme diversity and complexity of the issues up for negotiation constitute an enormous challenge for the – for the most part – very small Arab delegations in Geneva. They would prefer a focus on developing-country issues as well as far move movement on agriculture. In view of the fact that thus far every deadline for agreement has been missed, the Arab countries, as relatively weak WTO members, look with great concern to the coming months and the WTO Ministerial Conference in Cancun. Instead of new issues and additional burdens on their already strained capacities, they would wish, in the short term, more movement in the positions of the industrialized countries and a reinvigoration of the deadlocked negotiation process. Against the backdrop of the tense global political situation and growing US-EU trade conflicts, many Arab voices, including e.g. Madgi Farahat of the Egyptian trade mission in Geneva, are still hoping that multilateralism will survive in the WTO, since they see under this scenario better chances of asserting developing-country interests than under one defined solely by bilateral processes.

With a view to better asserting Arab interests in multilateral forums, there have often been calls to focus the forces of Arab countries by acting together as an 'Arab block.' However, unified action of this kind has very seldom met with success. While a group of 11 Arab countries have been seeking for some time to coordinate their positions, the goal of an effective common policy is still far off. Indeed, in the course of the Cairo seminar it was often asked whether there is even any such thing as "Arab unity" or an "Arab movement" at the WTO and how, apart from that, things stand with the "homework" that was to have been done by the Arab region on world trade policy.

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<sup>1</sup> See Ghoneim, Ahmed: Report on Egypt, in FES/CEFRS 2003.

## **Does further liberalization of agricultural trade really hold chances for Arab countries?**

It is, once again, agriculture that is the crucial issue for any further progress in the ongoing trade round. In his contribution, Dr. Ghoneim (CEFRS) pointed to the special problems and issues facing Arab countries in the debate on international agricultural trade. Egypt, for instance, has an agricultural trade deficit of some US-\$ 2 bio and is faced, in its role as a net food importer, with some difficult questions as regards any further steps toward liberalization. The experiences of the group of Net Food-Importing Countries (NFIC) with the promises made in connection with the Uruguay Round have been quite negative. Any reductions of agricultural subsidies would entail rising prices for agricultural goods in world markets, possibly confronting countries like Egypt with additional problems. Egypt's current, quite liberal, agricultural trade policy (which includes a limited number of exceptions for state-run companies in the cotton sector) as well as its stated inclination to go on with its course of liberalization (roughly in keeping with the notions of the CAIRNS Groups), would, it was noted, have to be thoroughly rethought. For the future, it was further noted, it was uncertain what export chances further WTO-related liberalization measures would in fact entail for Egypt's agricultural sector, and whether seizing these chances would really makes sense in economic and ecological terms. Dr. Ghoneim is more inclined to assume that Egypt's position as a net food importer will continue, and, in view of persistent population growth in Egypt and increasing water shortages, he posed the question as to whether Egypt in fact has a 'sustainable comparative advantage' in the agricultural sector. WTO representatives, but also other positions voiced by representatives of Arab countries – based, among other things, on neoclassic agro-economic theories and models – are far more optimistic about the chances of further liberalization in agricultural trade. On the whole, no consensus is thus visible as regards further tariff-reduction policies in the agricultural sector. Furthermore, there continues to be considerable controversy over the strategic question of whether, both in the ongoing WTO agriculture debate and on other foreign-trade issues, the

Arab countries should seek orientation in the positions advanced by the US or by Europe.

## **The "Singapore Issues": a thorny problem for the Arab countries as well**

One of the key decisions facing the WTO Ministerial Conference in Cancun – indeed, the most important one in the eyes of many Arab countries – is whether or not the WTO should embark on negotiations on the 'Singapore Issues' (investment, competition, transparency in public procurement, and trade facilitation). Despite the massive pressure brought to bear – above all by the EU – at the Doha Ministerial Conference, no agreement was reached in 2001 on a date for the onset of negotiations on these issues. It was therefore resolved that these new negotiations would get underway only if an "explicit consensus" of all WTO member states was reached on the so-called bargaining modalities at the WTO Ministerial Conference in Cancun in 2003. Just a number of weeks prior to the Cancun conference, however, many, if not most, of the developing countries continue to view the additional negotiations on the Singapore Issues with attitudes ranging from marked skepticism to outright rejection – a situation which applies for the Arab world as well. For instance, the country reports presented in Cairo on Morocco and Jordan<sup>2</sup> express concern that new WTO negotiations on investment or competition would a) tie down negotiating capacities that developing countries urgently need elsewhere and b) serve only to restrict the economic-policy latitudes of governments – but without providing for any binding obligations for investors.

