

**Regional Arab NGO Workshop**

**“Globalization  
& Trade”**

**Beirut 10 - 11 September 2001**



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Capacity Building Workshop for Arab NGOs on Globalization and Trade  
Beirut 10-11 September 2001

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# FOREWORD

## Globalization and Social Development Threats and Opportunities

*"Only through broad and sustained efforts to create a shared future, based upon our common humanity in all its diversity, can globalisation be made fully inclusive and equitable."*

*Millennium Declaration*

The rapid globalization of production and finance, the spread of digital information technologies and the expanding reach of transnational corporations are leading to radical changes in patterns of trade and investment. Together with the creation of the World Trade Organization (WTO), the trading regime confronting developing countries has grown in scope and complexity, providing both new opportunities and Threats.

Globalization, its instruments and mechanisms, is one of the most controversial issues of our time. On the one hand those who are pro-globalization defend the opportunities and advantages that globalization could bring, and the real potential in the ability to leapfrog decades, harness technology and deliver on promises of prosperity to the Developing world. On the other hand, political and social groups in developed and developing countries issue warning signals in relation to the effects of globalization and global trade on social equity and its accrued benefits. Civil society organizations in many countries argue that globalization has magnified inequalities in wealth distribution; contributed to the deterioration of the environment; augmented social and cultural difficulties; and resulted in a concentration and monopoly of resources and economic potentials in the hands of multi-national and international financial companies. The United Nations Development Programme (UNDP) advocates an "inclusive and equitable globalization" which can best be achieved through a 'human development' paradigm, linking the expansion of international trade and participation in the world economy to long-term economic growth and human development, where trade is a means to human development, not an end in itself. To establish a strong and broad-based commitment to a new development agenda, the Administrator of UNDP has reaffirmed the organization's commitment to help developing countries, both governments and civil society, "integrate into a globalizing economy on terms that further our shared goals: gender equality, poverty eradication and growth with equity".

The Arab NGO Network for Development (ANND) was founded in June 1996 with a membership of 55 NGOs from 12 Arab countries. The network's objectives focus on building an efficient, effective and strong Arab NGO sector and include working towards reviewing legislation governing the freedom of association, the autonomy of civil society organizations; strengthening coordination among various Arab NGOs and with regional and international networks; and developing the skills and resources available to member organizations.

In the above context, ANND, in partnership with UNDP, organized a capacity-building workshop on globalization and international trade for its member NGOs in Beirut on 10-11 September 2001. The workshop aimed at raising the awareness of the Arab NGOs on issues related to globalization and trade; enhancing coordination, consultation and networking among Arab NGOs and between them and international NGOs and networks; and developing an advocacy plan to mobilize Arab NGOs on the issues raised by the agenda of the Qatar meeting and consequent trade negotiations.

We hope that the report of the workshop, and the different papers presented by the distinguished speakers, will enrich and stimulate the current discussion around the very controversial issues of globalization and trade in the Arab region. To those who have contributed to the success of this initiative, we thank you and we count on your continued engagement in this critical process.

Ziad Abdel-Samad  
Executive Director  
ANND

Yves de San  
Resident Representative  
UNDP



# Opening Statements

**Mr. Yves de San,  
UNDP Resident Representative and UN  
Resident Coordinator**

Excellencies,  
Distinguished guests and colleagues  
Ladies and Gentlemen,  
Globalization and the processes associated with it raise questions of all kind: economic and trade related questions of course, but also moral, cultural, political, and developmental ones. After years of deferring to a vision of triumphalist globalization that believed a rising tide would lift all boats, there is acknowledgment that fighting poverty takes more than that. Sustained poverty reduction and the economic growth that helps drive it can only be achieved if they are linked to a set of fundamental reforms at both global and national level. (UNDP Administrator)

The challenge now is to translate the political will expressed in the UN Millennium Summit into reforms that achieve globalization with a human face, for if managed wisely, globalization encompasses multiple opportunities for human advance. UNDP maintains that this can only be done through stronger governance, and that reinventing governance in the 21st century must start with strong commitments: 1) To global ethics, justice and respect for the human rights of all people; 2) To human well-being as the end, with open markets and economic growth as means; 3) To respect for the diverse conditions and needs of each country; 4) To accountability of all actors. UNDP advocates and supports countries to develop think tanks, and dialogue between NGOs and their governments to develop alternative approaches to globalization.

Governments and their people now have the daunting task of choosing to be among the globalizers or the globalized. Governments are not powerless, but for many it is not a matter of choice but one of capacity. Many countries of the developing world fall short on knowledge, data, skills, and institutions and therefore capacity to exercise their rights in the global arena. It is not surprising that countries and regions that suffer from weak institutions and markets also bear the greater burden of global poverty.

Prosperity through globalization requires a much

bolder agenda of global and national reforms. Governments, civil society and private sector in the developing world, must, together, assess their national governance systems. More importantly they must be allowed and empowered to influence the global dialogue and multi-lateral trade negotiations, on the substance and implementation of the negotiations and their human development outcomes.

Time and again we have seen how active, well-organized civil society groups can champion the cause of human development and act as the sounding board for national and global systems. The Economist almost a year ago, while making a case for globalization, acknowledged that the protesters in Seattle - by no surprise civil society groups — were right on two matters. First: the most pressing moral, political and economic issue of our time is "poverty"; and second: the tide of "globalization" can be turned back.

It is in this context that UNDP today is partnering with civil society as it has done on various themes that impact human development. Primary is our commitment to pro-poor growth and also our concern that globalization, as it forges ahead, brings the benefits to those most in need. Although this workshop is only weeks away from the fourth round of WTO talks in Doha it is not meant to be a political platform either for or against Doha. Rather its aim is to support the efforts of Arab NGOs to build their own capacities to become effective advocates on issues related to globalization and Trade. In this, civil society has a role to keep the dialogue focused on grass-roots implications; to keep the social and cultural aspects alongside the political and economic; and to work with the policy makers to ensure an alternative perspective which harnesses the many potential gains of globalization while minimizing its severe potential risks.

UNDP is proud to be associated with the Arab NGO Network for Development (ANND), the co-organizers of this workshop. We are particularly appreciative of the presence and support of the global coalitions, represented by the Third World Network and the Social Watch. I also want to take the opportunity to thank our colleagues from New York for linking this workshop to our UNDP Arab Bureau and global efforts to support civil society in the area of Globalization and Trade.

Thank you.

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**Mr. Ziad Abdel-Samad,  
Executive Director  
Arab NGO Network for Development**

The Arab NGO Network for Development, having participated and followed up many of the United Nations' International conferences and summits in the last decade, and having, especially, focused on social development issues, believes that the current mechanisms of global trade, especially international financial institutions, the WTO, and regional and sub-regional economic agreements have a direct effect on social development policies on Arab countries.

The severe discrepancy between positions concerning agreements of the WTO and the positions concerning regional agreements proves the necessity of facing the imbalances in international agreements. This requires a bold and objective analysis of the situation and implementation of serious solutions that take into consideration the interests of the majority of social groups that suffer the deterioration of their social and economic situation due to structural adjustment and economic liberalization that led to the widening of the gap between rich and poor.

The lack of social justice in ownership and distribution of assets lead to economic and social crises that augment divisions between social segments, increases the number of marginalized groups, multiplies the number of poor, and intensifies the unemployment crisis. It deepens the indebtedness trap in developing countries and affects national sovereignty and independence. It also leads to more political, social, ethnic, and racial divisions causing conflicts and war.

ANND believes that Arab countries face serious structural crises, politically, economically, and socially. They face the challenge of entering the unfair global economic system with inappropriate socio-economic policies and development plans and the lack of a democratic system that protects personal and social freedoms and human rights. This Arab reality requires significant effort to mobilize all social forces, various civil society organizations, and NGOs to participate in national and Arab dialogue and strive to achieve solutions to the difficulties and challenges facing the people of

the Arab countries.

In this context, ANND believes in the need to strengthen civil societies in the region, including NGOs, to empower them to fully participate in international, Arab, and national debates and discussions on economic policies and economic liberalizations, especially the issue of accession to the WTO and relevant agreements, as well the Euro-Mediterranean Partnership agreements. This involvement in dialogue and decision-making should be based on rational and objective knowledge.

To this effect, ANND considers awareness raising and empowerment campaigns are a necessity on both the national and Arab levels. This should be in parallel to pressure campaigns and lobbying that calls for the adoption of just and appropriate economic and social policies that take into consideration the needs of the poor, leads to the redistribution of wealth, and guarantees the social and economic rights of citizens. These campaigns will be focused on economic globalization, corporate globalization, the WTO, and the EUROMED partnership.

The Arab NGO Network for Development has joined the global coalition "Our World is Not for Sale". It signed the global petition that considers Seattle, during the 3rd Ministerial of the WTO, and the following events to be an indication of the deep imbalance in the global economic and trade system led by multinational corporations. The coalition calls to stop the expansion of the WTO into new areas by adding new issues and to start, immediately, with a serious reevaluation of its activities and agreements, in addition to the mechanisms and principles of the organization that are unfair towards the civil societies and small producers. It also calls for a genuine remedy of the reasons that led to the increase in the gap between developed and developing countries and to the increase of numbers of marginalized and poor in the world.

The Arab NGO Network is starting an Arab-wide campaign to sign on the statement and to hold a World Forum on the WTO in Beirut prior to the 4th Ministerial Meeting of the WTO in Doha next November. The latter will be an opportunity for Arab civil societies, international organizations, and civil organizations from around the world to

express their opinions, aspirations, and remarks on the global system.

The Collectif des ONGs au Liban, member in ANND's Coordinating Committee, adopted this call and initiated a Lebanese Platform on the WTO consisting of labor, trade, and farmers unions and confederations; women's and environmental organizations; and student and civil coalitions. The LP is organizing the World Forum on the WTO, which will take place within 4 days of lectures, workshops, and teach-ins on globalization, the WTO, and challenges to the Arab World, in addition to many cultural events. Many people have been invited, including international figures, researchers, and representatives of civil organizations, unions, and environmentalists.

Prior to the World Forum, in October, the Arab Research Center and the Afro-Asian Solidarity Committee are organizing a regional Arab meeting in Cairo. The Egyptian members of ANND, the National Organization for Human Rights, the Committee for Trade Union and Workers Services, and the Association for Health and Environmental Development, are participating in the preparatory committee along with the Union of Arab Lawyers, the Arab Organization for Human Rights, the Third World Forum, and the Forum for Alternatives.

In preparation for the above, ANND is organizing this workshop on globalization and global trade between 10 and 11 September, in coordination with the UNDP. On the 13th and 14th of September, ANND, in coordination with the Forum Civil - EUROMED is organizing a workshop on the Euro-Mediterranean Partnership process. These two events are part of the program plan that was developed by ANND's Coordinating Committee in order to build the capacity and empower Arab NGOs into starting national campaigns and strategizing on these issues. In the same context, ANND will be holding a meeting in preparation for the Southern NGO Forum on Rio+10, which will be held in Algeria next October, as well as the launching of the Social Watch 2001 Report.

On behalf of ANND, I would like to welcome you to this week of activities. I would like to extend my gratitude to the UNDP program in Beirut and its staff, and also to its international and Arab desks in New York for the great support they have given us. I also would like to welcome Mr. Mumtaz Keklik

from UNDP New York for being with us today. We hope that this partnership will continue and lead to the building of the capacity and the empowerment of Arab civil societies, in order to achieve social development, justice, the respect of human rights, and the protection of the environment. I would also like to thank the Third World Network and its support to the success of this workshop, and especially to its coordinator, Dr. Martin Khor, who is here personally in spite of his busy schedule in these critical times, and of course to all his colleagues at TWN. I would like to thank our friend, Roberto Bissio, the director of Social Watch and known activist, who flew all the way from Uruguay to participate with us in this workshop. My thanks also go to Oxfam and their representative, Ms. Mohga Smith, my friend Tang Xiaobing from UNC-TAD, and Mr. Mohammad El-Sayed Said from Al-Ahram Newspaper from Egypt.



# Executive Summary

The regional capacity-building workshop for Arab NGOs on globalization and trade aimed at raising the awareness of the Arab NGOs in issues related to trade and globalization; introducing the challenges and opportunities that arise from the implementation of trade agreements; and enhancing the co-ordination, consultation and networking among Arab NGOs themselves from one side, and between them and other International NGOs and Networks. The workshop also aimed at arriving at a unified position for NGOs on the upcoming WTO ministerial meeting that is planned to be held in Qatar in November 2001.

This document is a synthesis of the papers presented at the conference, and of the comments of the discussants. The first section sets the scene of the global and Arab framework of trade. The second and third sections outline the new issues facing the WTO in its upcoming new round, and problems of implementation. The fourth section outlines the opportunities and threats posed by the trade agreements on the Arab world and the fifth section presents specific recommendations on the position and strategies of Arab NGOs.

## Session 1

International Trade-  
Globally and in The Arab  
World

## Session 2

New Issues Facing the  
Fourth Ministerial Meeting  
in Qatar

## Session 3

Problems of  
Implementation





## Session 1

# International Trade- Globally and in The Arab World

## Setting the Scene: The Global Framework

**Mr. Mumtaz Keklik, UNDP**, presented a brief on a UNDP report on trade and sustainable human development. He indicated that the Seattle trade talks were widely seen as a failure partly because the agenda was perceived to be narrowly and econometrically defined, but also because civil society organizations focused on their historical exclusion from the trade agenda, while many developing country governments were upset both at their exclusion from many of the formal processes and "green room" meetings as well as what they perceived as the exclusionary behavior of many OECD countries and particularly host nations during the negotiations.

Given this situation, a number of key assumptions and/or rationales underpin the UNDP initiative, its potential importance and the contribution it can make.

First, that in the variegated system of global governance, the trading system most starkly exemplifies some of the historical and structural inequities, which led to the multileveled confrontations and contradictions in Seattle late last year. Conversely, appropriate global governance of trade is one of the most crucial substantive areas to prioritize for a human development assessment of the current patterns and processes of globalization. This will be particularly important if the objective is to truly assist developing countries and their citizens in eliminating poverty and deriving real benefits from global economic integration.

Second, that governance processes that mark international trade negotiations have direct and indirect implications and impact on both the substance of the negotiations and their human devel-

opment outcomes. Since process, substance and outcomes cannot be artificially separated, it is important to assess and influence the appropriateness of global governance processes if one wishes to assess and influence the substance of the negotiations and their human development outcomes.

Third, that there is an urgent need for a credible assessment, from a human development values perspective, of the current world global trading system, given the controversies surrounding it and the questions about both its ability to serve the interests of developing countries and their poor as well as the needs of food security, environmental sustainability and social cohesion and inclusion.

Fourth, that trade is an area where there is convergence in positions between many developing country governments and many civil society organizations. It thus provides excellent entry points for building more trustful relationships and "social capital" between developing country governments and CSOs and for UNDP to build its relationships with CSOs without too much risk of alienating developing country governments.

Finally, a fifth assumption is that such an assessment will only be credible if it prioritizes a process involving consultations in two phases, involving both civil society organizations and developing country governments.

The following messages have emerged from the different consultations carried out so far:

1. The globalization process of the last two decades has proven to produce more bads and goods for developing and poor countries. Benefits of globalization can only be realized if, the global system assists developing countries in prioritizing human development rather than making them concentrate their political and economic energy on unsustainable and questionable aspects of development process such as greater market access for its own sake.
2. Any debate on trade openness in developing countries should take place from the sustainable human development perspective, rather than market access perspective, as there is no proven, guaranteed relationship between greater market access achieved only through trade liberalization policies prescribed to developing countries in the last two decades, and

- SHD. Even the relationship between trade openness and economic growth has not been proven to exist.
3. It must be understood that trade can help sustainable human development, but it should take place for right reasons and with right vehicles. Trade and market access should be perceived as possible vehicles for achieving sustainable human development and not as the panacea of human development.
  4. The relationship between sustainable human development and trade should be perceived as a two way process. The role of trade should be to contribute to sustainable human development, but in order to benefit from trade there is a need to have a certain threshold level of human development.
  5. At the national level, the development process must prioritize human, institutional, and productive capacity building as well as equitable distribution of outcomes across social categories. For this to happen, trade rules at the international level have to allow for diversity in national institutions and standards.
  6. Multilateral trade agreements are very important to ensure that trade goals are geared towards sustainable human development, as the production system of goods and services at the international level requires cooperation and monitoring to avoid exploitation of developing countries by developed countries. Developing countries have to be able to 'participate in,' rather than 'integrate to' the global system in a sustainable and equitable way. In order to make the most out of trade reform at both national and international levels, governments must internalize the fact that the world-trading regime must be at the service of development needs of developing countries and not vice versa.
  7. Despite a number of its positive characteristics, from an SHD perspective, the existing multilateral trading regime could use improvements in overall imbalance in several areas.

**Mr. Martin Khor, Third World Network**, indicated that external trade for developing countries should be viewed as a crucial element of an overall development strategy towards sustained growth and human development. It should contribute to the generation of full employment, fulfillment of needs in areas of food, health, education, and all of this in the context of environmental sustainability. At the international level, it should cater to the needs of the least developed and developing countries, with guidelines and practical measures that improve their terms of trade, enhance their export capacity and sustain their balance of payments. Most importantly, trade policy should be seen as contingent on the specific conditions of each country depending on its level of development. A one-size-fits-all approach would not only not work but also, if enforced, potentially do more harms than good.

Developing countries face pressure for rapid import liberalization and uncertain export earnings. Pressure for import liberalization derive from mainstream trade theory, which holds that it will lead to lower prices and increased efficiency in the domestic economy, thereby benefiting both consumers and producers. However, empirical evidence shows no straightforward correlation between trade liberalization and overall economic performance as measured by GDP growth. Moreover, in order to benefit from import liberalization, several other factors need to be addressed, including competitiveness levels, macroeconomics stability, adequate market access for exports, governance and human, institutional and productive capacity. On the other hand, uncertain export earnings are a consequence of a lack of physical and technological infrastructure needed to make developing country exports - concentrated in primary products- competitive, as well as unstable and declining terms of trade. An increase in export earnings depends on a re-orientation of the export sector towards value-added manufactures and services, and building competitiveness in those sectors. These objectives are further hampered by the presence of tariff and non-tariff barriers to markets in developed countries, especially in the sectors in which developing countries have a comparative advantage. Whereas developing countries are not able to

expand exports, they are asked to increase imports, which has resulted in a significant widening of the trade deficit.

The multilateral trading system should be redesigned to help countries build economic capacity towards human development: regulating commercial trade relations through rules that are balanced and that are designed to benefit developing countries; ensuring stable prices and fair terms of trade for developing countries' products; preventing monopolistic practices of large firms to promote competition and permitting differential treatment to countries at different levels of economic development.

An examination of the evolution of the trading system shows that industrialization and rapid economic growth occurred in developed countries under conditions of protection of their domestic markets—though this does not imply that protection necessarily leads to industrialization or growth. The history of GATT and its successor, the WTO, is replete with examples of how the major trading countries have been reluctant to enable developing countries to benefit from the trading regime and how the rules of the system have been repeatedly bent to accommodate the protectionist interests of these major players. For several decades, the agriculture and textiles sectors remained outside the normal GATT disciplines on the insistence of the developed countries. Thus, developing countries have not been able to obtain their fair share of benefits from the trade system as major products of export interest to them face serious restrictions in markets of developed countries.

The objectives of the global trade system, as embodied in the GATT preamble, include: "raising standards of living, ensuring full employment, growing volume of real income and effective demand, developing the full use of the resources of the world and expanding the production and exchange of goods." The system is based on the "Most Favored Nation" principle, which means that benefits extended to any one trading partner must be extended to all other WTO members as well, implying that benefits are shared among members. The safeguard mechanism and the balance of payments provision allow members to restrict imports, and therefore, sharing their burden of

relief with other countries. The system also provides protection from unilateral trade restrictive actions, and the dispute settlement mechanism is fairly efficient. However, the system is also based on the principles of reciprocity and mutual advantage, which are clearly inappropriate for countries with such diverse and unequal capacities. The enforcement mechanism too, is based on retaliatory action, which is far more powerful in the hands of rich countries than poor countries.

Although significant benefits were expected to accrue to developing countries from increased market access, especially in areas that were most important for their development such as agriculture, textiles and clothing, after five years of the WTO, many of the anticipated benefits have not materialized. Access to developed countries' textile and agriculture sectors remains restricted, supply capacity remains weak in most developing countries, and a secular decline in commodity prices has adversely affected exports.

Developing countries are facing several types of problems in the WTO system. Firstly, some of the structural features of the system and many of the existing agreements are unbalanced against their interests. Secondly, the anticipated benefits to developing countries have not materialized, a major reason being that the developed countries failed to fulfill their commitments (for example in expanding market access in textiles and agriculture, or in providing special and differential treatment and assistance). Thirdly, developing countries face mounting problems when attempting to implement their obligations under the rules. Fourthly, they are facing intense pressures to accept new obligations being proposed by developed countries under the rubric of "new issues" and a new Round. Fifthly, the decision-making process is less than transparent and makes it difficult for developing countries to adequately participate.

There is need for a rethinking of the dominant model of trade policy. There is also a need to reorient the WTO towards development as the main priority and operational principle, in line with the Marrakech Agreement's objective of sustainable development. There are also important roles in the trading system for other organizations, there should also be complementary reforms in the

global financial system. Other issues that have an impact on trade and are also impacted by trade (including environmental, social, cultural and human rights issues) should be dealt with in appropriate form; a conceptual and operational framework would have to be drawn up within which the roles of the various institutions would be clarified. Finally, it is important that the system of governance of the trading system should be open and transparent in its operations, and become both participatory and democratic.

## Priorities of the Arab Region: What Type of Globalization and Trade Agreements is Suitable for the Arab region

**Mr. Mohammad El-Said Said**, Alaharam Center for Political and Strategic Studies, presented a paper the civil society and trade anchored around three main themes.

Firstly: Could foreign trade lead Arab development. The post-colonial age witnessed a relatively strong industrialization drive in a number of Arab countries. A whole range of protectionist measures was put in place, and the State had to take the burden of establishing and developing industry and other modern economic undertakings. However, the protracted fiscal crisis of the post-colonial state prevented it from adequately furnishing the financial, technological and managerial foundations for self-propelled renewal of the economy. In addition, the range of technological and economic innovations witnessed by industrial countries in the second half of the 20th century transformed the international market for agricultural goods and most of the ex-colonies, including Arab countries, became net food importers. Agriculture was not totally neglected, but its development was severely constrained by the lack of adequate industrial and technological develop-

ment, especially in the Arab world as an arid zone known for heavy physical limits on the supply of agricultural resources. By 1980's, the economies of non-oil producing Arab states were losing momentum. Their productive structures were quickly reaching obsolescence. Manufacturing industry in Arab North Africa, and non-Gulf countries of the Mashreq was ailing. Services were highly undercapitalized. Agriculture was subject to long-term stagnation. Macro-economic indicators were out of balance. Eventually, saving and investment rates drastically declined throughout 1990's. This decline in the meager share of Arab countries in international trade has been observed throughout the last decade.

The negligible share of Arab non-oil exports reflects a number of objective and cultural factors. For a long time, Arab economic development strategy focused on import substitution, rather than exports. The obsolescence of Arab non-oil productive structures drastically reduced their international competitiveness exactly at a time when new industrializing countries in East and South East Asia started to sweep the international market in a number of classic manufactured goods. The oil economy established new consumption habits, and more importantly raised wage expectations of the labor force in Arab countries, which in turn further reduced the competitiveness of Arab products. A less noticeable factor is the erosion of Arab export culture with knowledge of international export markets eroding. Contrariwise, Arab commercial culture continues to reveal a great bias towards imports. With all this in mind, the expectations of foreign trade to play the role of engine to growth are over-blown on the short and intermediate run. Moreover, this over-all picture conceals important differences among various categories of Arab countries where trade statistics demonstrate considerable differences in trade performance among Arab countries as well as huge gaps between oil and non-oil exporting countries.

The relationship between trade and investment in the oil sector is almost commonsensical. Simply, it was the discovery and production of oil in the Arab world that generated trade, not the vice versa. However opened, the small value of non-oil Arab trade provides no strong impetus for multinational

corporations to invest in the Arab world. On the other hand, substantial legal incentives provided to foreign investment in many Arab countries are far from adequate to compensate for the lack of adequate economic incentives. The Arab world is still far from being qualified for taking a fair share in the process of re-structuring international division of labor through direct foreign investments. The general judgment made by expertly institutions on improved access to foreign investment is hardly supported by reality, except in a very few cases in the Arab world.

#### Secondly: Could trade blocs help

Trade liberalization is sweeping the whole world. After the collapse of the Socialist block, only a very few nations are still isolated from the international multilateral trade system. Even before bringing the Uruguay round on trade to a successful conclusion, regional integration was carrying a great weight in the world economic and political scene. Within the Arab world, the idea of forming an economic grouping of a sort started in early 1950's. Arab countries have never given up on this 'dream'. But actual course of political and economic relations among Arab states proved to be erratic. Of all aspects of their relations, building a strong secular base for an Arab trade bloc was the most difficult to achieve. Notwithstanding some small achievements in trade relations among Arab countries, a good number of these countries are tied with the European Union. Although few other Arab countries are showing interest in contracting a free trade agreement with the United States, only Jordan managed to sign such an agreement. Due to obvious political circumstances, Egypt is now more distant from signing a similar agreement with the United States than a year ago. The European Union interacts economically with the Arab world as three or more different categories of states, each relating to the EU through different legal frame and policy instruments. However, the difficult economic circumstances through which a number of Arab Mediterranean countries are currently passing make them reluctant to conclude these agreements. Those countries that possess a relatively big industrial sector fear its total collapse in the course of untamed competition with European products and European giant companies.

Like all other goals set for cooperation and coordination among Arab countries, economic agreements are the complete monopoly of governments. Public opinion and civil societies were isolated from the process. Hence, the pressure of the Arab public opinion on governments to work for coordinated Arab positions in negotiations on foreign trade and Arab regional economic cooperation were never allowed to bear fruit.

#### Third: Can Arab civil society play a role in foreign trade relations

Some general features in relation to economic activism can be designated.

*First*, there is a rapid rise in the influence of business on the making of economic policy including foreign trade. As almost all Arab countries are shifting towards liberal economies, alliance between states and markets is evolving. In certain perspective, this alliance leads to narrowing the access of popular organizations and labor movements to state policies.

*Second*, there is total absence of public purpose of NGOs in the field of economic foreign policy. A quick look at the register of NGOs in Egypt, for example, reveals the presence of few NGOs specialized in this field, all of which are intellectual forums which mobilize a very small elite of scholars, former diplomats and public personalities aiming to influence debates on foreign policy issues, including the foreign economic and trade policies.

*The third* feature is that foreign trade policy is highly contested within Arab public opinion, including the small elite of concerned persons or institutions, traditionally as a part of ideological conflicts. The Left and pan-Arab trends of thought showed a great deal of hostility to globalization and to the policy of economic opening, whereas liberal and conservative trends formed the early supporters of open-door policy. This polarization has fundamentally changed over time: many liberal and conservative scholars and politicians have shifted towards a protectionist policy, at least in relation to the new partnership agreements with the EU, whereas radical and left wing politicians have in turn opted for an open economy.

*Fourth*, there is indeed a process of awakening with a pervasive feeling among Arab societies that rapid development is the real issue. Neither protectionism nor isolation from the world economic

system is by itself a road to ending the present crisis in Arab economies. Very few continue to harbor hopes that liberalization is the main key to development. Self-reliance is increasingly seen as the prime mover of development. The real yardstick to measuring the changing optimum mix of measures necessary for approaching the world economic system from the vantagepoint of Arab national economic and political interests is development.

*Fifth*, there is also a general recognition that politics not economics is the key to resolving the crisis of Arab societies at this point. A fundamental change in the nature of the Arab state, its democratization and the diffusion of participatory ideals are essential conditions for resolving the present deadlock in Arab national development, from within and without.

And in relation to foreign economic policies generally and trade policies specifically, the participation of civil society is increasingly recognized as a crucial factor in reaching equilibrium of interests in Arab societies. Lastly, all Arab civic and intellectual forums including business associations, without significant exceptions share the view that without a decisive priority given to the development of a powerful institutional frame for inter-Arab trade, all individual Arab countries will continue to occupy a very weak place in the international trade regime. There is, however, a general disillusion on how practically to achieve this.

The presentation of the paper was followed by a general discussion, with the following main highlights:

- Intellectual property issues were raised, pointing to the absence of concern on this issue by Egypt's civil society despite the fact that it could mean the end of the national pharmaceutical industry that covers 90% of the local needs. On that issue the industrial sector is more active than the rest of the components of civil society, with advice being sought from businessmen associations while trade unions lack independence from the state.
- With the increased concentration on the WTO, the Arab world should not forget bi-lateral agreements, which contain more stringent clauses than the TRIPS agreement. A number of NGOs are challenging the TRIPS agreement with very clear proposals. One is the escape clause in TRIPS which permits government to issue a compulsory license if the price is too high, thus overriding the patent holder, here enters the bi-lateral agreement installing TRIPS to override that clause.
- The novelty of "globalization" should change in its functioning as it is currently a globalization of capital not labor, and a globalization of decision-making, the transfer of sovereignty.
- There is preference for concentrating more on the analysis of trade related conflict resolution mechanisms in the WTO. This is especially true as there is no "just" legal framework that ensures equality between trade partners, leading to the need for an alternative mechanism. In this context, the independence of the civil society was stressed, because development is a broader mechanism than just protectionism, and governments tend to concentrate on the latter than on the former, sometimes in the interests of Mafia-like entrepreneurs. A linking of local and international struggles is necessary.
- The weakness of third world countries in negotiations is also internal, with a definite need to form a sufficient number of competent negotiators.
- What type of state-regroupment is needed for trade negotiations; pan-Arab or smaller regional entities? To reach a level of state-regroupment needed for negotiations, civil society should be mobilized to insure that it is a genuine long-term regroupment and not just an occasional common negotiating committee.
- A clarification on who has the developmental role the state or civil society was put forward. The role of civil society is to formulate a position in order to pressure the state for developmental goals.
- A discussion on whether there is a necessity for the WTO and whether the UN can play the needed role. The trading system used to be controlled by the UN through UNCTAD, but there was a decision to deplete the latter's power in favor of GATT/WTO, the aim of civil society should be to reverse the process according to its acceptable policies. Already the UN human rights commission is contesting the impact of TRIPS and globalization from a human rights angle.

## Session 2

### New Issues Facing the Fourth Ministerial Meeting in Qatar

**Mr. Martin Khor, Third world Network**, summarized the main issues facing the new WTO round of negotiations. He indicated that the capacity of government to understand and then to negotiate should be taken into account. The government's capacity is not very superior to that of civil society, and governments change their positions as their knowledge increases, thus opening the door for civil society organizations to play an important role. Also, governments may not have a unified view, thus creating a window of opportunity for NGOs' to put forward their views and influencing national decision-making. In all of this the key is knowledge; it is the weakness of governments and the strength of NGOs. In addition to the lack of knowledge, governments mostly lack competent personnel to tackle the complexities of international institutions.

The proposals for a new comprehensive round to be launched in Doha, if accepted, would be equivalent to making developing countries pay twice, thrice or four times. The heart of the proposed "comprehensive" new round is the introduction of negotiations for new agreements in investment, competition and transparency in government procurement. There is also a proposal for a new round of industrial tariff cuts for all countries, in addition to future discussions on issues related to environmental and labor standards. Proponents claim that such a new round would be especially beneficial to developing countries who are informed that their requests relating to implementation problems and greater access to agriculture and textiles markets will be considered. But this in fact means that these countries have to accept the inclusion of new issues in the WTO. Still, new agreements and obligations would be detrimental to developing countries, which will find even more of their development options closed off. At the

same time (given the poor record of the North in keeping their commitments) there is no guarantee that implementation problems will be resolved or that there will be more meaningful access to Northern markets in agriculture, textiles and other sectors.

The proposals for including new issues (investment, competition, and procurement) in the WTO are inappropriate for the following reasons:

- The WTO, as a multilateral trade organization that makes and enforces rules, should stick to its mandate for dealing with trade issues;
- Existing principles (such as transparency, national treatment) and operations that were created for a regime dealing with trade issues may not be suitable when applied to non-trade issues.
- Developed countries would like to bring many non-trade issues into the WTO, not because it would strengthen the trade system, but because they would like to make use of the enforcement system of the WTO (i.e. the ability to bring countries to the dispute settlement system to WTO and impose a trade sanction).

Many new non-traditional non-trade issues are proposed to be included in the WTO, through the process of Ministerial Conferences, such as at Doha in November 2001. The issues include investment, competition, government procurement, labor and environment. If these non-trade issues are brought into WTO developing countries will be at great disadvantage, and would lose a great deal of their economic sovereignty and their ability to make national economic, financial, social and political policies of their own.

During the Uruguay Round, developed countries already brought in new issues: intellectual property, services and investment measures. Related agreements (TRIPS, GATS, TRIMS) are already causing serious problems, giving rise to the implementation issues. The real objective of developed countries is to access free entry into the markets of developing countries. WTO agreements result in southern governments' loss of their ability to regulate the entry and operations of foreign firms, and to give preferences to locals in policies or contracts. On the other hand, labor and environmental standards issues could lay the ground for new forms of protectionism against developing coun-

tries' products and firms through high standards. The introduction of these new issues is the essence of what the developed countries mean by launching a "comprehensive new round."

In reality the agenda of the WTO for the next several years is already very full. Items include: (a) Problems of implementing the existing agreements, an item insisted upon by developing countries in order to rectify current inequities; (b) The "built-in" agenda of agriculture and services negotiations; (c) The mandated reviews of agreements such as in TRIPS and TRIMS; (d) Discussion in working groups (including on investment, competition, government procurement) and committees (such as trade and environment); and (e) the normal work of the WTO and its many committees, its trade reviews, and the dispute cases.

There should not be a "comprehensive new round", and the next stage of negotiations in WTO should not include new issues because:

- (I) Introducing new issues into the WTO will distract from the other work of WTO dealing with trade and other existing issues as listed above. Developing countries do not have the manpower and financial resources to cope with negotiations on new issues.
- (II) The "new issues" are not trade issues and do not belong to the WTO. If these issues are to be internationally discussed, other more appropriate venues should be found for them. If they are brought into the WTO, they will lead to a distortion and destabilization of the multilateral trade system, to the detriment of world trade.
- (III) Developing countries will be severely disadvantaged and their options for economic, social and development policies would be severely constricted, should these New Issues enter the WTO. They would largely be unable to take measures to boost the conditions and prospects of local firms, or to manage many aspects of their macroeconomics, financial and development policies, or government procurement policies.
- (IV) The WTO must stick to trade issues, which have a legitimate place within a system of multilateral trade rules. The system must primarily be designed (or re-designed) to benefit developing countries, which form the majority of the WTO membership. For new issues to be

brought into the WTO, they must meet strict criteria, including the issue being a trade issue appropriate for a system of multilateral trade rules; the WTO is the most appropriate venue; the issue is sufficiently "mature" in that Members have an understanding of it and how it relates to WTO and to their interests; new issues should be clearly to the interest of developing countries; there must be a consensus of all Members that the issue should be brought in, and how it should be brought in. And this should be a genuine consensus based on a full understanding by all Members who are allowed to participate fully in the decision-making process in Geneva and at the Ministerial Conference itself.

Finally, there is a need to rethinking the nature and timing of liberalization; reorienting the WTO towards development as the main priority; and rethinking the scope of the WTO's mandate over issues and the role of other agencies.

The presentation of the paper was followed by a general discussion, with the following main highlights:

- The petition on TRIPS was discussed: it demands that USA stop pressuring third-world countries on implementing TRIPS.
- The WTO dealt with government policies but wants to expand to "business practices", the new issue of competition aims at insuring that foreign companies are not treated worse than local ones but does not specify that they can not be treated better.
- The pressure exercised by NGOs is very welcomed by the government, however, it should be noted that government mis-management and/or corruption plays a role in our present crisis. The lack of democracy is one of the reasons for the non-participation of civil society in decision-making. As such, there should be insistence on the independence of the civil society that will have to align its strategy with the government against foreign pressure, but also fight the same government on corruption charges. The international situation also facilitates local corruption. In the case of Latin America democratization brought to power people who were very enthusiastic for free market policies and liberalized before the negotiations, thus losing their bargaining chips and left with



- the only option of even more liberalization.
- There were a lot of compensation measures in the Uruguay Round for countries joining the WTO, but they were not put into operation. One example is the special and differential treatment.
  - Apart of an advocacy role, the strategic alternatives include reviving the commodity agreement, and formulating own analysis far from the influence of the IFM/World Bank.

## Session 3

### Problems of Implementation

**Mr. Tang Xiaobing, UNCTAD**, presented a paper on the problems of implementation of WTO agreements. He indicated that, following the setback of the WTO Seattle Ministerial conference, there has been a wide-spread recognition of the issues and areas of concern of the developing countries deriving from the experience with implementation of the WTO Multi-lateral Trade Agreements (MTAs) and the need to address the issues and areas of concern with a view to reduce their impact on the trade and development of developing countries. However, the most contentious topic of discussions has been related to issues of implementation.

While each country may have its own perception of implementation problems, these can be broadly categorized as follows:

#### **1. Problems that developing countries face in implementation of the MTAs:**

- It is recognized that there has been a range of imbalances and deficiencies with the MTAs, and the implementation of some of these agreements has caused serious concerns to developing countries. Some rules of the ASCM, particularly those relating to subsidies other than export subsidies, appear to have bias against developing countries as subsidies used by developing countries for development, diversification and up-grading of their industry and agriculture are actionable.
- While more flexibility is provided to developed countries under agriculture and textiles agreements, developing countries' hands are tied up under the TRIMs, TRIPS and SCM agreements. As a result, developing countries have faced great difficulties in the implementation of their commitments under these agreements, and believe that these agreements are against their development interests, as their policies that favor domestic goods are now incompatible with the multilateral trading rules. A number of

developing countries have requested to extend the transitional periods under the TRIMs agreement, whereas some believe that systemic deficiencies in these agreements cannot be resolved even with longer transitional periods. A long-term view of development needs to be adopted and requires policy flexibility to address fundamental structural deficiencies in the economies of the developing countries.

- As a result of previous experience in the implementation of some agreements, many developing countries view that certain provisions and panel rulings are against their interests, disregarding the structural inequalities among countries and aiming at maintaining the industrialization gap developing and developed countries. In some cases, developing countries felt that they are under pressure to implement these agreements beyond the frontier of current obligations and commitments undertaken by them under these agreements, such as compulsory licensing.
  - As a result of their institutional constraints and the lack of financial and human resources, many developing countries face difficulties in meeting the various procedural and enforcement obligations of the MTAs. They feel that the transition periods under some of the agreements are unrealistic, with high financial burdens and economic implications for domestic adjustment.
  - Developing countries, in general, lack the capacity to challenge the unfair practices of others, particularly in the area of subsidies. As a result, over the past six years, none of the developing countries have been able to make any counter-notifications in relation to measures undertaken by other members.
- #### **2. Problems deriving from the inadequate implementation of the MTAs by developed countries**
- For many developing countries, the major concern with regard to the implementation of the MTAs is that progress towards liberalization in specific sectors is lagging behind. In this regard, few agreements have given rise to as many concerns as the Agreement on Textiles and Clothing (ATC) given the great importance of trade in textiles and clothing for developing

countries. However, the implementation of the ATC so far has failed to meet its legitimate expectations. After being in effect for more than 6 years, the committed progressive liberalization of quotas has not yet materialized in meaningful terms. As a result, only a few quota restrictions have actually been eliminated, leaving the great bulk of restrictions still in place.

- The massive domestic support and subsidized agricultural exports by some developed countries have created serious imbalance in the rights and obligations for many developing countries under the Agreement on Agriculture. This is mainly due to the fact that export subsidies by developed countries have not been effectively reduced or eliminated, and that no multilateral disciplines on export credits have been developed and agreed. Recent figures have shown an increase in the use of export subsidies and agricultural subsidies provided by major developed countries to their farmers in have increased in recent years. Consequently, world prices for these products have dropped and market access improvement to exports from developing countries has been insignificant:
- In the area of rules, the increased recourse to anti-dumping measures together with rising disputes has become a major concern to many developing countries. The lack of precision in the disciplines has made implementation problems a result of importing countries permitting domestic complainants to make full use of flexibility provided in the agreement that has ambiguous conditions. The greater degree of complexity in anti-dumping rules and procedures weighs disproportionately against developing countries and their small firms. As a result, these measures create instability and uncertainty in the developing countries' markets who continue to be the main targets of anti-dumping measures. In reality, the adverse impact on developing countries may be greater than the actual trade involved, since the initiation of an anti-dumping investigation can have an immediate impact on trade flows and would prompt importers to seek alternative sources of supply. Even if final duties are not imposed, the initiation of investigations entails huge burdens

on respondents.

- At the same time, developing countries' expectations of the benefits from the special and differential treatment provisions have not yet materialized.
- In order to help developing countries install sophisticated systems in the areas of SPS, TBT and customs valuation, the relevant MTAs provisions require the provision of technical assistance from developed countries. However, developed countries have not implemented these provisions effectively and meaningfully.

The main implementation issues, and areas of concern of developing countries, which need further work, include:

**1. Improved and ensured market access conditions, including:**

- decreasing the difficulties developing countries face in their compliance with agreements;
- trade liberalization in the sector of textiles and clothing;
- ensuring improved market access conditions for developing countries through lowering agricultural export subsidies mainly by the major developed countries;
- In the area of trade in services, little gain has been given to the areas of interests of developing countries such as movement of natural persons;

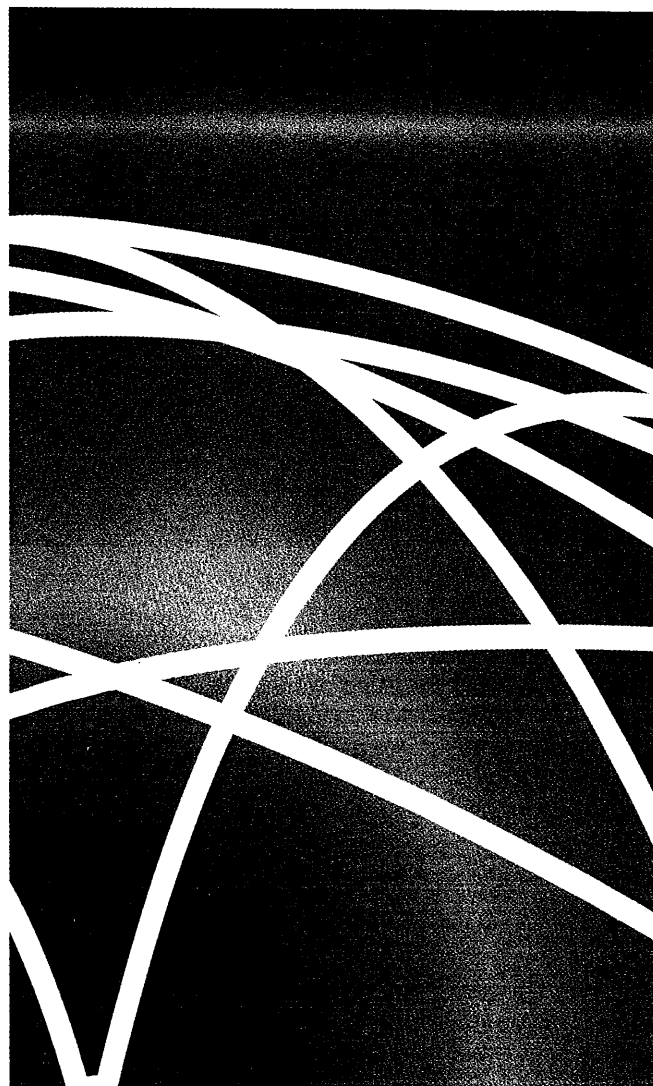
**2. Improved and more clearly defined rules.**

**3. Removing the inherent asymmetries and imbalance from the MTAs.**



# Round Table 1

## Trade Agreements- Opportunities and Threats for the Arab World





A round table on the opportunities and threats posed by trade agreements on the Arab world was organized with the following participants: Roberto Bissio (Social Watch), Mumtaz Keklik (UNDP), Tang Xiaobing (UNCTAD), Mohga Smith (OXFAM) and Alia Mobayed (Lebanese Ministry of economy and Trade).

Moderated by NADA AL-Nashif deputy resident representative of UNDP in Lebanon

The following are the main highlights of the presentations and discussion.

**Mr. Roberto Bissio** discussed the "social aspects for trade". He indicated that trade is supposed to be a win-win situation. The theories of trade were established a long time ago to compensate for the immobility of capital (then only thought to be land) and the industries. These theories also assumed that the reason of poverty was the immobility of the labor, which hinders the proper functioning of the market. However, with the current mobility of capital and immobility of labor the trading system became unfair and obsolete, with the rules of the market determining who benefits. The social impact of trade can be beneficiary if the partners are equal; however, its negative impact will fall on job creation. For example in South America a regional free-trade agreement opened the market and Uruguay wine producers were flooded by much cheaper Argentinean products. Hence, even if the country as a whole benefits, some sectors will bear the negative consequences, and time should be given to adjust. So, who determines national interests? There should be democratic process for internal debate before joining trade agreement, in order to properly assess the needs and the impact of agreements, as well as compensation measures. Another social aspect of trade is the issue of social dumping that artificially lowers the prices of products. Enforcing anti-dumping rules implies that the importing country can increase the tariffs on products. Finally, using the WTO for advocating human rights issue is problematic, essentially because it is not a reference on such issues.

**Mr. Tang Xiaobing** then indicated that GATT agreements should be very carefully done, especially in relation to national treatments of foreign

goods. Since GATT agreements only refer to "goods", specifying the details of "goods" and services is ambiguous and left to negotiations. Furthermore, countries have to specify the items that are to be excluded from the national treatment status. A positive approach by third world countries includes allowing the entry of foreign companies, but declining that national treatment status. As such, countries can condition national treatment by force foreign companies to employ national labor and/or insuring a joint venture. This is especially true in the area of services since trading in goods is visible and less complex. Developing countries should also emphasis modes of delivery, such the movement of persons, in order to benefit from service agreements. All of these complex issues have resulted in limiting the agreement related to the movement of labor. Other agreements are also not progressing well, where, in the textile sector, for example, liberalization of implementation so far only accounts for 20% of the restrictions.

**Ms. Mohga Smith** discussed the health aspects of TRIPS, indicating that this issue entered in the WTO as a result of pressures from pharmaceutical companies. Ms. Smith indicated that there are 12 million children who die every year in the third world from treatable diseases and 25% of Africans will die as a result of AIDS. TRIPS will result in lower access of the poor to medication as a result of patent rights which will eventually increase the cost of drugs. Without TRIPS, local companies could patent the way a drug is made, creating competition and lowering prices. However, if TRIPS is implemented, protection will extend both to the drug itself, as well as its mode of production. In addition to lower access to medications, monopolizing this sector will lead to a loss of jobs in developing countries, thus increasing debt and perpetuating poverty. Conversely, developed nations own 97% of the patents, and multi-national corporations monopolize 70% of worldwide royalty on patents.

**Mr. Mumtaz Keklik** indicated that the UNDP project on trade and development has three interrelated objectives: (a) to assist developing country governments and civil society organizations in

ensuring that their countries can selectively and strategically seize the opportunities of global economic and trade integration for advancing national progress in human development and poverty eradication; (b) to strengthen the participation and substantive negotiating and advocacy positions of developing countries in both the debates and negotiations on the emerging global trading regime; and (c) to present a UNDP position on the current human development outcomes of the global trading regime. UNDP started by building a strong conceptual background, developed as part of a participatory process (three background papers were prepared and a brainstorming meeting was organized with 40 key thinkers and activists). In addition, as part of the consultative process, four civil society organizations regional consultations have been proposed (Asia-Pacific, Africa, Latin America, and the Arab region). The main objective of these consultations is to hear the views of a range of civil society organizations who have been active on issues of the global governance of trade and input the three consultant draft reports into already existing processes in the South. UNDP sub-contracts the organization of these consultations to leading and credible civil society networks in the three regions that have been involved in the trade issue. In the Arab region, although the Arab NGO Network for Development is the main player, UNDP has been more actively involved in the convention of the meeting. There will also be developing country government consultations, in addition to a planned consultation cum expert group meeting led by the G77 through trade delegations in Geneva. The final output of the initiative will be a substantive report assessing key aspects of the current trading regime, especially the influence of the origins and political path of the global governance of trade on its current structure and impacts and/or implications; an assessment of trends in the current governance of global trade; an assessment, from a human development values lens, of the impact of the current regime; and a summary of proposals and recommendations. It should be emphasized here that the process of producing this report is as important as the final report itself, as the initiative is used to maximize opportunities for drawing diverse civil society organizations and developing

country governments into discussions with the aim of creating more coherent joint positions.

**Ms. Alia Mobayed** gave a brief presentation on the case of Lebanon and the WTO, indicating that the integration of Lebanon in the world economy is the main aim of the Ministry of Economy and Trade that is trying to examine ways to maximize the benefits and minimize the costs of the adherence to the WTO. Given its economic structure, Lebanon is thought to be less affected by globalization than most of the other Arab countries. To a large degree the country has already large conformity with the WTO agreements as a result of its liberal nature of the legal framework and the dynamism of the private sector that has evolved in the economic decision-making. However, joining the WTO will force Lebanon to organize itself publicly and privately, and the current preparations for joining of WTO are based on extensive research on Lebanon trade status. Furthermore, Lebanon intends to build its institutional capacity, through extensive training on negotiating skills, in preparation for joining the WTO. In this context, any support from UNDP and NGOs is welcome. In addition, Lebanon is drawing lessons learned from the Egypt and Jordan experiences with WTO accession. Another challenge facing Lebanon is the accompanying policies. The ministry is aware of the potential costs and benefits of the WTO, but the balance between the two is based on what policies are being implemented. The private sector is convinced of the necessity of accessing the WTO and is cooperating with the government on the strategy of negotiation. Arab cooperation is badly needed, but unfortunately lacking despite its urgent need.

**A discussion followed the presentations, focusing on the following:**

- Possibility of not joining the WTO exists. Oil exporting countries of the Gulf, with their guarantee market for a single commodity have nothing to gain by joining the WTO. The social consequences of getting out of the WTO are very hard, hence the opportunities and costs have to be weighed prior to joining the WTO. The price of staying outside the system may also be very high. Given the pressure exerted on countries



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to join the WTO, the majority of the new memberships are from developing countries.

- A discussion on the impact of WTO on social structures and on unskilled labor was raised. If the industrial revolution brought labor force mobility, in the wake of capital immobility, then globalization, having reached capital mobility, is trying to enforce labor immobility. When the work force was able to be mobile at the end of the feudal system they could bargain the condition of their labor, now with the trend being reversed they lose their bargaining power and that is the social price that has to be paid. A race to the bottom is being created. The irony is that the countries that attract most foreign investments are the ones that are the most restrictive.
  - Trade unions are in a difficult situation since it is a spiral of competing for employment, the big unions tend to be in developed countries and have protectionist tendencies.
  - Using trade as a vehicle for development is very difficult. The rule-based system is important and the dispute settlement structure in WTO is an innovation. It can only be blocked if there is a consensus to do so, which is a very remote possibility.
  - If the private sector is involved in the negotiations, then the civil society sector should also be present. Although the civil society sector can advise the government on trade related issues, the civil society should be part of the trade debate from the starting point.
  - The forces of globalization tend to feminize the labor force. Hence, for example, women in the Arab World will be pushed from the informal sector to the formal sector, where the absence of a legal framework for the right to unionize for example, can be very dangerous. Economic integration is good for marginalized groups, but, should be accompanied by certain governance processes.
  - The WTO is not like the UN it does not recognize a role for the NGOs in its system where some 600 NGOs are accredited.
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## Round Table 2

### Position and Strategies of Arab NGOs





A round table on the position and strategies of Arab NGOs was organized with the following participants: Izzat Abdel Hadi (ANND - Palestine), Mohammad Hassan Khalil (ANND - Egypt), Abdulhamid al-Kem (ANND - Morocco) Moderated by Ziad Abdul-Samad (ANND Executive Director).

The following are the main highlights of the presentations and discussion.

**Mr. Mohammad Hassan Khalil** indicated that the main issue is the position on the freedom of trade. The decision on whether to join the WTO is based on the economic structure of the country and whether it can sustain its needs in agricultural commodities and manufactured goods. It is also based on the trade balance. He then recommended that the position of Arab NGOS include the following: development should precede free trade; negotiation on new issues should stop as the transformation of GATT has led to a power superior to that of the state; agriculture and investment should be excluded from negotiations; and the essential list of drugs should be excluded from TRIPS.

**Mr. Abdulhamid al-Kem** said that one of the main points of strength of the Arab NGOs is its diverse nature, its diverse specialization and experience. However, Arab NGOs are still weak in terms of concentration on financial and trade-related issues, as well as inter-Arab cooperation and information exchange. There is an opportunity presented by the Qatar meeting and the NGO parallel summit in Beirut, as well as different other international meetings, to deepen the process of NGO networking. Other challenges that NGOs will have to face include the impact of economic policies on the socio-economic rights; the social democratic European strategies; the international financial strategies, including those of the IMF and the WTO; and the UN strategy that is based on the sustainable development. As an alternative Mr. El-Kem recommended the strategy of "citizens in solidarity" presented by the civil society converging around five axis: (a) the organization of local parties to create a space that will resist injustice; (b) the creation of a social movement that will join NGOs with other sectors of civil society; (c) the

mobilization and education of the masses; (d) the presentation of alternative reports; and (c) building internal capacity of ANND.

**Mr. Izzat Abdel-Hadi** indicated that due to the fact that trade-related issues demand the intervention of Arab NGOs, ANND decided to focus on elaborating short-term and long-term strategies to face these issues. However, as Arab NGOs had a series of priorities, including the freedom to associate, hunger, poverty, the relationship with the governments, and military occupations, they took some time before having an interest on the WTO. In terms of the WTO, Arab NGOs should start an issue identification on the sector, through studies and workshops. The strategy of NGOs should depend on advocacy, which demands the formulation of a written position on all the main issues. This should be followed by expanding the ANND network of relations with other NGOs and sectors of civil society, leading to the initiation of an awareness campaign in order to have the constituency building and support from the large public. However, this should not stop Arab NGOs from having an organized professional relationship with governments as a lobbying tactics. Finally, there is a need for internal capacity building and institutional development.



## Closing Remarks







**Ms. Nada al-Nashif** pointed out that UNDP believes in a very positive interpretation of economic growth and freedom of trade, but is also with social justice that should be an integral part of negotiation. Concentrating on economic and political facets will later lead to the need to correct the inequities that come up from the agreement; i.e. social development, environmental development, marginalized sectors of societies, women and the poor. UNDP advocates for the implementation of the principle of sustainable development. It is based on the researched conclusion that economic growth is not enough, in itself, to create social justice or to eradicate poverty. It is not an issue of globalization or no globalization, but humanity has reached a stage where it can radically improve the living conditions of all. UNDP aims at bringing international organizations and NGOs, local and international, together and expanding the partnership to the private sector, following the logic of social gain. UNDP also has a commitment to continue this coordination process. In this effect, UNDP concentrates its support to the state, because it has a mandate to support national decision-making.