Most of the other participants in the Cairo seminar expressed for their part doubts as to the development-related economic benefits that might derive from an application of the WTO principles of nondiscrimination in trade to the field of investment. Many Arab countries already have highly liberal investment regimes, though they are interested in retaining what investment-regulation rights they still have (e.g. as regards market access for foreign corporations). Furthermore, these Arab countries are intent on avoiding any new economic risks that might emerge from a new agreement, e.g. in connection with the

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<sup>2</sup> See FES/CEFRS 2003.

proposals advanced by other WTO members on a very broadly conceived concept of investment (which would include portfolio investments), or might stem from an opening up of the WTO dispute settlement procedure for the possibility of "investor-to-state" litigation (i.e. the possibility of foreign firms to institute legal proceedings against national laws and administrative practices).

The fact that the positions in the Arab world on this issue are anything but uniform was illustrated by a number of different Egyptian voices: proponents and opponents of a Cancun resolution in favor of negotiations on the 'New Issues' are to be found both among government representatives and in academic circles. One central argument advanced by proponents points less to any immanent advantage of such talks for developing countries than to the fact that acceptance of the EU's demands regarding the 'New Issues' is the price that has to be paid for better concessions in the field of agriculture. As one diplomat familiar with the trade-offs to be expected pointedly stated: "...on investment, make me a good offer on agriculture, and you'd be surprised how much consensus will be there."

### NGOs speak up

Compared with other world regions, NGOs have thus far played a very minor role in the debate on trade issues in the Arab world. In most countries NGOs simply lack the potential to engage in political activities – and, to make matters worse, many Arab governments are unwilling to discuss their economic and trade policies, in a transparent and democratic process, with a broad spectrum of social actors. For all that, though, an *Arab NGO Network for Development (ANND)* has been founded, and since 2001 it has been making its voice heard in the debate on trade policy. The network consists of NGOs and national networks, most of them active in the fields social development, human rights, gender, and the environment. ANND includes 30 NGOs and 9 national networks in 12 Arab countries. In working for a democratic, sustainable, and socially equitable development in the Arab world, the organization indicates that it is informed by an ethos of opposition to violence and works in favor of solidarity and cooperation as well as equal rights for all people. Just before the WTO

Ministerial Conference in Doha, in November 2001 in Beirut, ANND organized the "World Forum on the WTO."<sup>3</sup> The Forum brought together, for the first time in such a large framework, representatives of over 1000 Arab and international NGOs to discuss the risks of a possible new trade round and to develop some specific alternatives. In the Final Declaration of the Beirut WTO Forum, the participants spoke out clearly against the impending opening of a broad liberalization round, criticizing in particular the "Singapore Issues," the TRIPS and agriculture agreements, and inclusion in the trade system of important basic services like water, health, or education.<sup>4</sup>

At the FES/CEFRS seminar in Cairo ANND's managing director, Ziad Abdel Samad, pointed to the emerging Arab activities and positions on WTO issues, emphasizing that what is called for is not only the often-addressed better involvement of the Arab business community but above all participation of noneconomic interests and actors, like NGOs, in the process of trade negotiations.

WEED representative Peter Fuchs, speaking from the perspective of European experience, reported briefly on the diversity, but also on the limitations and participation problems faced by civil-society actors precisely in Europe. At present, he noted, there are intensive public debates underway in several European countries over the GATS as well as about the dangers posed by an expansion of the WTO's power in connection with the "Singapore Issues." Thus far, he noted however, these debates have had relatively little influence on the WTO-related activities of the European Commission.<sup>5</sup>

### Conclusions

Aside from the issues outlined above, the participants in the Cairo seminar engaged in stimulating discussions on the so-called implementation problems of the developing countries, the GATS services agreement, as well as a variety of

<sup>3</sup> See <http://www.worldforumbeirut2001.org/>.