**Mr. Ziad Abdul-Samad** summarized the following conclusions:

The first conclusion reached is the necessity for Arab NGOs to continue the debate on WTO and all issues related to globalization with the aim to formulating a point of view. He stressed that ANND was concerned, since its inception, with all issues related to development, and continues to be consciously aware that world trade and international economic issues are ones. Thus ANND's interest in the WTO is not just a reaction to the Qatar round but a long-standing interest, and this meeting is a beginning, a very good one, for the practical application of ANND on the issues of globalization.

The second conclusion reached is the necessity to further the efficiency of the networking mechanisms. In other words, this has to do with ANND's inner-workings; how to develop the action plan of ANND in order to make it an efficient tool that will help its members to play their role on one hand and to formulate needed strategies. On the subject of networking, it is also important to find the

means to have good relations with other civil society organizations like the trade union movement. The third conclusion is the necessity to constitute a public opinion, thus the need to contribute to raising the awareness of Arab societies on the main issues challenging the civil society, in order to insure that these societies are able to participate in the debate and in the solution-making, both on a local and regional level. The participation in the making of a national agenda, to face the challenges ahead, whether concerning globalization, trade or development, is nearly totally lacking in the Arab world.

There is a demand for a specific work structure that could be an integral part of ANND, and that is more specialized in issues of globalization. Some have called it the Arab Social Watch, others the Social Forum, with the aim of creating a more specialized place to monitor public policies and social challenges and engage in research that will contribute in the debate for correcting the said public policies. There is also a need for further strengthening of ANND's international ties, especially with the coalitions of the WTO, Social Watch and the Third World Network. On this level, the need to organize the World Forum on the WTO in Beirut in November in parallel to the Qatar round is also stressed. This forum being an important step that ANND and all NGO will benefit from for raising awareness and forging an Arab public opinion.

There is a unanimous agreement concerning the Qatar round, stipulating that the WTO should take into account the demands of developing countries and civil societies that have suffered greatly from the socio-economic impact of WTO past implementation. Thus it is necessary to look into the implementation mechanism of WTO policies, the general aims that rule the organization, as well as those that govern specific agreement.

ANND will determine its position vis-à-vis the Qatar round in light of the issues raised above. In general ANND is for the re-evaluation of present agreements before adding new ones, thus correcting world trade into a more fair and developmental one in service of people.

Finally, ANND would like to add to maintain and deepen its relationship with UNDP, the co-organizers of this workshop, to further the interests of Arab civil societies.



## Resource Papers





# Proposed UNDP Report on Trade and Sustainable Human Development<sup>1</sup>

By Mumtaz Keklik

## A. Context

Events surrounding the WTO Ministerial meeting in Seattle in November-December 1999 have become a kind of Rorschach test for how different constituencies view globalization - different people and groups look at the same pictures but draw different meanings from them. Civil society organizations focused on their historical exclusion from agenda setting arenas while many developing country governments were upset at the approach of many OECD countries and particularly the host nation, the USA, during the negotiations.

Despite the media portrayed debacle in much of the world (because no new millennium trade round was launched), the peculiar but prevailing feeling is that the absence of progress at Seattle was indeed progress: that the collapse of narrowly and economically defined trade negotiations has allowed for a much needed first principles and human development values focused discussion and debate of trade and related global governance issues.

To put this in perspective, however, controversy regarding the global trading system is not about whether or not we want trade but on how trade can reflect desirable human development values and progress human development objectives. This initiative proposes to address the above issues of trade through commissioning of credible consultants to write reports on trade and its global governance from a human development point of view, undertaking a series of consultations with both civil society organizations and developing country governments to understand their concerns in this area and using all of these inputs to present a UNDP report tentatively entitled "Trade and Sustainable Human Development."

As noted, the Seattle trade talks were widely seen as a failure in part because the agenda was per-

ceived to be narrowly and economically defined but also because civil society organizations focused on their historical exclusion from trade agenda setting arenas while many developing country governments were upset both at their exclusion from many of the formal processes and "green room" meetings and what they perceived as the exclusionary behavior of many OECD countries and particularly the host nation during the negotiations.

Given this situation, a number of key assumptions and/or rationales underpin this initiative, its potential importance and the contribution it can make.

First, that in the variegated system of global governance, the trading system most starkly exemplifies some of the historical and structural inequities, which led to the multi-leveled confrontations and contradictions in Seattle late last year. Conversely, an appropriate global governance of trade is one of the most crucial substantive areas to prioritize for a human development assessment of current patterns and processes of globalization. This will be particularly important to do if the objective is to truly assist developing countries and their citizens in eliminating poverty and deriving real benefits from global economic integration.

Second, that governance processes - such as the degree of fairness and representativeness that mark international trade negotiations - have both direct and indirect implications and impacts on both the substance of the negotiations and their human development outcomes eg. whether and how the negotiations deal with issues such as TRIPS, market access or the linkages between trade, on the one hand, and labor standards, environmental concerns and human rights, on the other, will affect both the substantive content and outcomes of negotiations in these areas. Since process, substance and outcomes cannot be artificially separated, it is important to assess and influence the appropriateness of global governance processes if one wishes to assess and influence the substance of the negotiations and their human development outcomes.

Third, that there is an urgent need for a credible assessment, from a human development val-

ues perspective, of the current world global trading system, given the controversies surrounding it and the questions about both its ability to serve the interests of developing countries and their poor as well as the needs of food security, environmental sustainability and social cohesion and inclusion.

Fourth, that trade is an area where there is convergence in positions between many developing country governments and many, especially Southern, civil society organizations. It thus provides both an excellent entry point for the building of more trustful relationships and "social capital" between developing country governments and CSOs and for UNDP to build its relationships with CSOs without too much risk of alienating developing country governments.

Finally, a fifth assumption is that such an assessment will only be credible if it prioritizes a process involving consultations in two phases, involving both civil society organizations and developing country governments.

## **B. The Project and Progress to Date**

The Project has three interrelated objectives:

1. To assist developing country governments and their organizations of civil society in ensuring that their countries can selectively and strategically seize the opportunities of global economic and trade integration for advancing national progress in human development and poverty eradication.
2. To strengthen the participation and substantive negotiating and advocacy positions of developing countries in both the debates and negotiations on the emerging global trading regime.
3. To present a UNDP position on the current human development outcomes of the global trading regime and the positive agenda of reforms needed in the global governance of trade to make it more inclusive and fair so that trade can serve as an instrument for enhancing human development and poverty eradication goals.

In order to achieve the above-summarized objectives, the project needed to start by building a strong conceptual background, which had to be

developed as part of a participatory process. To that end, the three background papers were commissioned, and a Brainstorming Meeting was organized in October 2000 to discuss the draft outlines of the papers. Third World Network (TWN), a leading Southern CSO, based on his long track record on trade issues, credibility with civil society and past experience with trade negotiations. The TWN, under the leadership of Martin Khor, was asked to write a paper on the institutional aspects of global trading regime. Prof. Dani Rodrik, based on his strong empirical and analytical work on trade and human development, research on trade economics and active involvement in advising developing countries on trade issues. Professor Rodrik was asked to write a paper on the political economy aspects of the global trade. Dr. Nilufer Cagatay, for her extensive research and credentials on gender and trade issues. Dr. Cagatay was asked to write a paper on gender and trade.

A brainstorming meeting was held in mid-October 2001 after the appointment of the consultants to provide critical comments to the consultants on their draft outlines. It comprised approximately 40 key thinkers and activists from academia, Southern trade delegations in Geneva including at the ambassadorial level, civil society organizations, the UN (UNCTAD and UNDP), and Foundation representatives.

The realization of the objectives also required that the process be a consultative one with all stakeholders and representatives, i.e. southern governments and civil society organizations. It also required that the findings of the project be documented in a format that is shareable with a wider audience, including policy makers, for advocacy purposes.

Four civil society organizations regional consultations have been proposed, one each in Asia-Pacific, Africa, Latin America and the Caribbean, and the Arab region. It is, unfortunately, impossible to be able to have separate consultations in other regions (e.g. Eastern Europe, CIS) because of both budgetary and time constraints. However, a high priority will be placed on inviting key strategic participants from these regions to one or the other of the three regional consultations.

The main objective here is to hear the views of a

range of civil society organisations who have been active on issues of the global governance of trade and input the three consultant draft reports into already existing processes in the South. UNDP is not in a convening role for these consultations, except its co-organization role in this current consultation, but has contracted this role to leading and credible civil society networks in the three regions who have been involved in the trade issue (e.g. TWN for Asia, the Africa Trade Network for Africa and the newly emerging trade network, the Interhemispheric Social Alliance based in Mexico on these issues in Latin America and the Caribbean). In the Arab region, although the Arab NGO Network for Development is the main player, UNDP has been more actively involved in the convening of the meeting. The Africa CSO consultation took place from 4-5 September 2001 in Ghana. The other CSO consultation meetings are taking place in Malaysia for Asia, Brazil for Latin America.

Participation in these consultations is primarily by civil society representatives from the South although some Northern civil society groups and academics who work closely with Southern civil society groups are invited as either resource persons or observers.

There will also be developing country government consultations. UNDP, in this instance, is the convening organization together with willing host governments, given that developing country governments are its primary constituency. Three such consultations are proposed, but these are not necessarily all be according to geographic groupings. After relevant consultations with governments and UNDP Country Offices and/or Regional Bureaux, we have decided to have three such consultation meetings; one in Zimbabwe, one in Chile and one in Mongolia (together with the Asia Trade Project). In addition, it is now felt that UNDP should have, as one of these consultations, or as an additional one, a consultation cum expert group meeting led by the G77 through trade delegations in Geneva, which will start in a few days.

The three consultant reports are expected to serve as inputs into these consultations and will be published as separate UNDP papers.

The final output of the initiative will be based on all of the preceding inputs and practical components

but be UNDP's report on "Trade and Sustainable Human Development." (working title). It will be a substantive report assessing key aspects of the current trading regime, especially:

- the influence of the origins and political path of the global governance of trade on its current structure and impacts and/or implications;
- an assessment of trends in the current governance of global trade - identifying the impact of values that shape current negotiations, regulations and dispute rulings;
- an assessment, from a human development values lens, of the impact of the current regime, through an analysis of trends of economic marginalisation and vulnerability, exclusion from participation in governance processes and national impacts on poverty and inequality; and
- a summary of proposals and recommendations, highlighting both central advocacy points and programmatic implications that will be necessary to advance the issues raised.

It should be emphasized here that the process of producing this report is as important as the final report itself. Through the appointment of an Eminent Persons Advisory Group, hiring credible consultants and holding consultations rooted in national issues, the initiative will be used to maximize opportunities for:

- drawing diverse civil society organisations and developing country governments into discussions with the aim of creating more coherent joint positions
- rooting debates in regional, national or similar-situation country issues, highlighting different concerns according to country or regional groupings
- engaging respected academics, civil society activists and think-tanks in the debate and using their backing to strengthen the report's credibility, visibility and reach
- generating press coverage to draw media and public attention to the issues being discussed and proposals being recommended to give them more serious and better substantiated coverage than has been typical of most press coverage to-date on the issues
- highlighting UNDP's new emphasis on strengthening developing country capacity for global advocacy

- raising awareness among UNDP staff of how the issues raised in the consultations can be integrated into country level policies, practice and programmes.

### C. Emerging Tentative Messages

The following messages have emerged so far in the process. They are broadly based on the three consultant reports as well as formal and informal consultations (including the brainstorming meeting) that we had in the framework of the project.

1. The globalization process of the last two decades has proven to produce more bads and goods for developing and poor countries. Benefits of globalization can only be realized if, the global system assists developing countries in prioritizing human development rather than making them concentrate their political and economic energy on unsustainable and questionable aspects of development process such as greater market access for its own sake.
2. Any debate on trade openness in developing countries should take place from the sustainable human development (SHD) perspective, rather than market access perspective, as there is no proven, guaranteed relationship between greater market access achieved only through trade liberalization policies prescribed to developing countries in the last two decades, and SHD. Even the relationship between trade openness and economic growth has not been proven to exist.
3. It must be understood that trade can help sustainable human development, but not always; increased trade volume could be very important for development, but it should take place for right reasons and with right vehicles. Trade for the sake of trade and only through traditional trade liberalization measures is not necessarily good for the benefit of developing countries. Accordingly, trade and market access should be perceived as possible vehicles for achieving sustainable human development and not as the panacea of human development.
4. The relationship between sustainable human development and trade should be perceived as a two way process. The role of trade should be to contribute to sustainable human development, but in order to benefit from trade there is a need to have a certain threshold level of human development. Components of SHD such as existing sustainable employment opportunities, minimized wage differentials across different social categories especially genders, equality of asset distribution, existence of enhanced entitlements and capabilities again across social categories and so on, must be prioritized in trade reform.
5. At the national level, the development process must prioritize human, institutional, and productive capacity building as well as equitable distribution of outcomes across social categories. For this to happen, trade rules at the international level have to allow for diversity in national institutions and standards, such as property rights, regulatory institutions, institutions for social insurance and so on. Furthermore, they need to acknowledge the right to protect their own social arrangements and institutions, without crossing the border of imposing their own institutional and productive preferences on others.
6. Multilateral trade agreements are very important to ensure that trade goals are geared towards sustainable human development, as the production system of goods and services at the international level requires cooperation and monitoring to avoid exploitation of developing countries by developed countries. This is especially important because such exploitation has been known to impede the human development process in the former group. Accordingly an asymmetry in trade rules for the benefit of developing countries and more and better market access in the North for the products of the South are needed for SHD in developing countries. This will eventually benefit developed countries as well. Only then will developing countries be able to 'participate in,' rather than 'integrate to' the global system in a sustainable and equitable way. In order to make the most out of trade reform at both national and international levels, governments must internalize the fact that the world-trading regime must be at the service of development needs of developing countries and not vice versa.



7. Despite a number of its positive characteristics, from an SHD perspective the existing multilateral trading regime could use improvements in the following areas:

(a) Considering the inadequacy of the structure based on reciprocity, there should be fundamental structural improvement to redress the problem of overall imbalance in the multilateral trade regime. Similarly there should be structural changes to compensate for the handicaps of the developing countries in the system. In this context, there is a need to give differential and more favourable treatment to developing countries. This implies that obligations in the trading regime should be a function of the level of development, which, in turn, means that it should be formally accepted that developing countries will undertake comparatively lesser levels of obligations than developed countries will.

(b) Rules and provisions on specific issues such as tariffs, national treatment and TRIMs, subsidies, labour and environmental standards should be formulated with the disadvantaged position of developing countries in mind. In every step of the way, the formulation should be based on the fact that developing countries are in the process of development, where they have to modulate and fine-tune their trade policy instruments so as to support and encourage the growth of specific sectors as a dynamic process. Sectoral protection and subsidy issues should be taken into account with the consideration of a system of 'development asymmetry of the rules.'

(c) Implementation rules of the agreements should also be formulated to assist developing countries in achieving their development goals. This requirement takes two to fulfill; in crucial sectors for the development of in the South, such as agriculture and textiles, high subsidies and protection prevailing in agriculture in developed countries should be effectively reduced. At the same time, developing countries should be allowed greater flexibility than now allowed. This is especially important in the agriculture sector to guarantee food security. Tariff peaks and escalation in the industrial sector in developed countries in products that are of export interest to developing countries should also be brought down to enable developing countries to expand their manufactured exports and to con-

tribute to the upgrading of developing countries' efforts to make better use of their raw materials and natural resources through processing and manufacturing. In fact, developed countries should effectively eliminate all types of unjustified restrictive trade measures. This should be very closely monitored.

(d) There is a need to address problems that developing countries are facing in terms of the implementation of specific agreements. The starting point should be general reviews of developing country implementation problems of specific agreements. This should be supplemented by a 'human development impact assessment of the implementation of specific trade agreements.' Then the agreements should be enhanced with necessary clauses geared toward the protection of developing countries. For instance, in the case of the agriculture agreement, food production in the developing countries for domestic consumption as well as the protection of small farmers and household farmers in developing countries should be excluded from the disciplines of the Agriculture Agreement on market access and domestic subsidy. There is a need to introduce and implement a Special Safeguard Mechanism for developing countries. In the case of the Services Agreement, only after solving their lack of data and assessment problem on services should developing countries make new commitments. In the case of the TRIPS agreement, there is an urgent need to consider (a) the relevance of the agreement to the trading regime, (b) the immense implementation problems that are now emerging. Therefore, taking this into account, the transition period for developing countries should be extended until after a proper review of TRIPS is carried out and appropriate changes are made to the agreement. In implementing TRIPS through national legislation, developing countries should be allowed to fully make use of the flexibility (including avenues of compulsory licencing or parallel imports, exemption of certain goods from the agreement) to choose between different options, without undue and inappropriate influence asserted on them. Likewise in the TRIMS agreement, the transition period should be extended according to the development needs of the South. The agreement should rigorously consider the implementation of

'development conditions' such as the local content requirement. Flexibility in rule-making and implementation for human development in developing countries is absolutely necessary.

(e) The structure and the operation of the Dispute Settlement System are such that developing countries are not able to benefit fully from the it. In order to solve the structural and substantial problems regarding the System, it is necessary to take into account power asymmetry between developed and developing countries. For example, since the ultimate means of enforcement is retaliation and a developing country may not find it a practical step, there should be a mechanism in the rules to provide for joint action by all members against an erring developed country. Furthermore the time and monetary cost of the process of bringing an issue to a closure is very costly for developing countries. There is a need to solve systemic problems relating to the structure and operational aspects of the dispute settlement system and the need for genuine independence of the panels and appellate body.

(f) Multilateral trading regime should take into account additional issues such as lack of productive, human and institutional capacity in developing countries and the decline in commodity prices and terms of trade of developing countries.

(g) Last but not least, there is an urgent need to help strengthen the developing country negotiators's knowledge about the implications of possible trade agreements as well as their negotiation capacity in global trade negotiations.

#### **D. Next Steps**

Over the next few months, the project activities that need to be completed are as follows:

1. Publication of Consultant Papers (mid-September 2001)
2. Consultation processes and Meeting Reports from Consultations (September-October 2001)
3. Writing of the Report on Trade and SHD (November to February 2001)
4. Final Report Publication and Dissemination (March 2001)

## **Civil Society and Arab Foreign Trade: Prospects of Role**

**By Mohamed El Sayed Said**

### **Introduction:**

On the occasion of holding the fourth ministerial conference of WTO in Doha -Qatar next November (2001), its Director General Mr. Mike Moore promised that the conference 'will bring the WTO closer to the Arab region than ever before'. The conference', he said, 'should be seen as an opportunity for the region to raise awareness about WTO and the importance of international trade'. He also used the opportunity to argue the case for integrating the Arab world in the globalization of trade. He reminded the Arabs that 'history is filled with images of Arab merchants traveling the world to market their textiles, spices and other goods'.

Reflecting on wide spread accusation against the WTO of siding with the rich and powerful, he articulated several themes to argue his case. In addition to the usual theme of fairness, veto power for every member state, big and small, and the protection accorded to legal trading rights of all, he placed a particular emphasis on benefits of free 'rule-based system' accorded to Arab economies. He sees this system as more beneficiary "particularly for export reliant developing countries and for fuel-exporting countries in the Arab world that want to diversify their exports".<sup>(1)</sup>

This paper shall examine the validity of these claims, in relation to the Arab world. As we shall argue, the issues at stake in the liberalization of Arab trade are much more complex. Massive efforts are demanded on the part of Arab governments and civil societies to make the promises made by Mr. Mike Moore true.

Naturally, the main argument made by the director general of the WTO is highly contested on ideological and political grounds. Indeed, the young people who poured in the streets of Seattle, Washington D.C., Sidney, Okinawa, and Genoa in protest against almost every important meeting of the major institutions identified with globalization, including the WTO have made their case against trade globalization more than clear. In the view of

the organizers of the anti-globalization demonstrations, there are ten reasons to oppose the WTO. These reasons include the following.

- "WTO only serves the interests of MNC's"
- "WTO is a stacked court"
- "WTO undermines local development and paralyses poor countries"
- "WTO is increasing inequality"
- "WTO is undermining sovereignty".

The same criticisms are echoed in more expertly language by a large current of political economists around the world, particularly in the South, including the Arab world. A major think tank speaking in the name of developing and poor countries, i.e. the South Center had this to say about trade globalization. 'Although equity, cooperation, solidarity, and public interests and ethical and moral principles continue to be considered and declared desirable objectives, in practice they are subordinated to the specific goals and interests, the application of double standards, and ruthless competition in which the rules of the game favor the wealthy and the powerful and ignores the different realities and levels of development of the countries of the South'.<sup>(2)</sup>

A special emphasis is placed by this criticism on the erosion of the concessionary treatment accorded to underdeveloped countries in the old GATT system. So 'instead of making the existing, highly lopsided situation more level by giving special treatment and assistance to weaker economies so as to enable them to develop...the current interpretation tends to aggravate these inequalities. "Global rules, regimes and institutions favoring the wealthy and powerful. Particularly through Uruguay round and the WTO ignore the development challenges facing developing countries", the statement emphasizes.<sup>3</sup>

It is worth mentioning, in this context, that the new WTO-administered trade system was born in a climate characterized by an all-encompassing backlash carried out by the new conservatives in the United States and the U.K. against the welfare-type economic thinking that dominated the world economic scene in the 1960's. In the field of international trade, one consequence of this backlash is to grant the United States and a few other countries that lead the ongoing technological revolution new advantages in compensation for the erosion

of their comparative advantages in classic industries.

The new trade regime has therefore brought into tighter protection the so-called intellectual rights. It has also forced the liberalization of international trade in services. Another fundamental change brought about by the new system is the elimination of non-tariff barriers to trade that formed the major instrument of protectionism in both industrialized and developing countries, in addition to a comprehensive and radical reductions in tariff rates implemented by all member countries, including the least developed.

However, the shift in philosophy pertaining to the development challenges seem to be much more crucial for any discussion on the new international trade regime. In brief, the old GATT system, specifically after Tokyo round of 1964, recognized the need to make a special treatment for developing and poor countries, as needed to empower them to compete internationally. The main instruments of empowerment are the principle of non-reciprocity, whereas free access to the markets of industrialized countries may not be matched by equal tariff and non-tariff concessions in the markets of underdeveloped and poor countries. A general system of preferences GSP giving the products of developing countries a slight edge in the markets of advanced countries, was thus enshrined in the old GATT system.

The new, WTO-administered regime has practically wiped out these instruments. In justification for the new set of rules, the economic research and political machine of the industrial North made a sweeping argument against protection. Through the application of new classic economics, advocates of the new system promised net gains for developing countries via free trade and total opening of the economy.

In fact, the argument for free trade is a crucial constituent element of the broader argument for a free market economy in general, in which the role of the state is shrunk to the provision of functions, which reduce transaction costs. In this manner, economic growth is entrusted to the market. If small markets could not deliver, it is assumed that production for the large international market can run the magic. In all cases unconditional integration in the global market is seen as the road to effi-

ciency. Indeed, the free trade model is based on the recognition of trade as an engine to growth and development.

How far this model applies on the Arab world? Should we expect it to deliver on its promises to the Arab world?

We prefer to try an answer to these questions on pragmatic rather than moral or philosophic plane. It is convenient, however, to start by a general formulation of the argument which will be articulated in the following section. In brief, we think that development leads to the expansion of international trade and the maximization of its potential benefits rather than the opposite. The case (or cases) of the Arab world is a testimony to the validity of this statement. In other words, a free trade-centered model for the development of Arab economies has a fairly narrow chance for success. For a long time to come, the real future of Arab economies hinges on internally generated development. And the prospects of net gains from free foreign trade are going to be minimal unless certain fundamental conditions are fulfilled. Two such conditions seem to be crucial to the realization of these promises. First and foremost, without a radical restructuring of Arab productive apparatuses, the positioning of the Arab economies within the new global trade regime will cause greater losses than gains. Secondly, within the processes of economic and social restructuring needed to maximize benefits from free trade, reaching equilibrium of social interests forms a necessary platform for success. In this latter perspective, the role of civil society in the process of negotiating and monitoring trade agreements should greatly be enhanced. In the following, we shall first review the main characteristics of Arab foreign trade. We will also provide a brief explanation of the main weaknesses of the free trade model as applied to the Arab world. Lastly, we shall shed some light on the role of civil society in trade negotiations and policy making. A few final recommendations will also be suggested.

#### **First: Could foreign trade lead Arab development?**

The fables of Arab merchants with their daring exploration of the world around them and their

extensive use of available scientific knowledge was practically halted when the center of geographic exploration and scientific knowledge shifted away from the Arab world to the West at the end of the fifteenth century. We do not need to adhere to the axioms of dependency theory to know that the shift of long distance trade towards the new center of economic and technological discovery formed one of the main causes of the long stagnation that stroke the heart of Arab/Islamic civilization.<sup>(4)</sup>

We do not need either to review the history of the colonial domination of the Arab world to assimilate the fact that patterns of Arab trade followed closely the existing types of economic activities in the Western world. During the colonial age, monoculture economies were established in close connection with the needs of the colonial systems. In most cases, agro-business based on a single or a few crops dominated both economic activities and foreign trade of the colonial world. Beginning from late 19th century, but more importantly during 1930's, oil in the Arab world was extensively explored, produced and marketed internationally by foreign companies operating on the bases of concessionary contracts. Local Arab economic and social life had very little to do with the booming oil business until as late as 1960's.<sup>(5)</sup>

The post-colonial age witnessed a relatively strong industrialization drive in a number of Arab countries. A whole range of protectionist measures was put in place. And since almost all Arab countries emerged from the colonial experience with a tiny entrepreneurial class that grew out of the land aristocracy, the state had to take the burden of establishing and developing industry and other modern economic undertakings.

However, the protracted fiscal crisis of the post-colonial state prevented it from adequately furnishing the financial, technological and managerial foundations for self-propelled renewal of the economy. On the other hand, the range of technological and economic innovations witnessed by industrial countries in the second half of the 20th century transformed the international market for agricultural goods. In fact, most of the ex-colonies, including Arab countries became net food importers. Agriculture was not totally neglected, but its development was severely constrained by

the lack of adequate industrial and technological development, especially in the Arab world as an arid zone known for heavy physical limits on the supply of agricultural resources.

By 1980's, the economies of non-oil producing Arab states were losing momentum. Their productive structures were quickly reaching obsolescence. Manufacturing industry in Arab North Africa, and non-Gulf countries of the Mashreq was ailing. Services were highly undercapitalized. Agriculture was subject to long-term stagnation. Macro-economic indicators were out of balance. Eventually saving and investment rates; the most essential indicators for the health and development capacity of Arab economies, drastically declined throughout 1990's. Annex table no.1 clearly shows this phenomenon.

Slackening investments logically reduced the growth potential of non-oil Arab countries. Annex table 2 shows this long-term trend.

Slackening investment and relatively long stagnation in non-oil exporting Arab economies are inevitably reflected in the performance of Arab foreign trade, during 1980's and 1990's.

Due to the underdevelopment of Arab economies, foreign trade traditionally accounts for a small percentage of the value of world trade. The oil boom of 1970's substantially increased this share. Oil recession during 1980's and most of 1990's pressured down the share of Arab countries in world exports. However, large scale obsolescence and other trade specific factors also contributed to the noticeable decline in the share of the Arab world in international trade.

The phenomenon of decline in already meager share of Arab countries in international trade has been observed throughout the last decade. The united Arab economic report observed that the share of combined Arab exports receded from 3.2% to 2.4% of total world exports between 1996 and 1998. <sup>(6)</sup>

These figures are, in fact, more or less deceptive. When we exclude oil, the share of Arab countries in international trade decreases considerably. Indeed, the collective Arab non-oil exports to the outside world are almost negligible. The weight of non-oil Arab countries in world exports is extremely low. For example, the share of Arab North Africa region, including Egypt, in world exports declined

from 1.1% in 1990 to 1.0% in 1991, 0.8% in 1993, and to .7% in 1994, and 1995 <sup>(7)</sup>. Oil exports of Algeria and Libya form the bulk of the Maghreb countries exports.