<sup>4</sup> For the Final Declaration of the Beirut WTO Forum: [www.worldforumbeirut2001.org/english/finaldeclaration.htm](http://www.worldforumbeirut2001.org/english/finaldeclaration.htm)

<sup>5</sup> For further information on the activities of civil society, as well as on other issues, see the websites [www.s2bnetwork.org](http://www.s2bnetwork.org) or [www.gatswatch.org](http://www.gatswatch.org).

country-specific issues. On the whole, the seminar brought to light a number of similarities (e.g. capacity problems, weakness of civil society) shared by the Arab countries, but it also pointed to some substantial political differences – for instance, on attitudes to the "Singapore Issues or the issue of liberalization in agriculture. Finally, it was stressed that it is essential that all Arab countries not respond passively to developments in the WTO but instead play an active role in doing their "homework" on the numerous trade-policy issues at hand. What is called for here is

- greater public awareness on WTO issues;
- continued technical assistance that is focused in part on new target groups (like journalists) and in part on development of the capacities needed to deal effectively with trade issues;
- more effective participation of NGOs and labor unions in trade policy; and
- continuation of the dialogue and the trade-related coordination between the Arab countries.

In view of the relatively small role the region plays in the WTO and the geopolitical constellation (EU-US conflicts; war against 'terror'; war in Iraq) in which the WTO Ministerial Conference is set to take place in Cancun, the question of whether the populations of the Arab countries have any real reason to expect multilateral trade policy to provide any helpful contributions to improving their life situation must remain an open one. It may in future prove more important than it has been a) to strengthen (intra-)regional cooperation in the Arab world and b) to seek to impart to bilateral relations with Europe and the US a new shape that is more conducive to development. In view of the policies of their powerful 'competi-

tors,' the Arab countries would be well advised to bear an old adage in mind: "Place your trust in Allah, but don't fail to tether your camel."

*The present contribution reflects the personal opinions of a participant in the Cairo seminar, not necessarily the views of the organizers.*

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**Annex**

Table 1: The Arab world's share in the world economy

	Arab world	World as a whole	Overall % share of the Arab countries in the world economy
GDP in 2001 (bio. US-\$)	632	30.938.8	2.0
Population in 2001 (mio.)	289.9	6.134.1	4.7
Overall exports in 2001 (bio. US-\$)	243.3	7.603.1	3.2
Overall imports in 2001 (bio. US-\$)	152.5	10.892.9	1.4
Telephone density in 2001 (accounts pro 100 inhabitants)	8.2	17.2	—
Mobile telephone accounts in 2001 (mio.)	16	946	1.7
No. of mobile telephone accounts in 2001 (accounts per 100 inhabitants)	6.3	15.6	—
FDI inflows (bio US-\$)	6	753.4	0.8
WTO member states (as of Feb. 2002)	11	144	7.6
Countries engaged in WTO accession talks (as of Feb. 2002)	5	30	16.7
Tourism revenues in 2001 (bio. US-\$)	16	463	3.6

(Source: ESCWA 2002: 1)

Table 2: Arab WTO members and candidates for accession

WTO members	Date of accession
Bahrain	1 Jan. 1995
Kuwait	1 Jan 1995
Morocco	1 Jan. 1995
Tunisia	29 March 1995
Mauritania	31 May 1995
Djibouti	31 May 1995
Egypt	30 June 1995
Qatar	13 Jan. 1996
United Arab Emirates	10 April 1996
Jordan	11 April 2000
Oman	9 Nov. 2000
Countries engaged in the accession procedure (currently with WTO observer status)	Date on which accession working group was set up
Algeria	17 June 1987
Saudi Arabia	21 July 1993
Sudan	25 Oct. 1994
Lebanon	14 April 1999
Yemen	17 July 2000

(Source: ESCWA 2002: 9)

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