The negligible share of Arab non-oil exports reflects a number of objective and cultural factors. For a long time, Arab economic development strategy focused on import substitution, rather than exports. The obsolescence of Arab non-oil productive structures drastically reduced their international competitiveness exactly at a time when new industrializing countries in East and South East Asia started to sweep the international market in a number of classic manufactured goods.

The oil economy established new consumption habits, and more importantly raised wage expectations of the labor force in Arab countries. This in turn has farther reduced the competitiveness of Arab products. A less noticeable factor is the erosion of Arab export culture. Knowledge of international export markets was also eroding. Contrariwise, Arab commercial culture continues to reveal a great bias towards imports. <sup>(8)</sup>

With all this in mind, the expectations of foreign trade to play the role of engine to growth are overblown on the short and intermediate run. Moreover, this over-all picture conceals important differences among various categories of Arab countries.

Trade statistics clearly demonstrate considerable differences in trade performance among Arab countries. The established feature here is existence of huge gaps between oil and non-oil exporting countries.

These differences are shown in annex table 3.

Oil is by all means the determining factor shaping the over-all performance of Arab foreign trade, particularly on the export side. Figures in the table demonstrate the exceedingly high propensity for imports in oil-exporting Arab countries, and in all Arab countries combine.

As a result of these differences, the situation of trade balances varies widely between two categories of Arab states: surplus and deficit countries. Oil rich Arab states tend to accumulate trade surpluses. Poor Arab countries fall victims of chronic trade deficit. Combining Arab trade conceals the huge gap between these two categories of Arab countries. Once more, each of these two cate-

gories should be treated independently. Prospects of trade playing the role of engine of growth varies widely between oil and non-oil exporting countries.

As a result of the predominance of oil in combined Arab exports, the commodity structure of Arab states is much lower in quality than the average for the developing countries as a whole. We may define the quality of exports as the relative share of human talent and labor in the total value of export products. And in this sense, Arab exports are of noticeably low quality and low spin-off effect on the national economy.

The share of manufactured good in total exports of the developing countries has substantially increased from 39.6% in 1990 to 65.4% in 1998. In comparison, the share of manufactured goods in total Arab exports tends to stagnate around one fifth <sup>(9)</sup>. The share of oil fluctuates in correlation with prices. This share stands as well over half all combined Arab exports. It may occasionally go as high as 60-5% of all combined Arab exports. The relatively large share of chemicals may indeed be regarded as an extension of the role of oil in Arab combined exports. Annex table 4 reveals these defects in the commodity structure of Arab exports.

Due to the dominant role of oil in Arab exports, and the erratic behavior of international oil market, export revenues fluctuate as violently, making Arab economies extremely vulnerable to the odds of oil market. Indeed, since oil is the main earner of foreign exchange, all other indicators of economic health and economic growth depend very highly on the performance of this sector.

Long-term trends of oil prices are already taken as a strong alarm to Arab producing countries. Fluctuations in current oil prices may indeed be a part of the alarming trend. A more important aspect is the long-term decline in oil-non-oil terms of trade. In fact, oil prices in the 2000 are still less in real value than they were in 1974. <sup>(10)</sup>

However, Arab non-oil exporting countries generally suffer more from deteriorating terms of trade. The chronic nature of this phenomenon means that Arabs can rely increasingly less on export earnings, and that the real net gains from foreign trade are decreasing rather than increasing. This was particularly the case in 1995, as shown in

annex table 5. In other words, Arab countries have to export more in order to finance the same volume of imports. And as exports and imports grow in value and volume, the net impact on development shifts to the negative rather than the positive side. Simply put, Arabs cannot rely on trade as an engine to economic growth unless radical changes in their economic settings are introduced. One of the main reasons for the decline in terms of trade is lack of power parity in the economic sphere. Generally, Arab trade was traditionally concentrated geographically in the industrialized countries. Trade relations with former colonial powers continued to play a predominant role. However, the demand for oil somewhat changed the picture. The geographic distribution of combined Arab trade shows a slight tendency for diversification, particularly on the import side. The share of the United States in Arab exports and imports stand at less than one tenth. The European Union continues to be the main trading partner with the Arab world. This trade partnership is characterized by great imbalance between exports and imports. While the European Union countries provide more than one third of Arab imports, they account for only a quarter of Arab exports. As a result of tedious effort to decrease the reliance of Europe on Arab oil, the share of EU countries in Arab exports tended to decline, on the longer run.

On the other hand, as comparative advantage in many classic industries moved to other regions, Arab imports from the EU countries also declined. In 1999 imports from Europe accounted for 39.2% as compared to 43.0% in 1995. In return, South East Asia takes more of Arab exports than its share of Arab imports. The share of the rest of the world seems to be balanced. Around one quarter of both Arab exports and imports are traded with countries other than the United States, the EU, Japan, and South East Asia.

The geographic structure of Arab trade is shown in annex table 6.

The changing map of Arab trade diversification, however slight, needs to be explored farther. As Arab import trade moves tangibly away from traditional ties with the European Union countries, access for Arab non-oil exports seems to be less than promising with new trade partners such as

South East Asia, Japan, and China. Arab exports to these new destinations are largely constrained within the oil sector. This, in turn, raises the importance of Arab partnership agreements with the EU. But these same factor acts to reduce the dynamism needed for Arab export trade and its developmental content.

The Arab striving for export promotion faces great difficulties within the international market. One way of promoting exports is increased trade cooperation among Arab countries themselves. There is in fact some signs of improvement in the volume and quality of inter-Arab trade. It is evident that some Arab countries such as Jordan have made quite an inroad in this field. However, inter-Arab trade continues to be weak. Exports to other Arab countries stood at almost 11% of all Arab exports. Imports from other Arab countries account for 8.5% of total Arab imports in 1998. Obviously, the share of inter-Arab trade fluctuates with the prices of oil, the greatest single source of fluctuations in export value. For example, the registered decline in the share of Arab exports and imports in 1999 owes largely to improved oil prices in the international market. Annex table 7 records inter-Arab trade in the last years of the 20th century.

Although inter-Arab trade seems to be low, the available figures tend to under-estimate its actual weight and dynamism. Arab trade is less dependent on oil as compared with over-all trade with the outside world. It also allows for greater share of manufactured products and industry more generally.

In all these indicators, we notice more or less rigid limitations on the dynamism of Arab trade, particularly on the export side. Some such limitation may possibly be explained by trade-specific factors. It is more than amply clear, for example, that the main cause behind these limitations is the lack of powerful momentum for local development within Arab countries themselves. Again, the large-scale obsolescence of Arab productive apparatuses outside the oil sector lies behind the limitation on the developmental potential of Arab foreign trade.

Hence, the sheer intention for further economic opening through the liberalization of Arab trade is far from adequate for greater actual integration in the new international trade regime. A host of fac-

tors severely constrain the growth of Arab trade and its role in Arab development. Almost all non-oil exporting Arab countries are more or less highly indebted. And as exports tend to be meager in comparison to their imports, foreign borrowing continues to be a last resort for maintaining the present levels of Arab foreign trade. This, in turn, aggravates the situation of indebtedness with which many Arab countries failed to cope. Furthermore, difficulties in debt servicing have hampered the growth of foreign trade. And as the problem of foreign indebtedness aggravates, the credit worthiness of many Arab states declines, leading to deteriorating resource gap. On the other hand, difficulties in financing foreign trade and fluctuations in exchange rates and other macro-economic indicators add more hurdles to already bad economic situations faced by trade deficit countries in the Arab world.

Annex table 8 reveals the debt situation of Arab countries.

Declining exchange rates of the local currencies tend to inflate the real value of foreign trade relative to gross national product of non-oil exporting Arab countries. However, when gross national product is measured by the real purchasing power of local currencies, foreign trade of several Arab states is shown to decline. In other words, Many Arab countries members in WTO are withdrawing, in relative terms, from the international market in response to reduced real gains. This phenomenon ascertains our conclusion that the real benefits of foreign trade hinges on the internal growth potential more or less produced through local mobilization of resources.

The same conclusion is further indicated through the study of the relationship between foreign investment and foreign trade. Many studies have established a relatively high correlation between foreign direct investment and foreign trade <sup>(11)</sup>. Direct causation is indeed less important than the presence of a dynamic economy with high growth potential. It is sustained development that generates foreign trade and attracts foreign investment at the same time.

The relationship between trade and investment in the oil sector is almost commonsensical. Simply, it was the discovery and production of oil in the Arab world that generated trade, not the vice versa.

However opened, the small value of non-oil Arab trade provides no strong impetus for multinational corporations to invest in the Arab world. On the other hand, substantial legal incentives provided to foreign investment in many Arab countries are far from adequate to compensate for the lack of adequate economic incentives. The Arab world is still far from being qualified for taking a fair share in the process of re-structuring international division of labor through direct foreign investments. Annex table no.12 shows the limits of foreign direct investment in the Arab world. The general judgement made by expertly institutions on improved access to foreign investment is hardly supported by reality, except in a very few cases in the Arab world.

### **Secondly: Could trade blocs help?**

Trade liberalization is sweeping the whole world. After the collapse of the Socialist block, only a very few nations are still isolated from the international multilateral trade system. Even before bringing the Uruguay round on trade to a successful conclusion, regional integration was carrying a great weight in the world economic and political scene <sup>(12)</sup>.

In fact, one of the most ambivalent characteristics of the present international trade regime is the coexistence of the worldwide free multilateral trade system on the one hand, and economic and trade blocks on the other. The two have also formed independent but equally powerful trends, in the last decade. The trend of trade bloc formation gained momentum at the beginning from the atmosphere of doubts over the fate of Uruguay round and the erosion of the GATT system due to protectionism and the proliferation of trade wars among industrialized countries. Nonetheless, trade bloc formation continued to expand even after the inauguration of the WTO system.

The Arab world was touched by the two trends. As indicated earlier, a majority of Arab countries associated themselves with the WTO system. Many others may join soon after the passing of certain extraordinary circumstances, e.g. sanctions against Iraq, civil war in Sudan.

In fact, the trend towards the liberalization of Arab trade preceded the inauguration of WTO. A major-

ity of Arab countries have applied a policy of economic opening since mid-1970's. In addition to the Gulf states known for their liberal trade policies since the beginning, a good number of Arab countries that opted for 'a planned economic development strategy' during 1960's such as Egypt and Syria started to liberalize their trade and foreign investment policies since mid-1970's and early 1980's. Another category of Arab countries that followed a moderate protectionist policy without proclaiming a socialist drive such as Morocco, Tunisia and Jordan came to progressively dismantle their protectionist wall in favor of liberalizing the economy. Today, the Arab region is judged by some research centers as one of the most opened among the developing regions of the world <sup>(13)</sup>.

At this point, 11 Arab countries: Bahrain, Djibouti, Egypt, Jordan, Kuwait, Mauritania, Morocco, Oman, Qatar, Tunisia and Emirates are WTO members. Five others are observers: Algeria, Lebanon, Saudi Arabia, Sudan and Yemen. The latter category is no less opened towards international trade than the former, and some are indeed more opened. In fact, all these countries are committed to the application of the standards adopted by WTO. In brief, a majority of Arab countries is pursuing a highly liberalized foreign trade policy. On the other hand, however, many Arab countries have associated themselves with certain economic or trade blocks.

Within the Arab world, the idea of forming an economic grouping of a sort started in early 1950's. Arab countries have never given up on this 'dream'. But actual course of political and economic relations among Arab states proved to be erratic. Of all aspects of their relations, building a strong secular base for an Arab trade bloc was the most difficult to achieve.

Notwithstanding some small achievements in trade relations among Arab countries lately, a good number of Arab countries are tied basically with the European Union. A few other Arab countries are showing interest in contracting a free trade agreement with the United States. But only Jordan managed to sign such an agreement. Due to obvious political circumstances, Egypt is now more distant from signing a similar agreement with the United States than a year ago.



The European Union interacts economically with the Arab world as three or more different categories of states. Each of these categories relates to the EU through different legal frame and policy instruments; the Barcelona process for Arab Mediterranean countries, Lome convention series for Arab countries that also belong to sub-Sahara Africa. A third category, which includes the GCC countries, is involved with the EU through 'dialogue' and cooperation agreements.

The Barcelona declaration process is a multifaceted umbrella for economic and trade agreements between individual Arab countries members of the declaration on the one hand and the EU as a unified entity, on the other. The process has re-constituted the different elements of the Mediterranean policy initiated by the EEC in 1972 into a broad and coherent framework of cooperation in the political, economic and cultural fields. The process has the far-reaching ambition of building a common Mediterranean economic space. Viewed from the angle of the European Union, the central policy instrument for reaching this strategic goal is the creation of a Mediterranean-wide free trade area. However, the language of Barcelona declaration couched this goal in a broad discourse. The declaration identifies three aspects of partnership. The first is political and security cooperation. The second is social and human rights aspect. The third is economic and financial. The approach to new partnership, from the European vantagepoint, is offensive, and aims at introducing some desired radical changes in the political and economic structures of South Mediterranean states.

From the perspective of Arab Mediterranean countries, the Barcelona process served political more than economic purposes. Moving towards a more institutionalized relationship with Europe is regarded by Egypt, Syria and other Arab countries in the Mediterranean as a means for balancing the hegemonic role of the United States in the region after the Gulf war and the collapse of the Soviet Union<sup>(14)</sup>.

On the trade and economic plane, the move is viewed as a defensive mechanism designed to reduce or offset the negative implications of the accession of the competing economies of Spain, Greece and Portugal to the Union's full member-

ship on their agricultural exports. Hence, partnership agreements accorded Arab member countries in both the Mashreq and Maghreb a few major new privileges in the European market. Compared to the previous agreements and Protocols with individual Arab countries, the new partnership agreements forced Arab countries to accept the principle of reciprocity. The enjoyment of free access to the EU market is conditioned by substantial reductions in tariff rates which guarantees European exports to Arab countries something close to free access by the period 2010-2015. The package of trade liberalization measures with EU is much broader and deeper than that applied by the WTO.

The extraordinarily difficult economic circumstances through which a number of Arab Mediterranean countries are currently passing make them reluctant to conclude these agreements. These countries that possess a relatively big industrial sector fear its total collapse in the course of untamed competition with European products and European giant companies. Hence, a country such as Egypt continued to negotiate its partnership agreement with the EU for almost five years. In fact, even after signing the agreement in initial letters in June 2001, Egypt is still showing some reluctance to ratify it. So, while signing and ratifying partnership agreements with Tunisia and Morocco was more or less easy, a number of Mediterranean Arab countries have failed until now to join, for fear of severe economic losses. Judging the old Mediterranean policy, the commission itself felt that its results 'have been no better than mixed'. The Commission, however, blamed these poor results on the rigidities of political and economic systems of its South Mediterranean partners. It particularly referred to the 'high tariff protection as a reason for denying the Med. 12 the full advantages of global integration. The new Mediterranean policy adopted in 1990 was, therefore, designed to 'encourage economic and structural reforms' in Southern Mediterranean countries<sup>(15)</sup>.

On the Arab side, a major Arab economist citing the commission reports on these matters asserts that 'Neither trade nor capital inflows or technology transfer were at the level needed for sustained development in Mediterranean third world. On the

trade dimension, our countries in the Mashreq and Maghreb continue to meet a variety of tariff and non-tariff barriers, specially in exporting agricultural products, in addition to the damaging consequences of fluctuating international exchange rates and interest rates on our countries' economies. These consequences led to deteriorating deficits in trade and current accounts of developing Mediterranean countries without offsetting these consequences by adequate financial inflows<sup>(16)</sup>. The same expert expressed his doubts that the new policy frame will fundamentally alter these conditions.

The second legal frame, known as Lome convention, includes four other Arab countries: Mauritania, Sudan, Djibouti and Somali among the group of countries known as African, Caribbean and Pacific countries or ACP in partnership agreement series with the European community; later renamed as the European Union.

The overall structure of 'Lome convention' is not radically different from the Mediterranean policy frame. It provides free access to ACP products to the EU market; in addition to financial and technical aid and a broad range of social and cultural activities theoretically based on the general principles of human rights and good governance. However, the Lome convention series are much more generous in trade concessions, granted by the Union, as compared with the new Mediterranean partnership agreements. Moreover, the most crucial difference between the two frames is this. While Arab Mediterranean countries negotiate their agreements with the EU separately, ACP countries negotiate with it as a collective entity. A specialized secretariat speaking in the name of ACP countries extensively prepares for the common position during the negotiations. The third frame consists of cooperation agreements with the Gulf States, as one of the 'dialogue regions'. The first such an agreement was reached in 1988 between the EU and the GCC as a collective entity. It covered broad areas of cooperation, such as economic affairs, technology, investment, the environment and trade. On the trade dimension, the agreement was based on the 'most favored-nation clause, but stood short of free trade agreement.

One of the most positive and superior features of

GCC-EU agreement is the fact that it is region-to-region contractual relationship. On the negative side, the EU rejected all efforts on the part of the GCC to gain free access to its industrial products, especially GCC petrochemical export<sup>(17)</sup>.

The Union, which keeps preaching Arab countries to liberalize their trade, continues to maintain a number of protectionist arrangements. In the case of the Gulf States the Union insisted on keeping its basic petrochemicals highly protected by tariff and non-tariff barriers in the face of the more competitive GCC exports. Ironically, it continues to dismiss the view expressed by several Arab countries to the effect that radical reductions in tariff rates for European industrial products will practically destroy their fragile manufacturing sectors. Interestingly, the GCC countries themselves grant European exports free access to their markets.

Other than the European Union, a number of Arab countries have demanded a free trade agreement with the United States. The United States granted Jordan this treatment. But other Arab countries, including Egypt, are denied the same treatment.

The fragmentation of the Arab world in the international trade negotiations is seen by all Arab experts as the main reason behind the of their individual trade negotiations with major trading and economic blocks, especially the European Union. The striving, common to all Arabs, for forming a customs Union, with all the advantages it accords them in the international trade scene, was never really negotiated. Indeed, even the GCC has failed to achieve this goal among its own member countries, even though it was adopted since the inauguration of the Council in 1980.

The road for Arab economic integration was replete with difficulties, mainly political in origin. The process started as early as 1950, when the treaty for economic cooperation and joint defense among state members in the Arab League was signed. In 1964, the agreement on forming an Arab common market was also signed. The circumstances leading to and following 1967 defeat deferred this goal. In 1980, the Arab economic summit in Amman produced a number of major economic unity documents, which included the charter of Arab economic solidarity, the strategy for economic unity, the Arab decade of development. A number of economic treaties were actu-

ally signed and ratified by a majority of Arab states during early 1980's. One of best-formulated agreement documents is the agreement on the facilitation and development of Arab trade of 1982. The agreement opted for a superior strategy of economic integration. It was simply based on the recognition that Arab trade could strongly be enhanced when plans for economic development are coordinated from the start. A whole range of instruments was deployed to serve this approach. However, political circumstances also aborted the agreement potential. In 1997, eight Arab countries signed an executive program for the establishment of an Arab free trade area FTA. The program is designed to eliminate tariff and non-tariff barriers on goods of Arab origin, within the course of ten years, starting from the first of January 1998. However, since this program was based on product-by-product liberalization of trade, bureaucratic hurdles as well as narrow business interests made the speedy implementation of this program in good faith a difficult goal.

Indeed, like all other goals set for cooperation and coordination among Arab countries, economic agreements are the complete monopoly of governments. Public opinion and civil societies were isolated from the process.

Hence, the pressures of the Arab public opinion on governments to work faithfully and seriously for the obvious, i.e. coordinated Arab positions in negotiations on foreign trade and Arab regional economic cooperation were never allowed to bear.

### **Third: Can Arab civil society play a role in foreign trade relations?**

The Director General of WTO declared that 647 NGO's from various parts of the world are invited to Doha conference, to be held in the period 9-13 November this year (2001). The author of this paper is aware of only one major initiative conducted by an NGO located in the Arab world with the aim of only understanding the implications of the Doha round of trade negotiations on the economies of the South, Arab economies included. This initiative is conducted by the Afro-Asian solidarity organization, which plans to hold a conference in Cairo, dedicated to this end. The conference will be held in the same month as WTO

ministerial meeting in Doha. Hence, no major Arab NGO will be attending this conference within the NGO forum. Only one or two of local Arab NGO's may attend this crucial event.

Does absence in this event reflect total lack of civil society role in trade-related issues and in the economic policy field more generally?

A complete answer to this question entails a thorough historical review of the evolution of Arab civil societies and their fluctuating roles in economic and trade policy setting. Because this review is not possible within the present context, it may suffice us to briefly consider three different stages in the genesis of the economic activism in Arab countries.

In the first stage, Arab modern civil societies were born. Their birth was strongly connected to nationalist struggle, which escalated in the latter quarter of the 19th century. In the overwhelming majority of Arab countries, nationalism and democratic striving were strongly and positively correlated. In the economic front, civil struggle was oriented towards an economic nationalist agenda. For example, the nationalist party in Egypt was formed around the issue of the struggle against the European supervision of Egypt's finances in the aftermath of the foreign debt crisis that broke in late 1870's. The 'debt fund', forced on Egypt by its European debtors, was seen as a prelude for the colonization of the country in 1882.

Later on, and in the aftermath of the nationalist revolution of 1919, the Egyptian "federation of industries" framed a nationalist economic agenda, which included demand for restoring Egypt's right to revoke the capitulation terms and impose customs duties, as a necessary prerequisite for industrialization. Mounting struggle launched by political parties, civic associations, business associations and trade unions met success when this goal was achieved in 1930<sup>(18)</sup>.

Some other Arab countries such as Morocco, Tunisia and Syria witnessed similar development. In the second stage, economic nationalism and democracy were de-linked. Nationalist populist regimes started to proliferate after the Egyptian Example. Civil society lost its independence. Its role in forming and developing an economic national agenda was practically cut or severely undermined by heavy state bureaucracies. A few

Arab countries continued to enjoy fundamental liberties. In these few countries, such as Morocco and Lebanon, where trade unions and civic associations survived as independent entities, economic struggle continued or escalated. But the focus was generally placed on either domestic or pan-Arab economic agenda.

A good number of Arab countries ushered into a new stage starting from mid-1970's. Some political and civil liberties were restored, leading to partial revitalization of civil societies. The process continues to be largely uneven within each and among various Arab countries.

Generally, nearly all Arab states, regardless of the precise character of their political arrangements, have opted for the relaxation of constraints on social dialectics in the economic field more than in the political field. The sluggish growth of civil society did not prevent it from taking some part in the making of foreign economic policies, including trade negotiations. Nonetheless, the structure of participation in setting the economic agenda reflected the varying degrees of independent development of various social actors. At the present conjuncture, the participation of the labor movement and popular organizations in the making of economic policy stops far short of dealing with broad macro-economic and foreign economic policies. Business organizations, on the other hand, seem to be much more engaged in these issues.

These general trends could possibly be demonstrated through a quick review of the experience of Egypt and Morocco.

### **(1) The experience of Egypt:**

For a long while, specialized state agencies monopolized the making of economic policies. The role of all civil society organizations stopped at the level of expressing moderate and normally reconciling views. And the state, on its own part, was generally careful to take the public mood into account, to a certain extent. On the other hand, the state was constantly interested in influencing the public mood through extensive propaganda campaigns, in support of its economic policies. Nonetheless, all social organizations, including trade unions and business organizations, were tightly controlled.

Business organizations were the first to take the fullest possible advantage of partial political and economic liberalization since mid-1970's. The number of business organizations substantially increased with time. At the end of year 2000, Egypt had 26 chambers of commerce, 14 chambers belonging to the federation of Egyptian industries, 29 business leagues, and 36 investors' societies. Business influence on economic decision making also grew with time. All major opinion surveys conducted with businessmen come to ascertain the conclusion that high levels of consultations between the government and business organizations take place <sup>(19)</sup>.

For a long time, though, the role of business organizations was constrained within certain limits. Throughout 1990's, this role expanded dramatically. The president himself used to take a number of major businessmen in each of his official visits abroad. Engagement of businessmen has become almost customary in all bilateral trade negotiations, particularly with the United States, and Arab countries.

In a striking exception, business organizations failed to take part in negotiations for Uruguay round. The signing and ratification of the Marrakech treaty in 1994 escaped the notice of public opinion at large, including business associations. Their role was generally constrained, in this case, to informal consultations with specific businessmen. However, some businessmen took part in debates that mounted in the Egyptian media over the new trade regime after the inauguration of the WTO.

This experience was almost totally reversed when Egypt started negotiating the new partnership agreement with the EU, since 1995. All of a sudden all forms of social activism freely flew.

The ministry of foreign affairs made a point of including members of the business community in its negotiating team. It has also consulted every state agency relevant to the negotiations' agenda. Obviously, substantial disagreements and opposed views within the Egyptian negotiating team existed leading to the prolongation of negotiations beyond all expectations <sup>(20)</sup>. When negotiations after long stalemate, eventually drew close, disagreements came to the open. Interestingly, specialized state agencies themselves disputed

the matter openly. A respected newspaper headline reads as follows: 'A crisis within the government on the partnership agreement with Europe. The minister of industry warns against speeding (the process)'<sup>(21)</sup>.

It was also obvious, in the course of open national debates, that the business community is highly split on the issue. No coherent or common position was articulated among various business organizations. The Egyptian federation of industries obviously opposed the agreement. And the former head of the federation was allowed to voice his militant opposition in the main newspapers. Some other business associations endorsed the agreement while some others openly opposed it or expressed deep concerns over its implications.

National debate on the partnership agreement led to further negotiations until the endurance of the EU delegation was exhausted. The president himself had to decide on the matter, which he did reluctantly when Egypt signed in initial letters in June 26, 2001.

A major economic commentator in Al Ahram newspaper commented on the process as follows: 'The achievement of this (draft) agreement and its implementation implied interactions within Egypt no less important than that with Egypt agreement partner. It was accompanied by continuous dialogue on the part of relevant parties outside the government, the legislature, the private sector groupings, and research and studies centers'<sup>(22)</sup>.

Various commentators, including the head of the official negotiating team attributed Egypt's success in obtaining major European concessions to this interactive process within the country. The head of the official negotiating team, ambassador Gamal bayoumi exclaimed that 'what Egypt achieved and what it obtained in the partnership agreement surpassed by far all what all other Mediterranean countries that signed partnership with the EU such as Tunisia and Morocco'. He cited as examples of success large agricultural quotas, re-negotiations after each three years, a grace period before the implementation, and a larger share of financial flows particularly for the modernization of industries program<sup>(23)</sup>. Nonetheless, this optimistic statement failed to redress fears of the collapse of Egyptian industries due to the demolition of tariff protection.

With all these extensive interactions, something major was unfortunately missing the role of the labor movement and civic associations.

## 2- The experience of Morocco:

In spite of all the adversities and hardships met by civil society in Morocco especially in 1960's, it is regarded as the most vital and independent among all Arab countries. One of the main reasons is that Morocco did not pass through a populist and economically nationalist experience of the type articulated in certain Mashreq countries such as Egypt, Syria, or Iraq, and certain Maghreb countries such as Algeria and Libya<sup>(24)</sup>.

Land aristocracy and its business offshoot continued to represent the core of social and political support for the state. In return, it seems that the business community was generally consulted on issues such as economic policies and foreign trade throughout the last three decades. In the words of a major Moroccan businessman 'all economic and fiscal measures taken by the government are not realized or decided except after consultation, especially with the fact that all business organizations and federations are totally independent from government and political parties'

While a measure of exaggeration should not be ruled out in such sweeping statements, it is noteworthy that not much heated debate was conducted when Morocco hosted the signing ceremonies of the Uruguay round of trade negotiations, which established the WTO. A large measure of consensus on the strategic point of Morocco's integration in the international trade regime seems to explain this phenomenon. Another explanation could be found in the very structure of Moroccan business, which bears little weight for industrialists as opposed to traders and contractors. The more bewildering phenomenon is the weak contribution of traditionally strong labor movement in the process.

Exactly like the Egyptian experience, negotiations with the EU attracted much more interest on the part of civil society in Morocco. However, much of these debates took place after not before signing the partnership agreement with the EU in 1996. Here lies the main difference between the Moroccan and the Egyptian cases. The substance of the issues of concern was more or less the

same. Major economists in the Maghrib countries that signed the partnership treaty with the EU have for long concluded that positive contribution made by the whole series of agreements with the EU since 1969 are limited <sup>(25)</sup>. Moreover, when the partnership agreement was being negotiated two outstanding and grave issues of concern were splitting Morocco from its EU partner; i.e. the issue of unfair fishing by EU ships in Morocco's coasts and the issue of labor Moroccan labor migration to the EU countries.

However, Morocco acted to swiftly to sign the agreement in 1996, after short negotiations.

Once signed, the agreement was met with large-scale dissatisfaction by a large sector of the business community, not to speak of the public or trade unions <sup>(26)</sup>.

The very small role played by Moroccan intellectuals, civil associations, and trade Unions in the negotiations of the partnership agreement with the EU calls by itself for a profound debate.

### 3- Over-all Arab experience:

In relation to economic activism, some general features could be designated, as follows.

The first is the more rapid rise in the influence of business in the making of economic policy including foreign trade. As almost all Arab countries are shifting towards liberal economy both internally and externally, alliance between states and market is evolving. In certain perspective, this alliance leads to narrowing the access of popular organizations and labor movements to state policies.

The second feature concerns the lack or total absence of public purpose non-governmental organizations acting, with grass-root approach, in the field of foreign policy generally and economic foreign policy more specifically. A quick look at the register of NGO's in Egypt for example reveals the presence of an extremely few number of NGO's specialized in this field. All these organizations are basically intellectual forums, which mobilize a very small elite of scholars, former diplomats and public personalities aiming to influence, debates on foreign policy issues, including the foreign economic and trade policies. The Egyptian council on foreign relations, for example, was founded in 1998 with this goal in mind.

The third feature is crucial for our discussion.

Foreign and trade policy is very highly contested within Arab public opinion, including the small elite of concerned persons or institutions. Traditionally, contest over these issues was a part of ideological conflicts. The Left and pan-Arab trends of thought showed a great deal of hostility to globalization and to the policy of economic opening. Liberal and conservative trends formed the early supporters of open-door policy.

This polarization has changed over time in fundamental aspects. Many liberal and conservative scholars and politicians, in Arab countries, have shifted positions towards a protectionist policy, at least in relation to the new partnership agreements with the EU. Many radical and left wing politicians have in turn opted for an open economy. A major Radical theorist from Algeria had the courage to challenge his pan-Arab and radical colleagues in a conference organized by the Center for Arab Unity Studies, stating that 'If it were legitimate to warn against some dangers associated with new Mediterranean consciousness, is not the danger of (locally generated) pauperization greater? Was economic protectionism any thing more than protecting poverty and despotism? Believe that public interest lies today in giving up the situations which increased our poverty and legitimated acts which appealed to us in the name of nationalism while dealing with brokerage. Toady, the dream of having a nationalist bourgeoisie was nothing more than an illusion' <sup>(27)</sup>.

Fourth, there is indeed a process of awakening in which a pervasive feeling among Arab societies that rapid development is the real issue prevails. Neither protectionism nor isolation form the world economic system is by itself a road to ending the present crisis in Arab economies. Very few continue to harbor hopes that liberalization is the main key to development. No one in the whole world is advising the Arabs to rely solely on the outside world for help. Self-reliance is increasingly seen as the prime mover of development. In return, very few continue to support an isolationist position. The real yardstick to measuring the changing optimum mix of measures necessary for approaching the world economic system from the vantagepoint of Arab national economic and political interests is development.

Fifth, there is also a general recognition that poli-

tics not economics is the key to resolving the crisis of Arab societies at this point. A fundamental change in the nature of the Arab state, its democratization and the diffusion of participatory ideals are essential conditions for resolving the present deadlock in Arab national development, from within and without.

And in relation to foreign economic policies generally and trade policies specifically, the participation of civil society is increasingly recognized as a crucial factor in reaching equilibrium of interests in Arab societies.

Lastly, all Arab civic and intellectual forums including business associations, without significant exceptions share the view that without a decisive priority given to the development of a powerful institutional frame for inter-Arab trade, all individual Arab countries will continue to occupy a very weak place in the international trade regime. There is, however, a general disillusion on how practically to achieve this.

In the view of this writer, one of the essential prerequisites for the realization of this goal is the activation of the role of civil society in these matters.

### Conclusion:

The meager presence of Arab civil society compares badly with the energetic activism demonstrated by the emerging international civil society in major international economic conferences that set the rules and norms of globalization. International civil society acts in relation to globalization by either protesting it, or pressuring crucial players to warrant the needs of people everywhere, specially in the South and struggling to 'humanize' it.

We, in the Arab world, obviously need to terminate the huge gap in levels of development and vigor of action with the international civil society. The articulation of an economic struggle agenda is no less important than constitutional and legal gains.

Certain fundamental recommendations emerge in the context of debates on the economic agenda and foreign trade issues in the Arab world.

The most crucial point is the need for steering governments and public opinion towards forming an Arab group in all trade negotiations.

However, Arab an Arab coordinated negotiations within the international trade regime may not gain

credibility unless the Arab world moves forcefully in the direction of forming itself as a trade bloc. Reaching this goal is by no means an easy or short cut move. The right beginning is to promote all positive contributions necessary to overcome bureaucratic hurdles and shortsighted forces, which prevent a thorough implementation of the Arab FTA.

The articulation of a sophisticated approach to foreign trade policy and towards globalization at large is the basic element in coordinating positions and developing a common economic development agenda. The days of simplistic rejection of trade liberalization are over. On the other hand, the existing trade regime is replete with tacit and implicit biases against developing countries. Fortunately, the system allows for mechanisms of self-correction through re-negotiating grievances and constraints. Arabs together with other nations should make full use of these mechanisms when necessary.

In all these aspects, the role of civil society in various Arab countries is urgently called for. It goes without saying that solidarity among Arab civil societies should pioneer the road for a more effective approach to development and balanced international (trade) relations.

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## Annex

Table No. 1

Some indicators of growth potential For a number of Arab states 1980 and 1998

	Gross domestic investment		Gross savings		Exports of commodities and Services		Resource balance	
	1980	1998	1980	1998	1980	1998	1980	1998
Jordan	27	27	-8	6	-4	5,0	-44	-21
Tunisia	29	25	24	24	40	42	-5	-2
Algeria	29	27	43	24	34	29	4	6
Syria	28	29	10	18	18	29	-17	-11
Egypt	28	19	15	10	21	17	-12	-9
Yemen	-	22	-	4	-	45	-	-15
Kuwait	14	12	58	25	78	52	44	12
Lebanon	..	28	..	-12	..	11	..	-40
Morocco	24	22	14	18	17	28	-10	-2
Saudi Arabia	22	20	62	25	71	45	-41	14

Source: World Bank. World Development Report 1999/2000. Table.13, pp.254-256  
( the Arab language version).

Table No. 2

Growth of Output in some Arab countries

	Average growth rates in gross domestic product	
	1980-90	1990-1998
Algeria	2.7	1.2
Egypt	5.4	4.2
Iraq	-6.8	
Jordan	2.5	5.4
Kuwait	1.3	..
Lebanon	..	7.7
Libya	-5.7	..
Morocco	-0.1	5.7
Oman	8.4	5.9
Saudi Arabia	0.0	1.6
Sudan	0.4	8.0
Syria	1.5	5.9
Tunisia	3.3	4.4
Emirates	-2.1	2.9
Yemen	..	3.8

Source: The World Bank. World Development Indicators 2001. Table 4.1. Pp/183-4

**Table No.3**

Exports and imports of Arab countries in billions of US\$ 93- 99

		1993	1994	1995	1996	1997	1998	1999
Bahrain	Exports	2,376	1,347	1,573	1,460	2,780	2,750	6,876
	Imports	4,316	3,762	3,716	4,093	4,175	2,831	2,801
Kuwait	Exports	8,982	9,576	12,944	13,643	14,380	8,915	10,143
	Imports	7,037	6,726	7,771	8,374	8,214	8,617	7,616
Oman	Exports	5,305	5,419	5,965	7,225	7,488	5,375	7,094
	Imports	4,116	3,915	4,253	4,605	5,021	5,682	4,674
Qatar	Exports	3,325	2,933	3,680	4,470	5,581	4,947	6,132
	Imports	1,891	1,946	1,929	3,403	2,872	3,717	2,781
Saudi Arabia	Exports	42,357	42,584	50,005	60,697	60,650	38,727	47,334
	Imports	28,202	23,343	27,449	27,764	28,485	30,012	28,031
Emirates	Exports	21,246	21,534	24,075	27,682	31,244	25,806	28,391
	Imports	19,520	21,024	20,984	22,638	22,970	24,728	33,040
Iraq	Exports	,471	,384	,425	503	2,248	4,640	8,738
	Imports	,533	,499	,665	,567	,917	1,431	1,513
Libya	Exports	7,540	7,866	8,497	10,118	9,560	6,032	7,921
	Imports	5,550	4,158	4,920	5,106	5,358	5,600	4,294
Algeria	Exports	10,098	8,591	9,357	11,099	13,894	10,956	12,264
	Imports	8,761	9,570	10,782	9,106	8,688	9,834	9,673
Egypt	Exports	3,110	3,448	3,441	3,534	3,908	3,195	3,535
	Imports	8,188	9,452	11,735	13,015	13,168	16,479	15,962
Jordan	Exports	1,040	1,151	1,442	1,466	1,210	1,208	1,253
	Imports	3,621	3,391	3,660	4,293	3,786	4,011	3,791
Lebanon	Exports	,636	,693	,739	,705	1,153	,711	,738
	Imports	4,572	5,414	6,670	7,560	7,456	7,060	5,730
Syria	Exports	3,150	3,314	3,970	7,535	7,386	2,880	3,640
	Imports	4,143	5,251	4,709	5,332	4,028	3,985	5,337
Yemen	Exports	,371	,932	1,942	3,413	2,497	1,497	1,965
	Imports	2,862	2,094	1,578	1,852	1,807	2,167	2,587
Morocco	Exports	3,803	4,229	4,951	5,128	5,127	4,634	8,068
	Imports	6,858	8,063	9,502	9,305	8,946	8,427	11,740
Tunisia	Exports	3,804	4,643	5,785	5,519	5,764	5,784	7,267
	Imports	6,213	6,571	8,032	7,749	8,944	8,402	10,195
Sudan	Exports	,352	,445	,530	,480	,478	,538	,700
	Imports	1,152	1,117	1,233	1,268	1,477	1,609	1,477
Somalia	Exports	,121	,143	,171	,192	,157	,128	,119
	Imports	,292	,296	,245	,278	,289	,246	,285
Mauritania	Exports	,245	,259	,332	,306	,313	,314	,297
	Imports	,347	,335	,365	,397	,342	,342	,350
Djibouti	Exports	,115	,127	,095	,116	,102	,125	,140
	Imports	,463	,371	,413	,381	,386	,560	,597

Source: UNCTAD. Handbook of International Trade and Development Statistics 2000. New York. Table 1.1, and 1.2.

**Table No. 4/1**

The commodity structure of Arab trade Percentages

	Gross Arab Exports				Gross Arab imports			
	1996	1997	1998	1999	1996	1997	1998	1999
Food and beverages	3.7	3.8	4.0	3.9	15.5	15.4	14.8	15.0
Raw materials	2.0	2.4	2.5	2.4	5.8	6.9	6.8	6.1
Fossil fuel	71.6	69.7	63.2	68.0	4.7	4.6	3.0	4.2
Chemicals	4.7	5.2	6.2	5.3	8.4	8.1	7.6	8.2
Machines and transport equipments	4.7	3.6	5.0	3.8	33.3	33.1	34.9	34.0
Manufactured goods	14.0	14.6	19.3	15.9	29.8	30.0	30.2	30.2
Miscellaneous	0.8	0.7	1.0	0.7	2.5	1.9	2.6	2.3

Source: The Unified Arab Economic Report 2000. Table 3, P. 140

**Table 4/2**

Commodity structure of inter-Arab trade 1998

	Inter-Arab exports		Inter-Arab Imports	
	In \$ millions	%	In \$ millions	%
Food and beverages	1794.1	13.0	1759.1	13.9
Raw materials and fossil fuel	7591.9	55.0	6689.6	53.0
Chemicals	2208.1	16.0	2136.0	16.9
Machine and transport equipments	690.0	5.0	505.6	4.0
Manufactured goods	1518.0	11.0	1533.4	12.2
Total	13802.1	100.0	12623.7	100.0

Source. ib-id. Table 6. P. 144

**Table No. 5**

Growth of merchandise trade and terms of trade (average annual percentage growth)

	Export volume %		Import volume %		Export valu %		Import valu %		Net barter terms of trade 995=100	
	Av. 1980-90	Av. 1990-7	Av. 1980-90	Av. 1990-7	Av. 1980-90	Av. 1990 1997	Av. 1980 1997	Av. 1990 1997	1990	1997
Algeria	4.0	2.4	-4.8	0.6	-3.9	0.2	-2.9	0.7	127	119
Egypt	1.8	0.7	-2.7	5.1	-3.7	4.3	1.4	7.8	82	96
Iraq	1.7	-10.9	-12.0	-16.8	-4.5	-13.0	-9.9	-14.7	1012	112
Jordan	1.8	5.5	-4.4	5.9	6.1	9.3	-1.9	7.9	85	99
Kuwait	-2.0	22.9	-6.3	11.6	-7.5	27.0	-4.1	10.1	91	111
Lebanon	-3.6	5.4	-7.4	13.4	8.9	-5.5	16.7	5.8	84	94
Libya	0.4	-5.8	-6.2	-5.1	-7.0	-4.0	-4.0	-1.0	145	128
Morocco	4.5	10.5	4.1	6.1	6.2	9.3	3.7	6.2	104	100
Oman	6.7	4.6	-1.7	3.7	5.3	6.1	6.2	5.4	112	129
Saudi Arabia	-6.3	4.1	-8.4	-3.4	-13.4	4.3	-6.1	0.3	169	134
Sudan	-3.0	14.4	-7.7	13.2	-2.6	10.9	-6.4	13.6	123	99
Syria	6.6	1.1	-11.7	8.1	2.4	0.8	-8.5	10.2	132	92
Tunisia	5.0	5.1	1.7	3.8	3.6	7.8	2.7	6.4	103	105
Emirates	8.5	3.5	-1.3	8.4	-1.1	2.8	0.7	12.6	172	128

Source: The World Bank. World Development Indicators 2001. Table 4.4. PP.195-6

**Table 6:**

Directions of Arab Trade ( % )

region	Exports					imports				
	1995	1996	1997	1998	1999	1995	1996	1997	1998	1999
Arab states	9.1	8.7	9.1	10.1	8.7	8.3	8.6	9.0	8.5	8.4
United States	9.7	9.1	9.6	10.5	10.0	12.0	13.0	13.0	12.8	13.2
Japan	17.8	18.1	18.6	16.8	18.4	6.0	6.2	6.9	7.8	8.2
European Union	28.0	26.8	25.5	27.3	27.2	43.0	41.2	40.0	38.5	39.2
South East Asia	9.6	11.2	12.0	11.3	12.1	5.5	5.4	5.8	5.6	5.7
Rest of the world	25.8	26.1	25.2	24.0	23.6	26.1	25.3	25.4	27.1	25.2
Total	100	100	100	100	100	100	100	100	100	100

Source : Unified Arab Economic Report (2000) , Table N: 2, P : 135

**Table No. 7/1**

The value and growth of Inter-Arab trade

	Value in \$ millions				% annual change		
	1996	1997	1998	1999	1997	1998	1999
All trade	27.1	28.3	26.4	27.1	4.5	-6.8	2.7
Exports (fob)	14.7	15.7	13.8	14.2	6.7	-11.9	2.9
Imports (cif)	12.4	12.7	12.6	12.9	1.9	-0.4	2.4

Source. The secretariat of the Arab League and others. The Unified Arab Economic Report 2000. Table 4. P.142

**Table No. 7/2**

The share of inter-Arab trade in total Arab trade

	%			
	1996	1997	1998	1999
% of inter-Arab to total exports	8.70	9.05	10.15	8.72
% of inter-Arab to total imports	8.92	8.91	8.19	8.52

Source. The unified Arab Economic Report 2000. Table 5. P.143

**Table No. 8**

Classification of indebted Arab countries according to Debt burden 1997

Group & countries	% of outstanding debt to GDP	% of outstanding debt to exports	% of debt burden to export revenues
First group	Less than 50%		
Lebanon	16.2	82.2	20.7
Oman	22.7	44.8	5.4
Egypt	37.3	165.3	8.0
Djibouti	43.2	127.2	2.8
Second group	Less than 100%		
Morocco	57.0	167.2	27.6
Tunisia	51.8	119.7	18.2
Algeria	64.6	190.6	24.4
Yemen	66.6	103.6	2.3
Jordan	93.7	171.1	14.7
Third group	More than 100%		
Syria	125.6	343.1	7.0
Sudan	191.4	1802.0	0.0
Mauritania	234.9	553.0	22.1
Somalia	2114.1	144.6	0.0
All indebted Arab Countries	61.1	194.2	15.4

Source: Secretariat of the Arab League and others. The Unified Arab Report 1999. Table 1, P. 127

**Table No.9**

The importance of trade in The economies of certain Arab countries

	Commodity trade as % of GDP measured by ppp		The real growth of trade minus growth in GNP
	1988	1998	% of change during the period 1988-1998
Algeria	13.2	16.4	-1.0
Egypt	11.1	10.2	-.7
Iraq	-	-	- °
Jordan	41.7	34.1	4.9 °
Kuwait	-	-	-
Lebanon	-	-	-
Libya	-	-	-
Morocco	12.9	18.1	2.6
Oman	-	-	-
Saudi Arabia	31.3	31.9	-
Sudan	6.5	5.9	-
Syria	11.4	14.9	-.9
Tunisia	21.0	27.0	.7
Emirates	73.5	114.3	-
Yemen	36.3	31.0	.1
Average of high middle - income countries	13.2	22.1	
Average for low middle income countries	10.7	15.7	

Source: World Bank. World Development Indicators 2000. Washington, D.C.,2000. Table 6.1, P. 316

## A Development Perspective of the Multilateral Trade System (Executive Summary)

**By Martin Khor**

If trade is not an end in itself but a means to balanced and sustainable human development, nationally and globally, the current global trading system must be reoriented towards the satisfaction of the needs of the world's people. This report examines the present system and its implications and offers some suggestions for improving it.

For developing countries, external trade should be viewed as a crucial element of an overall development strategy towards sustained growth and human development. It should contribute to the generation of full employment, fulfillment of needs in areas of food, health, education, and all of this in the context of environmental sustainability. At the international level, it should cater to the needs of the least developed and developing countries, with guidelines and practical measures that improve their terms of trade, enhance their export capacity and sustain their balance of payments. Most importantly, trade policy should be seen as contingent on the specific conditions of each country depending on its level of development. A one-size-fits-all approach would not only not work but also, if enforced, potentially do more harm than good.

Currently, developing countries face pressure on two fronts: rapid import liberalization (under IMF-World Bank conditionality and WTO rules), and uncertain export earnings (especially in cases of low supply capacity and declining terms of trade). Pressures for import liberalization derive from mainstream trade theory, which holds that it will lead to lower prices and increased efficiency in the domestic economy, thereby benefiting both consumers and producers. However, empirical evidence shows no straightforward correlation between trade liberalization and overall economic performance as measured by GDP growth. Moreover, in order to benefit from import liberalization, several other factors need to be addressed, including competitiveness levels,

macroeconomic stability, adequate market access for exports, governance and human, institutional and productive capacity.

Uncertain export earnings are a consequence of a lack of physical and technological infrastructure needed to make developing country exports competitive, as well as unstable and declining terms of trade. Developing country exports are concentrated in primary products, for which there has been a secular decline in world prices, leading to worsening terms of trade. Therefore, an increase in export earnings depends on a re-orientation of the export sector towards value added manufactures and services, and simultaneously, build competitiveness in those sectors. These objectives are further hampered by the presence of tariff and non-tariff barriers to markets in developed countries, especially in the sectors in which developing countries have a comparative advantage.

Currently, developing countries are not able to expand exports while at the same time being asked to increase imports, and thus many of them have experienced significant widening of the trade deficit. The multilateral trading system should be redesigned to help countries build economic capacity towards human development.—regulating commercial trade relations through rules that are balanced and that are designed to benefit developing countries, ensuring stable prices and fair terms of trade for developing countries' products, preventing monopolistic practices of large firms to promote competition and permitting differential treatment to countries at different levels of economic development.

An examination of the evolution of the trading system shows that industrialization and rapid economic growth occurred in developed countries under conditions of protection of their domestic markets—though this does not imply that protection necessarily leads to industrialization or growth. The history of GATT and its successor, the WTO, is also replete with examples of how the major trading countries have been reluctant to enable developing countries to benefit from the trading regime and how the rules of the system have been repeatedly bent to accommodate the protectionist interests of these major players. For several decades, the agriculture and textiles sectors remained outside the normal GATT disciplines



on the insistence of the developed countries, and even after the Uruguay Round (which was supposed to herald the liberalization of trade in these sectors) their markets remain highly protected. Thus, developing countries have not been able to obtain their fair share of benefits from the trade system as major products of export interest to them face serious restrictions in markets of developed countries.

The objectives of the global trade system, as embodied in the GATT preamble, include: "raising standards of living, ensuring full employment, growing volume of real income and effective demand, developing the full use of the resources of the world and expanding the production and exchange of goods." The system is based on the Most Favored Nation principle, which means that benefits extended to any one trading partner must be extended to all other WTO members as well, implying that benefits are shared among members. The safeguards mechanism and the balance of payments provision allow members to restrict imports, and therefore, sharing their burden of relief with other countries. The system also provides protection from unilateral trade restrictive actions, and the dispute settlement mechanism is fairly efficient. However, the system is also based on the principles of reciprocity and mutual advantage, which are clearly inappropriate for countries with such diverse and unequal capacities. The enforcement mechanism too, is based on retaliatory action, which is far more powerful in the hands of rich countries than poor countries.

Although significant benefits were expected to accrue to developing countries from increased market access, especially in areas that were most important for their development such as agriculture, textiles and clothing, after five years of the WTO, many of the anticipated benefits have not materialized. Access to developed countries' textile and agriculture sectors remains restricted, supply capacity remains weak in most developing countries, and a secular decline in commodity prices has adversely affected exports.

Developing countries are facing several types of problems in the WTO system. Firstly, some of the structural features of the system and many of the existing agreements are imbalanced against their interests. Secondly, the anticipated benefits to

developing countries have not materialized, a major reason being that the developed countries failed to fulfill their commitments (for example in expanding market access in textiles and agriculture, or in providing special and differential treatment and assistance). Thirdly, developing countries face mounting problems when attempting to implement their obligations under the rules. Fourthly, they are facing intense pressures to accept new obligations being proposed by developed countries under the rubric of "new issues" and a new Round. Fifthly, the decision-making process is less than transparent and makes it difficult for developing countries to adequately participate. The following summarizes some of the issues.

**Improving the basic structure:** Addressing these problems requires a system that effectively takes into account the different capacities of different categories of Members at different stages of development, so that the outcome will be an equitable sharing of benefits. Given the inadequacy of the structure based on reciprocity, there should be some structural improvement to redress the problem of overall imbalance, and structural changes to compensate for the handicaps of developing countries in the WTO system.

Differential and special treatment to developing countries should be made into binding commitments, rather than "best endeavor" clauses as at present. It should be formally accepted that developing countries undertake less and lower levels of obligations than developed countries. Thus, differential and more favorable treatment to developing countries should apply to levels of obligation and not limited to longer implementation periods, as is usually the case at present. Developing countries should not be obliged to give up or refrain from policies or measures supporting technological development and diversification of production and exports. Developed countries should make concrete arrangements to encourage imports from developing countries.

**Tariffs:** It should be recognized that developing countries need to fine-tune their trade policy instruments to support the growth of their specific sectors as a dynamic process, and thus require flexibility in raising and reducing their tariffs. The current procedure of raising tariffs beyond the

bound level is very cumbersome and should be made smoother and easier. For infant industry purposes, countries should be allowed to raise tariffs for a limited period to promote the establishment of an industry. There should also be a change in the method of balancing the gains and losses in tariff negotiations; the offer from a developing country should be evaluated not merely in terms of the current trade but mainly in terms of future prospects for developed countries when the developing country's growth would enlarge its market.

**Textiles and Agriculture:** These sectors are important to exporters in developing countries, yet both are subject to import restrictions by developed countries. In the case of textiles, although under the Uruguay Round the developed countries agreed to progressively phase out their quotas over ten years to January 2005, they have retained most of their quotas even after more than six years of implementation. The avoidance of Genuine liberalization was avoided by the device of "liberalizing" mainly products that were not actually restrained in the past. This has raised doubts as to whether or not the developed countries will adhere to the 2005 deadline. The ITCB has proposed that at least 50 per cent of the imports of products that were under specific quota limits should be liberalized by 1 January 2002.

In the case of agriculture, the rules have been unbalanced as the WTO Agreement on Agriculture has permitted the developed countries to continue to maintain high protection through very high tariffs in several products; through continued high domestic subsidies (in fact the total amount of subsidies in OECD countries has risen as there was an increase in permitted types of subsidies which offset the decrease in those subsidies that come under discipline); and high export subsidies. Many developing countries have lower agriculture tariffs (some of them because of reductions under structural adjustment) and low subsidy levels. The developing countries are now unable to increase their bound tariff levels or subsidy levels but instead (with the exception of LDCs) are expected to reduce them. This has threatened the small farm sectors in these countries and increased

fears of food security. An FAO study in 14 developing countries concluded that liberalization in the agriculture sector has led in many of the countries to an increase in the food import bill, a decline of local production in products facing competition from cheaper imports, and a general trend towards consolidation of farms and displacement of farm labor. Promises to provide food aid to net food-importing developing countries (NFIDCs) have not been fulfilled and these countries have seen substantial increases in their import bills. To rectify this situation, the high subsidies and the tariff peaks in agriculture in developed countries should be drastically reduced. Meanwhile, developing countries must be allowed greater flexibility on the grounds of food security, protection of rural livelihoods and poverty alleviation. Food production for domestic consumption in developing countries (as well as the products of their small and non-commercial farmers) should be exempt from the Agreement's disciplines of import liberalization and domestic subsidy. Also, developing countries should be able to use the special safeguard mechanism, whether or not they have taken to tariffication. There should be an agreement to effectively assist net food importing countries.

**Subsidies:** There is imbalance in the treatment of subsidies. Subsidies mostly used by developed countries (such as for R&D and environmental adaptation) have been made totally non-actionable (immune from counter-action) while subsidies normally used by developing countries (for industrial upgrading, diversification, technological development etc.) have come under actionable disciplines. Subsidies such as the latter need to be recognized as an instrument of development rather than one of trade distortion, and should be exempt from countervailing duty and other forms of counter-action.

**Standards:** International standards are used in determining permitted measures that countries can take under the agreements on technical barriers to trade and on sanitary and phytosanitary measures. Though they have to abide by these standards, developing countries are unable to participate in setting these standards in the standard-setting institutions due to inadequate expertise

and/or resources needed to do so. Thus, standards are set without adequately paying attention to the situation of developing countries and this may affect their market access. Developing countries should be assisted to participate fully in the formulation of standards. There should also be a rule that new standards can be set only if a minimum number of developing countries have been able to participate in the process.

**Balance of Payments provisions:** Article XVIII B of GATT 1994 allows developing countries to take import restrictive if they face to balance of payments problems. However, the method of operation and some new decisions have made this provision less effective and useful; and an important instrument for reducing the imbalance in the system has been made almost in-operational. WTO increasingly relies on IMF reports to determine whether or not a balance of payments problem exists. The IMF includes volatile and uncertain short-term flows (for example portfolio investments) and uncertain reserves in its assessment of the state of a country's foreign reserves, thereby tending to overestimate their level. The current criterion of deciding on whether a BOP problem exists thus appears faulty. Further, a recent decision in a dispute requires the developing country concerned to give priority to tariff-type action over direct import control measures. This has reduced the capacity of developing countries to deal with the problem quickly and effectively. To correct these problems, the rules should specify that the existence of a balance of payments problem will be determined on the basis of long term and stable reserves and flows only, and that developing countries' foreign-exchange-reserve requirements will be assessed on the basis of future development programmes, rather than on past trends. Also, the determination of the existence of a BOP problem should be made by the General Council, based on the recommendation of the balance of payments committee, using the IMF reports as inputs only. Current rules (designed to deal only with temporary BOP problems) should also be supplemented with new rules to provide relief for structural BOP problems.

**Services:** Since the services enterprises in devel-

oped countries have far greater capacity than those in developing countries, the liberalization of services under the General Agreement on Trade in Services (GATS) has been mainly to the former's advantage. The developing countries' enterprises in contrast generally lack the supply capacity to benefit from liberalization in developed countries' markets. In an area where developing countries have an advantage, i.e. the movement of labor, developed countries have not been prepared to undertake liberalization. Although developing countries are allowed under GATS to liberalize fewer sectors and transactions, it is not specified how this is to be operationalized. Negotiations on financial services showed that developed countries insisted on higher levels of commitments from the developing countries.

There is a lack of adequate data on the services trade, making it difficult to assess the effects (in terms of gains and losses to a country and to developing countries as a whole) of GATS and services liberalization. Other problems for developing countries include supply constraints and barriers to services exports to developed markets, and challenges faced from attempts by developed countries to alter the basic architecture of the GATS. There have also been public concerns that GATS would affect the provision of and access to social services to the public.

Measures should be taken to deal with these problems. The lack of data needs to be addressed, and developing countries should not be expected to undertake further obligations. Developed countries should take concrete steps to encourage the import of services from developing countries. Such steps could include: providing incentives to domestic firms for importing services from developing countries, and reserving a portion of their services imports for government use for imports from the developing countries. All members should agree upon concrete measures and time frames for liberalizing the movement of labor from the developing countries to the developed countries. The GATS provisions for flexibility in the choice of sectors and pace of liberalization for developing countries should be preserved. IN discussions on developing new rules (including on

domestic regulation), care should be taken to ensure the flexibility and options for governments to make their own domestic regulations and policies are not adversely affected. Clarification of the nature and scope of exceptions for government services should be made, along with an assessment of whether (and to what extent) countries can have adequate flexibility in making national policies for basic services.

**Intellectual Property Rights:** The Trade Related Intellectual Property Rights (TRIPS) Agreement sets high minimum standards for all members. This one-size fits all approach is heavily tilted in favor of holders of technology as opposed to its consumers and users. The share of developing countries in the ownership of patents worldwide is miniscule and thus almost all the benefits from owning IPRs (such as royalties and extra profits resulting from the ability to charge higher prices) accrue to the developed countries' firms and institutions. The granting of monopoly rights to IPR holders has curbed competition and enabled them to charge higher and often exorbitant prices. Under TRIPS, Members can no longer exempt medicines from patentability, in contrast to the pre-TRIPS situation where many countries did not allow patents for the pharmaceutical drugs sector. The high level of prices of some medicines which has been enabled by TRIPS has caused a public outcry, especially in relation to medicines for treating HIV/AIDS. The high-standard IPR regime is also making it more costly or difficult for local firms in developing countries to use patented technology. Further, TRIPS makes it mandatory for Members to allow patenting of some life forms and living processes, as well as intellectual rights protection for plant varieties. This has facilitated the spread of "biopiracy", in which indigenous knowledge and biological wealth of developing countries is being patented by developed countries' firms. The promised technology transfer to poor countries has also not been forthcoming.

Many measures are required for TRIPS to become more balanced in its rules and implementation. Developing countries must be allowed to make maximum use of the flexibility in the agreement. They should be allowed to choose between vari-

ous options in devising legislation, without being subjected to external pressure or influence. The mandated review of Article 27.3b of TRIPS should eliminate the artificial distinctions between those organisms and biological processes that can be excluded from patents and those that are not. One way to do this, as proposed by the Africa Group in the WTO, is to agree that all living organisms and their parts, and all living processes, cannot be patented. It should be determined that nothing in the TRIPS Agreement prevents members from taking public health measures, including compulsory licensing and parallel importation, which can make medicines accessible and affordable to the public. The TRIPS objectives and transfer-of-technology provisions (including Articles 7, 8 and 66.2) should be made obligatory and operationalised. Developing countries should also be given flexibility to exempt certain products and sectors from TRIPS on the grounds of public welfare and the need to meet development objectives. Finally, WTO members should consider the issue, now being raised by some leading trade economists, of whether the WTO is the appropriate institution to house an agreement like TRIPS, which is basically a protectionist device.

**Investment Measures:** Under the Trade Related Investment Measures (TRIMS) Agreement, governments are constrained from adopting measures that oblige or encourage investors to use local materials or restrict imports, as this is counter to GATT's national treatment principle. The illustrative list of prohibited measures includes local content policy (which developing countries had used to increase the use of local materials and improve linkages to the local economy) and foreign exchange balancing (aimed at correcting balance of payments problems). Implementation of TRIMS has already given rise to problems in several developing countries, some of which have requested extension of the transition period. To rectify the problems, developing countries should be given another opportunity to notify existing TRIMS; the transition period should be extended for all developing countries in line with their development needs; and it should be recognized that many investment measures are required to meet development goals and thus developing countries

should be exempted from the disciplines of the agreement. In the forthcoming review of the agreement, these proposals should be considered, whilst there should not be an extension of the illustrative list; nor an attempt to extend the agreement to cover investment rules *per se*.

**Trade and Environment:** There has been public concerns about both the adverse environmental effects of trade, and the need to prevent environmental issues from being used as the basis for unfair protectionism against developing countries' products. International trade, and trade liberalization, can contribute to environmental degradation. However, in handling this problem, developing countries and their products should not be penalized. Concepts such as processes and production methods (PPMs), internalization of environmental costs, and eco-dumping are fraught with complexities and if applied in the WTO context they could pose a protectionist danger against products of developing countries as they have lower environmental standards in production processes. Discussions on the complex issues of the link between environmental standards, PPMs and trade should be held outside of WTO (in a forum such as the CSD), and the UNCED principle of "common but differentiated responsibility" should apply.

Environmental issues should be discussed in for a such as UNEP and CSD and problems requiring rules should be dealt with through multilateral environment agreements. Discussions clarifying the relation between MEAs and the WTO should proceed, on the basis that WTO should not be an obstacle to measures in MEAs that are agreed to on genuinely environmental grounds. Countries should not inappropriately make use of "free trade principles" or invoke the name of "WTO rules" to counter attempts by others to forge environmental agreements that deal with genuine environmental problems. Discussions should proceed in the WTO on a priority basis on the effects of TRIPS on the environment and sustainable development, and the agreement should be amended to take into account the concerns. The issue of domestically prohibited goods should also be given more emphasis.

**New Issues and A New Round:** Developed countries have proposed that the mandate of the WTO be expanded through negotiations to establish new multilateral agreements on a range of new issues. The first set of "new issues" include investment rules, competition policy and government procurement. These three issues have a similar theme: to expand the rights of foreign firms to invest in or have greater access to the developing countries' markets, and to curb or prohibit government policies that encourage or favor local firms and the domestic economy. The proposed investment rules would place governments under greater pressure to liberalize foreign investments and to bind the level of liberalization; prohibit or otherwise discipline "performance requirements"; allow free inflows and outflows of funds for foreign investors; and protect investors' rights, for example through strict standards on compensation for "expropriation." The proposed rules on competition would require Members to establish competition law and policy. Within that framework, it is proposed that the WTO non-discrimination principles be applied, so that foreign products and firms can compete freely in the local market on the basis of "effective equality of opportunity." Thus, policies and practices (including in the private sector) that give an advantage to local products and firms would be prohibited or otherwise disciplined. It is also proposed that government procurement policies (presently exempt from WTO disciplines) be brought under the system's normal rules of national treatment and non-discrimination, with the effect that governments would have to fully open their procurement business to foreigners as the current practice of favoring locals would be prohibited. This serious step (unpopular with developing countries) would be preceded by an interim agreement on transparency in government procurement. Another proposal is to have a new round of industrial tariff cuts.

The second set of issues relate to social and environmental standards, linked to the concept of social and eco "dumping." Attempts by several developed countries to bring these issues into the WTO have been resisted by developing countries, which fear they are likely to be used as protec-

tionist devices against their products.

The developed countries propose that the new issues (at least the first set) be the central subjects of a "New Round" of negotiations to be launched at a Ministerial Conference. Many developing countries have opposed (or indicated they are unable to accept) the proposals, arguing that: (i) the new issues threaten to further curtail their development options; (ii) many of these issues would expand the WTO mandate into more non-trade areas, thereby distorting the trade system; and (iii) the WTO should focus on implementation problems with current agreements instead of launching into new areas. These concerns make it inappropriate to launch a new "comprehensive round" of negotiations, to include the proposed new issues, at least at this stage of the WTO's development.

**Dispute Settlement Process:** The Dispute Settlement Process is a powerful arm of the system, and it has the potential to provide protection to the weak trading partners. However, in actual practice the weak countries are handicapped. The means of enforcing rights and obligations by taking retaliatory action against an erring country is often not practical for a weak country as retaliation has an economic and political cost and a weak country will hesitate to take retaliatory action against a strong country. The ultimate relief provided by the enforcement mechanism is thus heavily weighted against weak countries. Further, the high cost of raising and pursuing a dispute in the Panel and Appellate Body makes most developing countries hesitant to do so. The delay in relief and inadequate relief also work against developing countries.

Moreover, it appears that the Panel and Appellate Body (AB) have engaged in substantial interpretations of the rules, thereby shifting power from the legislative organs of the WTO. The interpretations have in many cases significantly added to the obligations of developing countries and eroded their rights. This is despite the rule that panel and AB recommendations and rulings cannot add to or diminish the rights and obligations in the agreements, and that the right of authoritative interpre-

tation is vested in the Ministerial Conference and General Council. Also, the legalistic approach to trade disputes that has developed is having negative implications. Since a consensus is required (by Members sitting as the dispute settlement body) to reject a panel or AB report, in effect panel and AB decisions are almost automatically accepted. Moreover, the WTO secretariat has been playing too large a role, and an inappropriate role, in guiding the DSU process. This raises questions about the impartiality of the dispute settlement system.

There is need for substantial improvement. There should be a mechanism in the rules that provides for joint action by all the members against an erring developed country, if a developing country successfully brings a complaint and the situation has come to a stage when retaliation against a developed country is to be applied. In addition, in cases where a developing country's position is upheld against that of a developed country, the rule should provide financial compensation to the developing country for the costs of pursuing or defending the case and the relief should be retrospective with effect from the time the action was initially taken. Further, countries should be explicitly prohibited from enacting legislation that permits unilateral action in the area of trade covered by the WTO; nor should countries be allowed to threaten such retaliation or publish a list of products to be hit whose value is several times that of the actual trade damage claimed, as these have been used to exert pressure on countries.

To rectify the systemic problems with the dispute settlement system, the following are suggested: WTO requires the following: institutional and structural separation between the WTO secretariat and the work of servicing panels and the Appellate Body (which can be carried out by an independent bureaucracy); restrictions on the behind-the-scenes role of the WTO secretariat (it should play its role, if any, in the open, before the panel and in the presence of the parties to the dispute); Appellate Body members should get legal advice from the pleadings and arguments of the parties about the law, and not from the secretariat; and rulings should be binding on parties by the

present negative-consensus method, but cannot be made a precedent nor become an authoritative interpretation to be applied in future unless the interpretation is adopted and approved in a separate process by the General Council through a positive consensus (this can prevent expansion of the WTO's remit as is now taking place); the General Council can also give an instruction that panels and ABs should not undertake substantive interpretations.

#### **Transparency and Participation in the WTO:**

Unequal capacity has led to unequal degrees of participation by developing countries, a problem made worse by the relative lack of transparency in key WTO operations. Despite the "one country one vote" rule, in practice, a few major countries have been able to dominate decision-making in critical aspects, using such techniques as "informal Green Room meetings" to make decisions among a small group of Members which are then passed along to the other members. "Consensus building" is also normally embarked on when proposed by the major players as opposed to the developing countries. The WTO needs to evolve more inclusive, participatory and transparent methods of discussion and decision-making, in which all Members are fully enabled to participate. Decision-making procedures and practices that are un-transparent and non-inclusive, especially before and during Ministerial Conferences, should be discontinued. The system and culture of decision-making should be reformed; WTO meetings should be run on the basis of full transparency and participation, where each Member is given the right to be present and make proposals. The WTO secretariat should also be impartial and seen to be impartial. The system must reflect the fact that the majority of members are developing countries and must provide them with adequate means and with appropriate procedures to enable them to voice their interests and exercise their rights. Regarding "external transparency", citizen groups must be allowed to follow the developments in WTO and channels opened to make their views better heard.

**Trade issues not covered by WTO:** There are also several issues relating to trade that are of crit-

ical concern to developing countries, but which are not dealt with by the WTO. They include the following.

**Weak Supply Capacity:** Many developing countries are unable to realize the benefits from trade because of their weak or inadequate capacity to produce, market and export. Thus even if there is better market access, this "supply constraint" prevents them from taking advantage. There should thus be a better coordinated programme by various agencies to increase these countries' supply capacity.

**Correcting for Declining Terms of Trade:** The continuous weakening of commodity prices, especially in relation to the prices of manufactures, has led to a trend decline in the terms of trade for many developing countries. The income losses have been very steep; for example between 1980 and 1989, sub-Sahara African countries suffered a 28% decline in terms of trade, causing \$56 billion income loss (15-16% of GDP) in 1986-89. This problem remains the single most important trade concern for a large number of developing countries. Although it used to be a high-priority issue previously, especially in UNCTAD, it has been neglected in recent years, and international cooperation (for example through producer-consumer commodity agreements) has faded.

New international action should be taken. UNCTAD and the Common Fund for Commodities should review the experience of commodity agreements and look into the possibility or desirability of reviving such agreements. One possibility is to initiate a new round of commodity agreements aimed at rationalizing the supply of raw materials (to take into account the need to reduce depletion of non-renewable natural resources) while ensuring fair and sufficiently high prices (to reflect their ecological and social values). In the absence of joint producer-consumer cooperation, producers of export commodities could take their own initiative to rationalize their global supply so as to better match global demand. The recent increase in the price of oil as a result of better coordination among producing countries is a good reminder of the benefits that producers can derive from

greater cooperation among themselves.

Towards a trading system for human development: In conclusion, the report makes suggestions on some systemic and structural aspects of the global trade system, pointing to longer-term directions of the system and its orientation.

There is need for a rethinking of the dominant model of trade policy. Instead of acting on the assumption that rapid liberalization is beneficial for developing countries, the stress should be on the appropriate quality, timing, sequencing and scope of liberalization and the need for fulfilling conditions for successful opening up. If conditions for success are not present, import liberalization can cause overall problems. Thus, a new approach is needed whereby developing countries are given the space and flexibility to make strategic choices in trade policies and other related policies. The need for such flexibility should be reflected in the WTO's rules and operations; and the World Bank and IMF should also review their conditionality relating to trade. Whilst developing countries should be given more flexibility, the developed countries need to liberalize more rapidly in areas of export interest to developing countries, since the developed countries have the capacity to restructure their economies, and since they have for so long unfairly restricted access to developing countries in areas such as textiles, agriculture and selected industrial products. The next phase of liberalization in the trade system should focus on developed countries. Moreover, if developed countries provide more meaningful market access to developing countries, the latter will have more opportunities to expand their export earnings, thus increasing their future capacity for successful import liberalization.

There is also a need to re-orient the WTO towards development as the main priority and operational principle, in line with the Marrakesh Agreement's objective of sustainable development. Since liberalization is only a means to an end, and its process has to be carried out with great care, the objective of development should become the overriding principle guiding the work of the WTO, and its rules and operations should be designed to

produce development as the outcome. This requires a fundamental rethinking of the mandate and scope of the WTO. The test of a rule, proposal or policy considered in the WTO should not be whether it is "trade distorting" but whether it is "development distorting." Since development is the ultimate objective, and reduction of trade arrears is a means, the need to avoid development distortions should have primacy over the avoidance of trade distortion. Some "trade-distorting" measures could be required to meet development objectives; and the prevention of development-distorting rules, measures and approaches should be the WTO's overriding concern. The goal for developing countries is to attain "appropriate liberalization" rather than "maximum liberalization." WTO rules can be reviewed to screen out those that are development distorting, and developing countries can be exempted from following rules preventing them from meeting their development objectives.

There should also be a rethinking of the mandate and scope of the WTO. First, issues that are not related to trade should not be included as subjects for rules. Second, a review of the issues that are currently in the WTO should be made to determine whether the WTO is indeed the appropriate venue for them. There should be serious consideration of transferring the TRIPS agreement from the WTO. It should also be considered whether it is more appropriate for GATS to operate as a sui generis agreement with its own organization outside of WTO. Third, within the WTO's traditional ambit of trade in goods, there is also significant room for reform. A more realistic and sophisticated approach to liberalization in relation to developing countries, informed by actual conditions and historical and empirical record, is called for. The imbalances in agreements related to goods should be ironed out, with the "rebalancing" designed to meet the developing countries' needs and to be more in line with the realities of the liberalization and development processes. With these changes, the WTO can better play its role in designing and maintaining fair rules for trade and thus contribute to a balanced trade system designed to produce and promote development.



There are also important roles in the trading system for other organizations. A reformed WTO should be seen as a key component of the international trade system, co-existing and cooperating with other organizations within the framework of the trading system. Several critical trade issues could better be dealt with by other organizations, which should be given the mandate, support and resources to carry out their tasks effectively. UNCTAD should be revitalized to better fulfill its traditional roles, including assisting developing countries to build their production and trade capacity; ensuring reasonable prices and earnings for commodity-producing developing countries, addressing restrictive business practices of big companies, and promoting technology transfer to and development in developing countries.

In relation to other economic issues that relate to conditions needed if trade is to serve development needs, there should also be complementary reforms in the global financial system. The system should deal with developing countries' needs for stable and equitable terms of trade, avoiding balance of payments difficulties, reducing debt, a more stable system of capital flows and exchange rates and securing financing for development.

Other issues that have an impact on trade and are also impacted by trade (including environmental, social, cultural and human rights issues) should be dealt with in appropriate for a, for example, the UNEP for environment, the CSD for sustainable development, WHO for health, ILO for employment and workers' rights, the UN Human Rights Commission for human rights. These organizations should monitor and assess how the trade process impacts on their particular area, and be able to take or propose measures to deal with these issues where deemed necessary.

On the governance of the trading system, in order for international trade to be reoriented towards human development, a conceptual and operational framework would have to be drawn up within which the roles of the various institutions would be clarified. The coordination function could be carried out under the United Nations, in the context of the Economic and Social Council

(ECOSOC) or one of its bodies, or a new body functioning under its direction.

Finally, it is important that the system of governance of the trading system should be open and transparent in its operations, and become both participatory and democratic, with the developing countries being able to fully participate in decisions. The deliberations should, in principle, also be open to non-governmental organizations. Citizen groups and the public in general must be able to follow what is going on, and have channels open to them to make their views and their voices heard.

## **Problems of implementation**

### **Implementation of The WTO Multilateral Trade Agreements - Notes On Main Issues And Areas Of Concern Of Developing Countries**

**By Tang Xiaobing**

#### **A. Background**

At the Second Session of the WTO Ministerial Conference held in Geneva in May 1998, Ministers agreed that:

"Full and faithful implementation of the WTO Agreement and Ministerial Decisions is imperative for the credibility of the multilateral trading system and indispensable for maintaining the momentum for expanding global trade, fostering job creation and raising standards of living in all parts of the world. When we meet at the Third Session we shall further pursue our evaluation of the implementation of individual agreements and the realization of their objectives. Such evaluation would cover, inter alia, the problems encountered in implementation and the consequent impact on the trade and development prospects of Members. We reaffirm our commitment to respect the existing schedules for reviews, negotiations and other work to which we have already agreed."

During the preparatory process in 1999 leading up to the Third Session of the WTO Ministerial Conference in Seattle (USA), developing countries devoted considerable time and effort, pursuant to the above-mentioned mandate, to present their problems and areas of concern with respect to the implementation of the Multilateral Trade Agreements (MTAs), which were incorporated and/or reflected in paragraphs 21 and 22 of the draft Ministerial Text of 19 October 1999.

Following the setback of the WTO Seattle Ministerial Conference, there has been a wide-

spread recognition of the issues and areas of concern of the developing countries deriving from the experience with implementation of the WTO MTAs and the need to address these issues and areas of concern with a view to reducing their impact on the trade and development of developing countries. However, over the past two years, the most contentious topic of discussions at the WTO has been when and how these problems and areas of concern of developing countries in relation to implementation should be addressed.

While the negotiations mandated by the agreements on services and agriculture under the built-in agenda of the Uruguay Round were launched as required, a programme for addressing issues and areas of concern regarding the implementation was also adopted at the meeting of the WTO General Council on 3 May 2000. Under such programme, the Special Session of the WTO General Council held a number of rounds of discussions and consultations, both formal and informal, to consider the proposals on implementation, especially those issues and areas of concern which were requested for immediate action and negotiations as reflected in paragraphs 21 and 22 of the draft Ministerial Text of 19 October 1999 (WTO document: Job (99)5868/Rev.1). While some progress was made on the modality, in many cases, the substantive implementation problems have been transferred by the WTO General Council to its subsidiary bodies, so that they can initiate discussions on how to improve the provisions that contain unclear commitments, criteria or "best endeavor" measures.

Paragraph 21 of the draft Ministerial Text of 19 October 1999 contains 54 tirets of outstanding implementation issues and areas of concern falling under 13 WTO MTAs or areas. However, after months of discussions, on 18 October 2000 the Special Session of the WTO General Council made some progress in relation to 20 out of 54 tirets in paragraph 21 of the 19 October 1999 draft Ministerial Text, which were mainly related to modality rather than substance<sup>(1)</sup>. Furthermore, 5 areas (i.e. anti-dumping, textiles, TRIMs, BOP provisions and S & D treatment) were not taken up for discussions.

At the Special Session of the WTO General Council on 14 December 2000 a decision was adopted concerning 7 MTAs or covering 9 tirets out of the 54. Among them, only two were really meaningful decisions: one was a rectification of an error of the omission of Honduras from Annex VII (b) to the ASCVM; and the other was a decision on tariff quota regimes in agriculture<sup>(2)</sup>. For the remaining 7 tirets, five were merely referrals to subsidiary bodies and two were appeals to other international organizations.

Many of those implementation issues that were proposed to be addressed in the subsequent negotiations, as reflected in paragraph 22 of the 19 October 1999 draft Ministerial Text, were also referred in the discussions at the Special Sessions of the WTO General Council.

## B. State of play

Action on implementation has become a crucial element in the preparations for the Doha Ministerial Conference. A number of developing countries have insisted that such action should be seen as a prerequisite to their agreement to enter into a new round of multilateral trade negotiations. On the other hand, major developed countries have generally adopted the position that most of the proposals for implementation would involve changes in the text of the MTAs and in their national legislation and thus could only be contemplated in the context of a broader negotiating package.

At the meeting of the Special Session of the WTO General Council on 27 April 2001, the Chairman of the General Council said that "The picture overall" of the outstanding implementation issues and concerns "is somewhat mixed". "In some cases real progress is being made, either in my consultations or in subsidiary bodies. In many others, while we have achieved useful clarification of the issues at hand, concrete progress is clearly some way off."

In June 2001, a paper was circulated by a group of 7 countries of both developed and developing (Argentina, Morocco, New Zealand, Norway, Switzerland, Thailand and Uruguay). The G-7

paper aimed at obtaining a compromise solution by identifying issues on which early agreement could be reached; issues that have been solved, clarified or appear relatively less urgent; issues referred to subsidiary bodies to be taken up again; and other pending issues.

On 20 July 2001, the Chairman of the WTO General Council made a statement at the special session on implementation and proposed that, based on the consultations that the Director-General and himself held with delegations on the G-7 paper, 8 issues concerning market access, SPS, customs valuation, subsidies and S & D be submitted to the relevant subsidiary bodies for their consideration and report to the General Council by 30 September 2001.

**On 24 July 2001, in their report on the current state of preparatory work for the 4th Session of the WTO Ministerial Conference, the Director-General and the Chairman of the General Council noted that**

*"... delegations continue to maintain a range of views on a number of the outstanding implementation-related concerns, and there appears little significant movement as yet towards convergence in some major areas. There are also divergent views as to technical feasibility of resolution in certain areas, the extent to which some proposals will necessitate changes to domestic legislation or to existing agreements themselves, and whether these issues can appropriately be addressed in wider negotiations."*

On 31 July 2001, in his statement on implementation review mechanism to the informal meeting of the General Council, the Chairman of the General Council reported the result of the consultations by Mr. Rodríguez, the Deputy Director-General with a number of delegations. He said that an understanding was reached among a number of delegations in respect of certain matters that could be referred to subsidiary bodies for their consideration and report back to the General Council by 30 September at the latest, and the possible adoption of early decisions. These would include:

- (a) requesting the Chair of the Market Access Committee to hold consultations on the meaning of "substantial supplier";

- (b) requesting the Chair of the Committee on Customs Valuation to hold consultations concerning information on export values;
- (c) requesting the Chair of the Committee on Subsidies and Countervailing Measures to hold consultations for the review of investigation procedures for initiation of countervailing measures; and
- (d) requesting the Committee on Trade and Development to review S & D treatment provisions.

As to proposals on which early decisions could be possible, he stated that 4 issues were identified as follows:

- Reaffirming Article XVIII of the GATT 1994 is a special and differential treatment provision for developing countries and that recourse to it should be less onerous than Article XII of the GATT 1994.
- Agreement to review the operation and implementation of the Agreement on SPS once every four years.
- Confirming the approach to technical assistance being developed by the Committee on TBT, reflecting the results of the triennial review work in this area, and mandate this work to continue.
- Agreement to re-include a Member in the Annex VII to the Agreement on Subsidies and Countervailing Measures if its GNP per capita falls back below US\$1,000.

As a positive and relevant development, after considerable effort of intensive consultations, the WTO Council for Trade in Goods decided on 31 July 2001 to extend the transitional period for the TRIMs notified under Article 5:1 of the TRIMs Agreement by Argentina, Colombia, Malaysia, Mexico, Pakistan, the Philippines and Romania for a period of 2 years (retroactively from 1 January 2000; i.e. until 31 December 2001) plus another extension of maximum of 2 years as may be requested by them and subject to certain criteria (such as the submission of a phase-out plan for the TRIMs)<sup>(3)</sup>. At the same time, it was also agreed to "continue to give positive consideration to difficulties developing country Members might face in the future and to provide equitable treatment as

provided for in the WTO Agreements.<sup>(4)</sup>

In view of Thailand's request for extension of the transitional period for its notified TRIMs was made after the expiration of the five-year transition period, the Council for Trade in Goods at the same meeting submitted Thailand's request for a waiver on the same terms of the above-mentioned countries to the General Council. On 31 July 2001, the General Council approved Thailand's request for a waiver<sup>(5)</sup>.

## C. Some General Observations

While each country may have its own perception of the problems of implementation, from the point of view of many developing countries the issues and areas of concern to them in relation to implementation can be categorized in broad terms as: (i) problems that developing countries face in implementation of the MTAs; and (ii) problems deriving from the inadequate implementation of the MTAs by developed countries.

### (I) problems that developing countries face in implementation of the MTAs

- In view of the outcome of the Uruguay Round responded mainly to the concerns and interests of developed countries, it is recognized that there has been a range of imbalances and deficiencies with the MTAs. In this regard, it is important to note that the implementation of some of these agreements has caused serious concerns to developing countries. For instance, the benefits of intellectual property protection under the agreement on TRIPS are not equitably shared between the IPR holders (innovators/owners) and users (consumers). From the point of view of developing countries, the protection of IPRs should not only encourage innovation and technological development, but be also conducive to meeting public and social policy objectives. The rules of the ASCM, particularly those relating to subsidies other than export subsidies appear to have bias against developing countries as subsidies used by developing countries for development, diversifi-

cation and up-grading of their industry and agriculture are actionable.

- While more flexibilities are provided to developed countries under the agreements on agriculture and textiles, developing countries' hands are tied up under the agreements on TRIMs, TRIPS and SCM. As a result, developing countries have faced great difficulties in the implementation of their commitments under these agreements. For example, although it has been said that the TRIMs agreement did not go beyond the obligations under the GATT 1947 in terms of GATT Articles III:4 and XI:1, many developing countries believe that the agreement is against their development interests, as their policies that favor domestic goods to imported goods for promoting industrialization and building up domestic capacity (as did by many developed countries or NICs (or NIEs) in the past) have now been held to be incompatible with the multilateral trading rules. A number of developing countries have requested to extend the transitional periods under the agreement on TRIMs as the transitional periods provided would not be sufficient for them to adjust. They felt the one-time notification requirement as provided for under the TRIMs agreement and the 90-day period were not reasonable and too short for them to fulfill these requirements. Some of them even believe that some of the imbalance and deficiencies, given their systemic nature, cannot be resolved only through longer transitional periods. A long term view of development need to be adopted and while it has a time dimension, requires policy flexibility to address fundamental structural deficiencies in the economies of the developing countries.
- The implementation experience, particularly those with the agreements on SCM, TRIMs, TRIPS and the DSB, has made many developing countries to consider that certain provisions of these agreements and panel rulings are against their interests, disregard the obvious structural inequalities among the countries and aim at maintaining the industrialization gap between them and developed countries. In some cases, developing countries felt that they are under pressure to implement these agreements beyond the frontier of current obligations and commitments undertaken by them under these agreements, such as compulsory licensing. The disputes involved in the Indonesian car case concerning trade-related investment measures and the complaint brought by the United States against Brazil concerning measures affecting patent protection are cases in point.
- Owing to their government institutional constraints and the lacking of financial and human resources, many developing countries have faced difficulties in meeting the various procedural (including notification requirements) and enforcement obligations of the MTAs. They feel that the transitional periods under some of the agreements are unrealistic, and financial burdens faced by their administrations as well as the economic implications of adjustment of their domestic producers to new rules are too high. For example, the agreements on TRIPS, TBT, SPS, customs valuation and contingent protection (anti-dumping/countervailing/safeguards) have placed a burden on developing countries as they are required to comply with the practices, standards and norms, which more-or-less have already been used and established by developed countries.
- For the same reason, many developing countries confronted difficulties in making use of the agreement on SCM to defend their interests in cases where their industry and trade are hurt by the subsidization programmes of their trading partners, particularly the developed countries who have the resources to subsidize their industry and trade. In other words, the developing countries are, in general, lack the ability (or capacity) to challenge the unfair practices of others, particularly in the area of subsidies.<sup>(6)</sup> As a result, over the past six years, none of the developing countries have been able to make any counter-notifications in relation to measures of another member having the effects of a subsidy which have not been notified in accordance with Article XVI:1 of GATT 1994 and Article 25.1 of the agreement on SCM.<sup>(7)</sup>

## **(II) problems deriving from the inadequate implementation of the MTAs by developed countries.**

- For many developing countries, the major concerns with regard to the implementation of the WTO MTAs are that progress towards liberalization in sectors of particular interest to them is lagging behind. In this regard, few agreements have given rise to as many concerns as the Agreement on Textiles and Clothing (ATC) given the great importance of trade in textiles and clothing for developing countries (arranging from 20 to 60 per cent of their exports of manufactured products). However, the implementation of the ATC so far has failed to meet their legitimate expectations; after being in effect for more than 6 years, the committed progressive liberalization of quotas has not yet materialized in meaningful terms. As a result, only a few quota restrictions have actually been eliminated, leaving the great bulk of restrictions still in place.
- The massive domestic support (almost at the level of US\$ 1 billion per day in 1999 according to an OECD report) and subsidized agricultural exports by some developed countries have created serious imbalance in the rights and obligations for many developing countries under the Agreement on Agriculture. This is mainly due to the fact that export subsidies by developed countries have not been effectively reduced or eliminated, and that no multilateral disciplines on export credits have been developed and agreed. Recent figures have shown an increase in the use of export subsidies for the world and the major developed countries (mainly the EU and the US) have accounted for most of these subsidies. For some products (such as cotton and soy), the agricultural subsidies provided by the major developed countries to their farmers in recent years have increased rather than decreased. Consequently, world prices for these products have dropped and the market access improvement to exports from developing countries has been insignificant.
- In the area of rules, the increased recourse to

anti-dumping measures together with rising disputes there from has become a major concern to many developing countries. The lack of precision in the disciplines has made the problems of implementation are less a result of blatant neglect of the obligations contained in the AAD, than of importing countries permitting domestic complainants to make full use of flexibility provided in the AAD where its provisions are imprecise and ambiguous. The greater degree of complexity in anti-dumping rules and procedures weighs disproportionately against developing countries and their small firms. As a result, these have the effect of creating instability and uncertainty in the markets for many developing countries as they are continuing to be the main targets of anti-dumping measures. In reality, the adverse impact on them may be much greater than the actual trade involved, since the initiation of an anti-dumping investigation can have an immediate impact on trade flows and prompt importers to seek alternative sources of supply. Even if final duties are not imposed, the initiation of investigations entails huge burdens on respondents, in particular, those in developing countries. In some cases, it would seem that petitioners initiate actions or threaten such initiation only to "harass" importers.

- At the same time, developing countries' expectations of the benefits from the special and differential treatment provisions have not yet materialized. These include provisions as provided for in Article IV of GATS and the transfer of technology provisions of the agreement on TRIPS.
- In order to help developing countries to install sophisticated system in the areas of SPS, TBT and customs valuation, the relevant MTAs provisions require developed countries to provide technical assistance and co-operation, and S & D treatment to developing countries. However, in view of their non-binding nature, developed countries so far have not implemented these provisions effectively and meaningfully.

In addition, there are also a number of areas of interest to developing countries where the dead-

lines for actions as set in the "Built-in Agenda" of the WTO have not been met. These include, for example, the negotiations of an arrangement to limit export credits in agriculture, a GATS emergency safeguard clause, and the completion of negotiations on rules of origin and anti-circumvention measures with respect to anti-dumping. In contrast, soon after entry into force of the WTO MTAs, new agreements were concluded on financial services and telecommunications, which were of interest to developed countries.

#### **D. Main Implementation Issues and Areas of Concern of Developing Countries and further Work Required**

In our contacts with the Geneva-based delegations from developing countries, field missions, participation in various meetings/seminars/workshops organized in Geneva or elsewhere, contacts with both north and south NGOs, and contacts with the business community, in particular like the one that we have recently had with the FTA, it seems that the main implementation issues and areas of concern of developing countries, which may require immediate actions and negotiations as incorporated and/or reflected in paragraphs 21 and 22 of the draft Ministerial Text of 19 October 1999 are:

##### **(I) Improved and ensured market access conditions**

When the Uruguay Round was concluded in 1994, it was estimated that the benefits deriving from the package of trade liberalization resulting from the Round could amount to \$200 to \$500 billion. However, after more six years of implementation of the MTAs, such package of benefits has been very imbalanced against the interests of developing countries, and for many of them their share in world trade has witnessed a decrease rather than an increase. As pointed out last week by several European FTA representatives that the decrease in trade share by many developing countries, particularly those LDCs and African countries were mainly due to the difficulties they have faced in their compliance with those agreements such as

SPS, TBT, origin rules (both preferential and non-preferential). In view of the FTA representatives, the exports from these developing countries would be greatly facilitated if the formalities required under those agreements could be simplified. In this regard, it is important that the technical assistance and cooperation to be provided by developed countries to developing countries in helping the latter participate in international standard-setting and in compliance with the standard, norms and requirements under the specific agreements. During the preparatory process leading to the Seattle WTO Ministerial Conference in 1999, many developing countries proposed:

- to make the technical assistance and cooperation provisions under the agreements on SPS and TBT mandatory (or obligatory);
- to provide a time period of at least 12 months from the date of notification for compliance of new SPS measures for products from developing countries;
- to ensure the presence of countries at different levels of development and from all geographical regions, throughout all phases of standard-setting;
- to allow developing countries to enter into equivalency agreements on SPS measures;
- to ensure mutual recognition agreements (MRAs) developed in a transparent way and they should be open to parties that may wish to join them at a later stage;
- to find means to ensure effective participation of developing countries in the setting of technical standards by international standard-setting organizations;
- to revise the definition of an international standard, guideline and recommendation so that a differentiation is introduced between mandatory international standards and voluntary international guidelines/recommendations;

The European FTA representatives attached great importance to trade liberalization in the sector of textiles and clothing and disappointed with current pace of the integration process under the ATC. In their opinion, this is the key to the process of confidence-building (or the credibility) of the multilateral trading system. In this context, they pointed

out that the policy makers in both Europe and North America are lacking the political will to put the necessary structural adjustment process in place and to prepare for trade liberalization in the textile sector. Developing countries in their proposals made before the Seattle Conference have called upon developed restraining countries:

- to ensure that at least 50 per cent of the volume of 1990 imports of products, that were under specific quota limits, be liberalized by the start of the next stage of implementation of the ATC on 1 January 2002;
- to apply growth-on-growth for stage 3 ahead of the scheduled time-frame;
- to increase substantially the growth rate in quotas for small suppliers;
- to apply the methodology employed by the EU in implementing the growth-on-growth for small suppliers and extend the same treatment to LDCs;
- to increase all growth rates that are lower than 6 per cent to 6 per cent;

To ensure improved market access conditions for developing countries would also depend on the resort to agricultural export subsidies mainly by the major developed countries as it is permitted within the high limits negotiated in the Uruguay Round. In this context, the developing countries should participate more actively and effectively in the current mandated negotiations on agriculture with a view to ensuring the impact of subsidized exports on their trade and domestic production be reduced since the trade policy regime in the agricultural sector in many developing countries is more liberal than in the developed countries. Only in that sense, the market access conditions for exports of agriculture products from developing countries can be improved and ensured. The following proposals were made by developing countries with respect to market access of agriculture:

- to provide sufficient flexibility to developing countries with predominately rural agrarian economies in the green box to adequately address their non-trade concerns, such as food security and rural employment;
- to make TRQ administration transparent, equi-

table and non-discriminatory, in order to allow new/small-scale developing-country exporters to obtain market access;

- to submit notifications to the Committee on Agriculture with details on guidelines and procedures of allotment of TRQ;

In the area of trade in services, while more market access benefits have been achieved by the developed countries in the sectors of interests to them such as financial services and telecommunication, little gain has been given to the areas of interests to developing countries such as movement of natural persons. Developing countries have proposed that:

- developed countries shall fully implement commitments undertaken by them in Mode 4 (movement of natural persons);
- a monitoring and notification mechanism shall be established to ensure effective implementation of Article IV of the GATS (on the increasing participation of developing countries); .

## **(II) Improved and more clearly defined rules**

Improved and ensured market access for developing countries' exports would also require improved, clarified and more clearly defined rules to provide greater precision, predictability and security. This is particularly true for the textiles and clothing. As pointed out in the proposals by many developing countries in 1999 as well as most recently by the FTA representatives, that the effective and meaningful trade liberalization of the textile sector could not be achieved without improved, clarified and clearly defined rules in other areas such as anti-dumping and rules of origin. It is obvious that these are legitimate concerns as their experiences with implementation have seen the arbitrary adoption of rules of origin, which have implications for quota deductions, and the increased and repeated imposition of anti-dumping measures against many imports of textiles, which had already been subject to quota restrictions (a "double jeopardy" situation). In this regard, developing countries have made the following proposals:



- the CTG should examine any change in rules of origin for its impact on market access of textiles exporting countries, before it is applied;
- no anti-dumping actions should be applied within two years after the entire textiles and clothing sector is integrated into the GATT;
- no investigation shall be initiated for a period of 365 days from the date of finalization of a previous investigation for the same product;
- the lesser duty rule shall be made mandatory;
- Article 2.2 of the AAD shall be clarified in order to make appropriate comparison with respect to the margin of dumping;
- the provisions of Article 15 need to be operationalized and made mandatory;
- the existing de minimis dumping margin of 2 per cent needs to be raised to 5 per cent for developing countries;
- the proposed de minimis dumping margin of 5 per cent should be applied not only in new cases but also in refund and review cases;
- the negligible import volumes should be increased from the existing 3 per cent to 5 per cent for imports from developing countries;
- Article 5.8 of the AAD shall be also clarified with regard to the time-frame to be used in determining the volume of the dumped imports;
- The substantial quantities test (or sales below cost of production) should be increased from the present threshold of 20 per cent to at least 40 per cent;
- Article 2.4.1 of the AAD shall include details of dealing with foreign exchange rate fluctuations during the process of dumping;
- Article 3 of the AAD shall contain a detailed provision dealing with the determination of the material retardation of the establishment of a domestic industry as stipulated in footnote 9;
- Article 17 of the AAD should be suitably modified so that the general standard of review laid down in the WTO dispute settlement mechanism applies equally and totally to disputes in the anti-dumping area.

While noting the importance of the rule-based system is a central element of the multilateral trading system, it should be recognized that the major concern of the developing countries over the application of S & D treatment is lack of clarity regard-

ing the manner in which various S & D provisions of the MTAs should be implemented. In this regard, it is important to note the most recent rulings of panel case concerning the EU anti-dumping duties on imports of cotton-type bed linen from India, in which the panel concluded that the EU acted inconsistently with its obligations under Article 15 of the AAD (i.e. the S & D treatment provision) in failing to explore possibilities of constructive remedies before applying anti-dumping duties. This has been viewed by many observers as a positive step towards the right direction in clarifying the S & D treatment provisions of the MTAs. Developing countries have proposed that:

- All S&D provisions shall be converted into concrete commitments, especially to address the constraints on the supply side of developing countries.

### **(III) Efforts required removing the inherent asymmetries and imbalance from the MTAs**

There is an obvious imbalance among provisions of some of the MTAs, in particular in such agreements as TRIPS, TRIMs and ASCM.

The TRIPS agreement now has been widely viewed as a gravely imbalanced agreement. Although with the expectations of long-term benefits resulting from its encouragement of foreign investment and incentives for local inventions, the immediate costs of compliance and administering the agreement are considerably high. Its effect in raising prices of pharmaceuticals, software and technology transfer has become serious concern of many developing countries and the civil society, and tensions between the TNCs and governments of many developing countries due to the strengthened patent laws in protecting IPR holders. Moreover, the TRIPS agreement did not provide protection to areas where developing countries may have a special interest, e.g. protection of traditional knowledge, such as in the area of medicines. The following proposals were made by developing countries on TRIPS:

- In the light of provisions contained in Articles 23 and 24 of the TRIPS Agreement, additional pro-

tection for geographical indications shall be extended for products other than wines and spirits.

- A clear understanding in the interim that patents inconsistent with Article 15 of the CBD shall not be granted.
- Article 64, paragraph 2 shall be modified so as to make it clear that subparagraphs (b) and (c) of Article XXIII of GATT 1994 shall not apply to the TRIPS Agreement.
- The period given for implementation of the provisions of Article 27.3(b) shall be five years from the date the review is completed.
- The list of exceptions to patentability in Article 27.3(b) of the TRIPS Agreement shall include the list of essential drugs of the World Health Organization.
- Articles 7 and 8 of the TRIPS Agreement to be operationalized by providing for transfer of technology on fair and mutually advantageous terms.
- Article 27.3(b) to be amended in light of the provisions of the Convention on Biological Diversity and the International Undertaking.

While the agreements on TRIMs and SCM were concluded on the premise of eliminating trade-distorting effects, they have not taken into account the need of promoting industrial development and employment through local content, export requirements, export subsidies, production diversification, etc., as did by the developed countries in the early years and/or during the pre-Uruguay Round period by NICs (or NIEs). In many proposals tabled by developing countries in 1999, they are seeking a review of these agreements from the developmental perspective.

- The transition period mentioned in Article 5.2 of the TRIMs agreement shall be extended until such time that their development needs demand;
- Developing countries shall have another opportunity to notify existing TRIMs measures, which they would be then allowed to maintain till the end of the new transition period;
- The provisions of Article 5.3 of the TRIMs agreement must be suitably amended and made mandatory;

- Developing countries shall be exempted from the disciplines on the application of domestic content requirement by providing for an enabling provision in Articles 2 and 4 of the TRIMs agreement to this effect.
- Article 8:1 of the ASCVM dealing with non-actionable subsidies shall be expanded to include subsidies referred to in Article 3:1 of the Agreement when such subsidies are provided by developing country Members;
- Export credits given by developing countries shall not be considered as subsidies so long as the rates at which they are extended are above LIBOR;
- Any countervailing duties shall be restricted only to that amount by which the subsidy exceeds the de minimis level;
- The prohibition on using export subsidies under Article 27:6 of the ASCM shall be applicable to a developing country only after its export levels in a product have remained over 3.25 per cent of world trade continuously for a period of five years;
- Aggregate and generalized rates of duty rate remission should be allowed in case of developing countries even though the individual units may not be able to establish the source of their inputs;
- Developing countries should be allowed to neutralize the cost escalating effect of taxes;
- Article 11:9 of the ASCM should be modified to provide an additional dispensation for developing countries, in as much as that any subsidy investigation shall be immediately terminated in cases where the subsidies being provided by a developing country is less than 2.5 %.
- The present de minimis level of 3 per cent below which countervailing duties may not be imposed for developing countries, needs to be increased (Article 27:11).
- There should be a clarification in Article 27:3 that it is applicable notwithstanding the provisions of any other agreement.
- The definition of "inputs consumed in the production process" (footnote 61) needs to be expanded to include all inputs, not just physical inputs, which may have contributed to the determination of the final cost price of the exported product.

- Annex I of the ASCM shall be amended to provide developing countries the flexibility to finance their exporters, consistent with their developmental objectives.

## Arab Agriculture in a Globalized World: Constraints and Potentials

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### Introduction:

The World Trade Organization (WTO), International Monetary Fund (IMF) and the World Bank are the trinity institutions of globalization that serve to facilitate the creation of an interdependent global economy. By undertaking multilateral negotiations to organize trade relations among countries, the WTO is thought to encourage free trade and do away with old protectionist trade policies. This paper attempts to unfold the status of developing countries after the Uruguay Round as well as highlight the theoretical underpinnings of trade and its implications on agriculture in the Arab world. It will outline the major constraints facing Arab agriculture. In light of the analysis of these constraints, the paper will reach some conclusions about the potential impact of the WTO on Arab Agriculture and propose strategies to cope with the challenges facing Arab Agriculture.

#### 1. Global Trends and Issues of Agriculture:

Despite growing awareness about natural resource management and increase in food production in the 1990s, problems of food security, environmental degradation and poverty still persist. With the increase of technological innovations and efficient means of production, food supply has grown at low prices allaying the worries about

rapidly increasing global population rates. However, cheap food prices also pose economic threats on smaller scale agricultures rampant in developing countries, as they cannot keep up with growing forces of competition.

The most pressing dilemma is why many people remain poor and hungry when there is such a huge increase in global production. According to the Task Managers of Chapters 10, 12 and 14 of Agenda 21, around 790 million people are malnourished around the world with their income declining, especially in rural Africa. Such issues have been of great importance in global agendas but are not yet all resolved.

Agriculture received much attention by policy makers since it constitutes both a source of income and food for many countries. Thus, issues surrounding agricultural production and trade have been economically and politically charged issues. This can be demonstrated by outlining the evolution of multilateral negotiations that address agricultural concerns of many countries.

#### 1.1 The Agreement on Agriculture (AoA) in the Uruguay Round:

The Agreement on Agriculture concluded in the Uruguay Round was the first international accord of its sort, especially after agriculture was excluded from international negotiations since the General Agreement on Tariffs (GATT) was established in 1947 to regulate international trade. The issue of agricultural sector trade was excluded from the GATT for reasons of national food security and deteriorating agricultural productivity as a result of the expansion in manufacturing economy. Therefore, there were social and political pressures to revive the agricultural sector and protect it from competing international markets. As a result, agricultural trade was given a special treatment and was exempted from major GATT rules. This is apparent in the following statements posited in the GATT rules:

- Quantitative import restrictions, banned for all other commodities, could be used in the case of agricultural commodities, providing that domestic production of the commodity in question was also subject to certain restrictions, or to domestic price stabilization or price support policies.
- The use of agricultural export subsidies was explicitly permitted, conditional upon the obser-

vance of "equitable" market shares; but "equitable" was difficult to define and agricultural export subsidies proliferated.

- Other mechanisms for protecting agriculture, such as variable import levies and domestic subsidies, were not explicitly covered for agricultural policy makers wishing to protect the agricultural sector.<sup>(8)</sup>

Exempting agricultural trade from GATT conditions offered the green light for the raising levels of international protection of agriculture, especially in the United States and European countries. The US government followed a policy of export subsidization to maintain its market share in agricultural trade. Other countries, depending on exporting agricultural products, faced a decline in their market share, as a result of their unwillingness or incapability to subsidize agricultural exports like their American counterparts.

Thus, trade disputes submitted to the GATT were 60% agriculture related. Moreover, protectionist policies exercised by developed countries distorted world food markets and depressed prices of agricultural goods to low uncompetitive levels.

There were economic factors rather than political that served to integrate agricultural trade within the GATT framework as well; these include issues of comparative advantage, world market instability as discussed earlier and effects of protectionism. In brief, government intervention in protecting the agricultural sector led to the production of a surplus of agricultural products to be sold in the international market; thus, depressing world prices and diverting incentives for production away from comparative advantage. Such protectionist measures also adversely affected farmers in developing countries, where low world prices imposed an "artificial" low price for domestic products, thus hurting domestic farmers. This also explains why many developing countries became dependent on cheap imported agricultural products for their survival.

All these factors form the underlying forces behind including agricultural trade in the Uruguay Round in 1986. The main objective of integrating agricultural trade was to liberalize trade in agriculture by addressing "import access and export competition under strengthened effective GATT rules and disciplines."<sup>(9)</sup>

The parties involved in the Round were the US, the EC and the Cairns group (included developed and developing countries), which all essentially had interests to liberalize trade. The US wished that further liberalization would reduce the rigorous protectionism offered by the EC to its agricultural sector and the EC wanted to settle its political disputes with the US about the same issue. Other developing countries excluded from the Round were concerned about the effect of liberalization on the cost of imported food. It is implicit that the Round was monopolized by the developed countries concerns.

However, it is worth mentioning that developing countries demanded what is known as special and differential treatment within the framework of the Round. This is because agriculture constitutes a major contributor to the development of their respective economies and therefore, GATT's modified liberalizing rules should not interfere with that. Thus, the Agreement on Agriculture reached offered flexibility in the magnitude of cuts in supporting and protecting the agricultural sector in developing countries and gave them a longer time span to achieve the policy changes delineated in the Agreement.

The Agreement aiming at curbing policies that distort global agricultural production and trade focused on three major areas: market access (Article 4), domestic support commitments (Article 6), and export subsidy commitments (Article 9). Each area was subdivided into further policies in attempt to offer operational solutions to agricultural trade.

It is not the purpose of this paper to discuss the details of the rules reached, but it is worth mentioning that Country Schedules were specified with quantitative commitments for each. Of course, certain exemptions took place after continued negotiations on certain crops and circumstances giving opportunities for some countries to compromise tariff concessions; this is especially true for the case of the US and the EC. The Agreement on Agriculture had different provisions for developing and least developed countries compared to developed countries as a safeguarding mechanism.

The WTO was then established as the talks of the Uruguay Round progressed, serving as an institutional framework to monitor the implementation of

the terms in the Agreements. The WTO also organizes trade relations among members through multilateral negotiations related to the agreements found in the Final Act.

Since then the WTO operated under the slogan of non-discrimination that guarantees fairness in commercial relation "to protect all countries against the unilateral whims of the strong."<sup>(10)</sup> The WTO promotes membership emphasizing the importance of openness "which is good because it boosts competition, lowers prices and increases choice" and enhances market access for exporters, attracting foreign investment and new accompanying technologies.<sup>(11)</sup>

The principles of free trade as adopted by the WTO sound very tempting to the Arab world, particularly small export-reliant developing countries and fuel-exporting countries, which aspire to diversify their exports. The WTO offers facts and figures to make its case stating that GDP per person fell by 1.1% in the 1990s in non-globalizing developing countries and rose by 5.1% for globalizing ones. The belief is that trade leads to welfare, boosting economic growth, reducing poverty and creating a better quality of life.

However, there is huge desperation perceived by a portion of the world community with regards to the WTO performance and its ramifications on the environment, agriculture and social issues in many countries, especially developing and least developed countries. Ubiquitous disappointment among developing countries is evident due to the effects of globalization on their agriculture and food rights. Many countries blame the Uruguay Round and consequent trade implementations for the deterioration of farmers' status and dependence. Discussing such perspectives is useful for reaching conclusions with regards to the potential impact of WTO on Arab agricultural production and trade patterns.

### 1.2 The Implications of the Agreement on Agriculture (AoA) in the Uruguay Round:

Most developing countries are bitter that many of them lost rather than gained from the Uruguay Round. It is estimated by the United Nations Development Program that under the WTO regime, in the period of 1995 to 2004, 70% of the gains of the Uruguay Round will go to developed countries, with most of the remainder going to

some export-oriented developing countries.

Many developing countries oppose a new trade round because they see in it an agenda for liberalization that has to do more with opening up developed economies to greater penetration by northern transnational corporations. New issues proposed by developed countries to be discussed in another round revolve around investment policy, competition policy, government procurement policy, labor standards and environmental standards. As for labor and environmental standards in WTO agreements, developing countries fear that their intent is to serve as barriers to entry of developing countries' imports.<sup>(12)</sup> Moreover, many developing countries complain that their exports still encounter high tariffs and other trade barriers by developed countries. They are also concerned about import barriers in developed countries falling too fast that their preferential treatment will be ended.

Furthermore, as trade barriers have been relatively reduced, many agricultural producers in developing countries have been facing larger competition from industrialized producers. Simultaneously, developing countries have been dealing with declining support services and subsidies to make structural adjustments and achieve liberalization. All such burdens have placed rural poor and small farmers at a disadvantage, whereas larger enterprises and vertically integrated firms have benefited the most.<sup>(13)</sup>

It is estimated that the EU raised its exports of agricultural products after the implementation of the Agreement on Agriculture from USD 46.7 billion in 1995 to 54.6 billion in 1997. The US agricultural exports grew from USD 43 billion in 1994 to USD 59.8 billion in 1996. On the other hand, Third World countries were hit, where there has been a general trend toward the concentration of land, marginalization of small farmers and increasing landlessness, unemployment and poverty.<sup>(14)</sup>

Trade liberalization in agriculture causes substantial shifts in agricultural production, which implies a transformation of environmental burdens related to agriculture. Thus, accelerated rates of deforestation are the most likely consequences of the Uruguay Round. This is especially true for developing countries, where their agricultural system relies heavily on land clearing with little use of

chemicals.<sup>(15)</sup>

Moreover, liberalized trade encourages transnational agribusiness and agrochemical corporations. The role of these companies has been evident since the Green Revolution, where they increased their influence on agriculture in the Third World excessively. The Green Revolution is technologically scale neutral since its application is equally effective on large and small farms; however, it is not socially scale neutral. When the cost of investment in capital-intensive productive factors is cheap relative to labor, it becomes more plausible for a farmer to obtain a certain technology. However, the cost of such material inputs is higher for small farmers than large farmers. As a result, a small farmer will continue to produce on the basis of labor-intensive economy, whereas, the larger and richer farmer will adopt technical changes to increase his productivity and income. Ultimately, the Green Revolution in developing countries has led to an increase in income disparity between the rich and the poor.

Similarly, agribusiness and agrochemical corporations today are taking advantage of recent developments in biotechnology to increase farmers' dependence on genetically modified organisms (GMOs) and other farm inputs. Such high-tech proprietary seeds focused on herbicide tolerance and insect resistance imposes on farmers a "package deal" more compelling than the Green Revolution; farmers will have no other alternative but to buy proprietary pesticides from companies that bought their seeds. For instance, seeds known as "Terminator" seeds lose their germinating ability preventing farmers from saving seeds to be replanted and thus keeping them hooked to purchase new seeds every planting season.<sup>(16)</sup> The GMOs by-product effect on both producers and consumers is still uncertain, especially with regards to potential health problems caused by GMOs. Other concerns among developing countries is about having access to new biotechnologies to enable them to produce domestic GM products that can be sold abroad, rather than only consume GM products coming from Northern countries.<sup>(17)</sup> The concentration of the ownership of the seed industry in the era of globalized agriculture, along with the imposition of intellectual property rights in agriculture and in genetic engineering

technology of few big corporations, play a role in raising the cost of production for smaller farmers and adding environmental and social pressures.<sup>(18)</sup> All such factors exacerbate the issue of food security in developing and least developed countries. The Agreement on Agriculture indirectly addresses food security issues in the clauses on Special and Differential measures realizing that reform programs in the agricultural trade will incur possible negative effects on Least Developed and net-food importing developing countries. Therefore, the Agreement included provisions of food aid to consider requests of financial and technical assistance to improve agricultural productivity and to finance some food imports by international financial institutions when necessary. Such measures were taken to alleviate potential food security issues and to enhance capacity building among agricultural producers in developing countries to expand productivity capabilities. Certain technical obstacles have emerged, however, narrowing the ability of the above measures to be executed. The Agreement has yet to define the beneficiaries to be monitored, trigger mechanism for assistance, determine the nature of assistance and evaluate the adequacy of existing mechanisms and terms of access to them.<sup>(19)</sup>

As a result of increased trade liberalization due to the Agreements, there are regional variations pertaining to adequate food supplies. The change in external policy environment influences national food security, especially when potential foreign exchange earnings due to trade liberalization do not rise to offset food security issues. Given that cereal prices will increase after the implementation of the Agreement and that developing countries have a 40 % share of world imports implies that there will be a negative impact on food availability in developing countries. This is especially true when developing countries are not expected to make adequate gains via export revenues.

Moreover, 5 to 20% increase in food import bill to the year 2000 was attributed to the Agreement. The food import bill was projected to rise by USD 10 billion in Low-Income countries, where 14% of the rise was attributed to the impact of the Agreement on world market prices.<sup>(20)</sup> The Agreement is unlikely to influence food aid directly and the reduction in export subsidies and other

price support in developed countries is likely to exert pressures on the availability of food stocks and food aid requirements. The impact of the Agreement on Agriculture on food security in developing countries is also relevant to the Arab context, where most Arab countries are food-importing countries, as will be shown below.

## 2. Background on Arab Agricultural Production and Trade Pattern:

Imports of agricultural products have always exceeded or equated exports in the Arab World. Dependence on food imports has been increasing since the 1970's. This phenomenon persists, despite the fact that the Arab World has massive amounts of agricultural land. However, such vast agricultural areas have lacked appropriate investment, even in the face of pressing food insecurity in the region. The reasons behind the underemployment of land have to do with lack of capital, human resources and technical skills as well as a stunted structural system to administer agricultural investment.

The rise in world import prices for agricultural products and simultaneous decline in export revenues from Arab agricultural goods exacerbated Arab trade balance and enhanced the burden on their ability to use export revenues for financing development activities. Major agricultural exports of Arab countries are cotton, fruit and vegetables that comprise 70% of their exports. As for the imports, Arab countries depend on foreign cereal, sugar, tea, coffee and vegetable oils. Apparently, Arab countries depend heavily on the external market for the provision of their major nutrients, which implies that increasing world prices for such goods and their paucity will put the Arab countries at a disadvantage. As discussed earlier, the Agreement on Agriculture has implications on the reduction of cereal stocks, as developed countries are facing a cut in export subsidies and price control measures under the auspices of the Agreement.

In order to cope with the challenge of globalization, Arab countries have to follow certain policies to develop the agricultural sector and address threats of food insecurity. It is important that a greater regional coordination be established to address food security issues, where a collective strategy would reduce overall costs. The promotion of regional integration will also provide a

medium to find sources of supply by developing a regional market. Arab Countries have established some collective entities for these purposes. An example is the Arab Incorporation for Investment and Agricultural Development, which was established in 1975 to implement a program for Sudanese agricultural development. However, many factors impeded the success of such programs. Generally, lack of accessibility to technologies, politically challenging investment environments, nepotism and corruption are among many factors that rendered regional initiatives unsuccessful.

All in all, Arab countries still face the problem of food shortage, making the Arab World more dependent on food imports and worsening their estimated \$200 billion debts. Part of this heavy dependence on imports is attributed to the Agreement on Agriculture and consequent liberalization policies. Other reasons are associated with incompetent Arab economic policies that ignore the agricultural sector, allowing it to operate at inefficient levels. The fact that 80% of arable Arab lands are neglected illustrates the previous statement. Thus, issues like urbanization, desertification and population growth need to be addressed by policy-makers.

## 2.1 Arab World Overview for Agricultural Performance:

As shown above, there are many structural obstacles that preclude Arab countries from using their agricultural lands in the most efficient ways to achieve self-sufficiency and independence. However, developing the agricultural sector in the Arab world is a crucial step towards self-sufficiency as well.

Besides technology, availability of cultivable land and water resources are essential to the process of agricultural development in the Arab World. Lack of water resources and land constitute physical constraints facing Arab Agriculture. Such constraints have affected the extent of agricultural contribution to the economy of Arab countries, where the agricultural sector has become less prominent compared to other sectors with regards to self-sufficiency and employment.

Table 1 shows some agricultural statistics for selected Arab countries to give a quick indication of the status and performance of Arab agriculture. During the period of 1980-1996, the Arab world

**Table 1: Agricultural Statistics for Selected Arab Countries:**

Country	1995/2000 Population Growth (%)	1996 Per Capita GDP	Agric. Land/person (million dunum)	1996 Agricultural Sufficiency (%)	Agricultural Research Balance (mil- lion dollars)	1996 Agricultural Exchange in Billion \$	
						Export	Import
Algeria	2.3	1510	2.4	68	13.7	0.1	2.7
Libya	3.3	4460	3.3	62	13.1	0.05	1.3
Morocco	1.8	1320	3	87	40.3	0.9	1.7
Tunisia	1.8	2010	4.8	83	15	0.3	0.8
Egypt	1.9	1070	0.5	78	67.6	0.5	3.9
Sudan	2.2	285	3.9	111	3.1	0.6	0.3
Iraq	2.8	1280	2.2	89	-	0.-	1
Jordan	3.3	1640	0.7	55	6.1	0.2	0.7
Lebanon	1.8	4360	0.9	59	3.8	0.1	1.2
Syria	2.5	1120	2.9	100	15.3	0.8	0.8
Palestine	4	1000	1	85	-	-	-
Bahrain	2.2	7	0.6	14	3.2	0.-	0.3
Kuwait	3	21100	0.1	27	-	0.03	1.1
Oman	4.2	4700	0.3	40	-	0.2	0.8
Qatar	1.8	11600	0.3	40	-	0.01	0.3
Saudi Arabia	3.4	7300	1.9	71	-	0.4	4.3
United Arab Emirates	2	16100	0.4	29	-	0.7	2.4
Yemen	3.7	340	0.9	56	6.1	0.1	0.8

Source: International Center for Agricultural Research in the Dry Areas. The National Agricultural Research Systems in the West Asia and North Africa Region. Aleppo, Syria, December 1999.

has relatively registered an improvement in agricultural development, where the level of production grew by 85% and by 14% per capita. As can be judged from the table, Sudan and Syria seem to produce agricultural products that ensure agricultural self-sufficiency, where they registered an index of agricultural self-sufficiency equal to 111% and 100% respectively. However, countries such as Qatar, Bahrain and United Arab Emirates fall behind in their indices of agricultural self-sufficiency, where their indices are 19%, 14% and 29% respectively. Correspondingly, countries with relatively low index of agricultural self-sufficiency are those with imports largely exceeding exports, as these fail to meet the demand for food in their respective countries. Sudan and Syria demonstrate a reasonable agricultural and food

import/export balance and at the same time present high values for the index of agricultural sufficiency. Egypt, Tunisia and Morocco are moderately dependent in their food consumption as reflected by the value of the ratio of their imports to exports and their agricultural self-sufficiency indices, as shown in the table above. Generally, oil-exporting countries have low agricultural self-sufficiency indices as well as high agricultural and food imports relative to exports.

Within the framework of liberalization and international trade, it is expected that the rate of agricultural dependency will be high for those Arab countries, which demonstrate high agricultural and food import/export values as well as low agricultural self-sufficiency indices.

## 2.2 Constraints Facing Arab Agriculture:



To decrease agricultural dependency among countries, the Arab world should recognize the impediments it faces in the process of agricultural development and independence. Land and water are key components for agricultural development in the world generally and in the Arab world, in particular. Below is a detailed outline of each of the physical and institutional constraints facing Arab agriculture.

#### 2.2.1 Water Crisis in the Arab world: The Issues:<sup>(21)</sup>

The Middle East is one of the most water poor and water stressed regions of the globe. While the region is home to 5% of the people of the world, it has less than 1% of its renewable fresh water. Today's annual per capita availability of fresh water in the region is only one third of its 1960 level (World Bank, 1996), falling from 3,300 cubic

metres per person in 1960 to less than 1,250 cubic metres in 1995. This is the lowest per capita water availability in the world. By 2025, this limited availability is likely to drop even to lower levels— to less than half the 1995 level. This average (1,250 cubic metres), low as it is, can be misleading. With the possible exception of Iraq, Turkey and Iran, all Middle East countries have average per capita renewable fresh water availability levels below the average of 1,250 cubic metres. Some of the Arab Gulf countries and the Palestinians have per capita availability averages that are below 10% of the regional average of 1250 cubic metres, and even a country that is considered to be relatively water endowed like Lebanon shows an average of 1,200 cubic metres (Table 2).

The growth of population and industry are respon-

**TABLE B 2:** Water Availability and Usage in Arab Countries

Country	Annual Renewable Resources (MCM)	Annual Withdrawals		Per Capita ARR 1995 CM	Water Usage %		
		(MCM)	AS % OF ARR		Domestic	Industry	Agriculture
Algeria	18400	3000	16	655	22	4	74
Egypt	58000	56300	97	1005	7	5	88
Bahrain	N/A	200	N/A	N/A	60	36	4
Iraq	104000	43900	42	4952	3	5	92
Jordan	800	1000	125	213	20	5	75
Kuwait	N/A	N/A	N/A	N/A	64	32	4
Lebanon	4800	800	17	1200	11	4	85
Libya	700	2800	400	130	15	10	75
Morocco	30000	11000	37	1083	6	3	91
Oman	2000	1300	65	1053	3	3	94
Qatar	200	150	750	N/A	36	26	38
Saudi Arabia	2200	3600	164	118	45	8	47
Syria	5500	3300	60	385	7	10	83
Tunisia	4400	3000	68	489	13	7	80
UAE	300	400	133	167	11	9	80
Yemen	3000	3900	130	176	5	2	93
Palestine	1000*	200	100	105	12	13	75
Iran	118300	46500	39	1826	4	9	87

Source: World Resources 1992-1993; Pacific Institute for Studies in Development, Environment and Security, Stockholm Environment Institute, and World Bank Estimates, 1990-1995.

sible for increasing the demand for water everywhere. This is, however, only one aspect of the problem. Actual physical scarcity, even in the Middle East region, is not the only key issue. Conditions of economic scarcity seem to be more pressing: there is enough water to meet society's need, but there are few incentives for wise and efficient use of this critical resource. Water shortages can be dealt with in a number of ways—increasing supplies and the water system efficiencies and/or through conservation and demand management. The latter are more recent in nature and less used. They are increasingly becoming more urgent and more dependent on using economic instruments such as efficiency prices and conservation compatible incentive regimes. But for these economic instruments to work there should exist an understanding of how these instruments work and why. A macroeconomic context must also be provided that is compatible with micro efficiency and is consistent with standard notions of equity and justice.

A number of questions arise and these need to be answered clearly and conclusively.

Is water different from other commodities? Is its value infinite and "thicker than blood?" Can a price for water be determined much like any other commodity? Can water be traded and shared? Are water wars inevitable? Can reasonable arrangements among riparian be negotiated? What constitutes an equitable distribution of shared resources? These are some of the complex questions that arise about water and arouse passion. There is no area of the world where these passions are stronger or more pressing than in the Middle East where severe water scarcity is compounded by historical suspicions, asymmetries of power, and the exploitation of strategic advantages by the countries of the region.

The water crisis in the Middle East has a lot to do with some general characteristics of water and their peculiarities in the region and still more with the underlying power structure of the state system within the region.

Among the many special complicating characteris-

tics of water that contribute to the crisis, the following are the major ones:

- Water is a scarce resource, of which availability is far below the competing demands for it. This scarcity is more pronounced in some specific areas of the region and within even the same state. It is not uncommon to find areas and groups of people with abundant water and others with no or little amounts. The scarcity issue is about relative scarcity and not absolute scarcity. The physical scarcity is complicated by economic scarcity where actual prices for water are fractions of the true scarcity price (shadow). When prices are below scarcity prices, waste and over use are quickly observed. There are many examples in the Middle East, particularly in Israel where subsidies have engendered a culture of waste.
- Water is fugitive, reusable, stochastically supplied resource and whose production can be subject to economies of scale. In this respect water has many of the characteristics of a common property resource and a quasi public good. The secure supply of water in much of the region, where security is defined as the probability of its availability 9 out of 10 years, is less than 5%. It is rarely recycled, and variability in rainfall is multiples of what it is in other regions.
- Water is typically a non-traded commodity that is rarely sold in a competitive market. There are few overt water markets where suppliers and demanders exchange water. Recently markets in water rights have emerged in several parts of the world; the most notable examples are in Colorado, California and Argentina. But most of these markets are within national entities and often represent simulated market solutions. There are only few international examples of water trade, but it is not difficult to conceive schemes that would involve this trade. There is now a rich literature on this subject that can help in designing efficient markets.
- Water values generally differ from the price that would obtain in a free and competitive market. It is often the case that water has social value

that is above what private users are willing to pay for it. The allocation of water often reflects national and social policies and priorities towards agriculture, the environment and national security that go beyond promoting the interests of profitable private farmers. Social and policy considerations apart, the diversion of actual prices from their scarcity values is imposing social costs on the domestic economy as well as on neighbouring countries.

- Water is not only a desirable commodity; its availability is also critical for life. There are little or no substitutes for it. Furthermore, it is a well-entrenched principle that no matter how scarce water is; every person is entitled to a minimum quantity that is considered consistent with human dignity.
- Very few countries have water supplies that they have to themselves alone that they do not share with others. It is often the case that surface water (rivers) passes through several countries and aquifers are shared. More than 85% of the water available to the respective countries of the region originate outside their borders or is shared in a common aquifer with others. It comes as no surprise that there is no well-defined sharing agreements among riparian and that history is rife with water conflicts. Water is part of the tragedy of the commons.
- While the total water supply may be limited, and, few if any, substitutes exist for it; there exist substantial possibilities for inter-sectoral and inter-regional substitutions. As well, there are a number of technologies and conservation packages that rationalize demand and raise the efficiency of its use. Part of the water scarcity crisis in the region is the fact that agriculture uses over 70-80% of the total available domestic supply. It is typically the case that other needs are suppressed, but this leaves a wide room for inter-sectoral reallocations.
- While the quantity of water is in short supply in the region, concern for preserving its quality is perhaps more pressing. Syria is more worried about the quality of water that will be left for it after the irrigation schemes that Turkey is con-

templating in the South-East Anatolia Project than about the total quantity. Pollution and saline intrusion of the aquifers are being increasingly recognized as critical factors in planning for the future.

- The current allocation of the shared water resources in the region are not the outcome of agreements, negotiations or equitable principles. Rather they reflect the asymmetries of power in existence and the abilities of the strong to impose their wills on the weak. Turkey and Israel, even though one is a downstream riparian and the other is an upstream one, both have managed to monopolize and utilize water shares far and beyond any rational allocation system consistent with basic international law governing transboundary resources.

The headwaters of the River Jordan, located in northern Israel, the occupied Golan Heights and Lebanon feed Lake Tiberias; Syrian and Jordanian waters (most importantly the Yarmouk River), meanwhile, and West Bank and Israeli springs feed the Jordan River below Lake Tiberias. As a whole, these elements constitute the Jordan international drainage basin, a naturally defined area that cannot be artificially sub-sectioned. As a result of Israel's occupation of the Golan Heights and its control over southern Lebanon, Israel controls the headwaters of the Jordan River.

By its pre-1967 borders, Israel accounts for only 3% of the Jordan basin area; yet it currently has control of the greater part of its waters. At present, Israel is drawing an annual 70-100 million cubic meters (mcm) from the Yarmouk, and is piping 1.5 mcm per day from Lake Tiberias in its National Water Carrier (Rudge 1992). Consequently, the River Jordan, which, in 1953, had an average flow of 1250 mcm per year at the Allenby Bridge (Main 1953), now records annual flows of just 152-203 mcm (Soffer 1994).

## 2.2.2 Land resources:

Problems facing land resources in the Arab world include:

- Land degradation;
- Soil erosion;

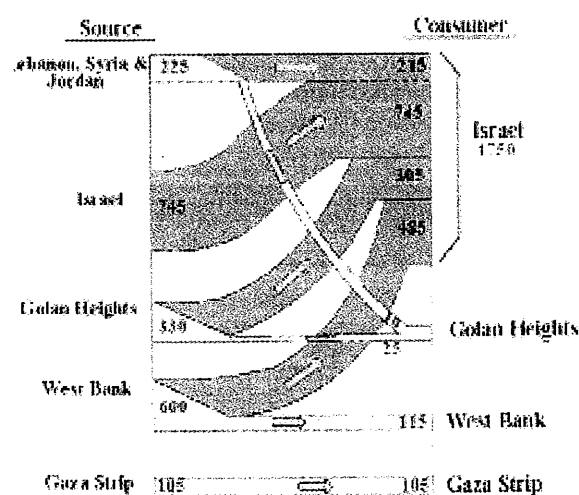
- Creeping soil salinization;
- Desertification
- Loss of sustainability;
- Increased encroachment on limited available land for urban uses;
- Weak land registry system;
- Poor enforcement of laws regarding land management;
- Lack of integrated land use planning;
- Competition among public institutions on land management issues;
- Lack of expertise in integrated land resource management;
- Shortage of decision support systems and planning tools for sound land management;
- Fragmentation of land ownership through inheritance;
- High cost of land reclamation and limited credit mechanisms;
- Lack of physical and biological data about rangelands
- Absence of laws to permit control of grazing in common areas;
- Land tenure in rangelands and forests
- Lack of knowledge and understanding of the dynamics of social and economic interactions in rangelands;
- Lack of laws to designate and protect national forests and nature preserves;
- Lack of research, inventory and monitoring of forest and nature areas;

### 2.2.3 Agricultural Production

Constraints facing Agricultural Production include:

- Small farm sizes result in high production costs, marketing problems, and complicate the process of knowledge dissemination and technology transfer;
- Small farm sizes also cause difficulties in water distribution from shared wells and springs;
- Lack of effective farmers' associations to improve management of water resources, reduce input costs and improve output marketing.
- Insufficient and ineffective agricultural extension services;
- Inadequate applied research services linked

- closely to extension programs;
- Insufficient farmer access to production and marketing credit;
- Lack of support information for decision-making on more profitable alternative products and technologies;
- Limited access to alternative markets and high export transaction costs;
- Limited availability of food processing market outlets;
- Yields are low due to inappropriate varieties, poor cultural practices and inefficient input use;
- High cost of inputs;
- Limited genetic improvement of farm animals (especially sheep and goats);
- High neonatal and early-age mortality for sheep;
- Limited use of improved breeding technologies (i.e. artificial insemination) for dairy cows;
- Absence of processing and storage capacity (transportation, storage, processing plants for milk and milk products) results in unstable seasonal production;
- Lack of vertical integration in poultry production limits productivity and profitability;
- The persistent problem of insufficient cereal production makes the Arab world more dependent on cereal importing.
- Shortage of grain storage capacity;
- High cost of feed;
- Limited veterinary diagnostic staff and laboratories;
- Absence of food safety regulations for meat and poultry;
- Limited food processing capacity



#### 2.2.4 Marketing:

Marketing is one of the administrative components needed for agricultural development and which suffers from structural problems in the Arab World as will be shown below.

- Unstable prices in domestic markets;
- Long domestic marketing channels (marketing margins are high);
- Frequent surpluses;
- Lack of reliable decision making information on demand, supply and prices;
- Insufficient access to latest production technology and management concepts;
- Limited availability of refrigerated trucks for internal and export marketing;
- Inadequate pre-cooling, grading, export packaging, cold storage and transportation services;
- Limited knowledge of global markets and marketing requirements;
- Absence of substantial companies (channel captains) capable of dealing effectively with global buyers;
- Inadequate direct Arab export experience;
- Poor understanding of export quality demands, quality and food safety assurance and required post harvest practices;
- Non-competitive and weak food processing industry;

#### 2.2.5 Institutional and Human Resource Development:

- Inappropriate agricultural laws and regulations;
- Lack of an agricultural insurance system;
- Shortage of well trained agricultural researchers, extension workers and entrepreneurs;
- Unclear strategy for agricultural education and insufficient resources;
- Intermediate agricultural education is almost non-existent;
- Lack of reliable production, trade and price data;
- Lack of clarity of the future role and relationship of NGOs to other institutions;
- Incomplete coordination with regional and international institutions related to Israeli imposed restrictions;
- Weakness in cooperatives and other rural community organizations;
- Absence of grading and standardization, market information, and capacity building institutions;
- Absence of coherent government programs to assure adequate rural and agricultural credit facilities.

Table 3 below shows that the Arab world is ranked very low in terms of its social and institutional capacities as well as the adoption of science and technology in the agricultural sector. The figures demand that civil society participation in rural development should be expanded, especially in the Arab context.

**Table 3:** Countries Worldwide with respect to selected agriculture sustainability Indices:

Country	Social & Institutional Capacity	Global Stewardship	Water Qnty	Water Qlty	Terrestrial Systems	Reducing Water Stresses	Reducing Population Pressure	Science & Technology
Algeria	114	88	109	104	8	95	86	77
Egypt	64	56	81	63	4	107	77	78
Jordan	70	76	98	119	54	115	104	90
Lebanon	84	82	117	60	70	111	57	52
Libya	122	121	93	85	12	89	95	73
Kuwait	106	118	122	33	48	108	84	86
Morocco	80	92	119	121	35	102	70	68
S. Arabia	121	119	121	65	23	98	114	56
Sudan	115	84	61	118	16	105	97	113
Syria	117	95	73	79	80	100	100	100
Tunisia	102	46	95	99	58	110	68	83

Source: 2001 Environmental Sustainability Index, Annual Meeting 2001, Davos, Switzerland.

### 3. Future Sustainable Agricultural Strategies:

The Arab world has to face the challenges of the new millennium. The responsibility to make changes does not rely on the governments alone. Civil society institutions have a major role to play. Clear definitions of roles, mandates and responsibilities should be made. Fundamentally, agricultural policies in the Arab world should be founded on the principles of a free market economy, which includes transparency, pluralism, the protection of human rights and environmental sustainability. The role of government is to provide the basic infrastructure, the legal and regulatory framework, and the knowledge and information required to facilitate efficient production and distribution of agricultural products in the private sector. It is also important that governments assist farmers and exporters in becoming more competitive through technology transfer assistance, research, positive legal and regulatory environment, and human resource development. The private sector, in a free and competitive manner, should lead the agricultural growth process.

#### 3.1 POLICY AND INSTITUTIONAL FRAMEWORK:

The Arab world should adopt an agricultural policy that aims "to achieve a modern agriculture that responds to the needs of local and foreign markets and to be competitive in terms of quality and price through:

- In devising a unified or a common agricultural policy, it is important to learn from different Arab experiences in forming agricultural policies and strategies.
- The optimal exploitation of agricultural resources, particularly land and water, based on economic viability and efficiency and social equity, to ensure their sustainability, preserve the environment, and to contribute to achieving food security;
- Development of the rural areas through an integrated rural development approach, where agriculture constitutes its backbone;
- To improve competitiveness of agricultural production in the local and foreign markets;
- To enable the private sector to act freely and to contribute to rural and agricultural development;
- To strengthen the institutional structure and legislative framework of the agricultural sector, and to develop human resources to enable more efficient delivery of services.

- To enhance NGO participation in defining agricultural future strategies as well as to use university facilities to coordinate implementation of strategies. Moreover, farmers' committees should be formed to tackle farmers' needs and problems. The role of women and the youth in agriculture should be expanded to achieve integrated rural development.
- To control the fragmentation of farm holdings through land consolidation and other mechanisms.
- To develop channels and systems of rural support, with full participation of the rural communities that aim to enhance agricultural productivity..

### 3.2 Natural Resource Development:

It is clear that land and water resources are severely restricted in most Arab countries. The urgent challenge then is to efficiently use its scarce land and water resources in labor-intensive agriculture to maximize income and employment. Aggressive governmental intervention is needed to regulate land and water usage, to stimulate more efficient use of scarce resources and to assure sustainability of existing resources for future generations. These issues can be addressed separately by considering the following suggestions:

- Over exploitation of land should be curtailed by demarcating land use areas and undertaking agricultural awareness programs, transferring appropriate technology and devising legal and institutional framework to meet the previous purposes.
- Promoting effective land use planning.
- Using agricultural resources according to their relative values and suitability.
- Enhancing productivity and sustainable management for agricultural land
- Adopting sustainable rangeland management as well as protecting forestry and natural reserves.
- Increasing rangelands grazing capacity and grazing period.
- Rehabilitating Water resources and enhancing water supplies as well as making use of available spring waters by adopting appropriate

technologies for doing so.

- Improving the adopted water harvesting techniques.
- Strengthening the legal and institutional framework for water management.

### 3.3 Production, Marketing and Trade:

Agricultural productivity can be expanded by considering the following points:

- Promoting scientific research and awareness programs in agriculture.
- Developing land suitability map to assist in improving the productivity of agricultural systems in the Arab world.
- Increasing the productivity of local varieties and breeds.
- Protecting the region from disease and epidemics.
- Using environmental friendly and appropriate pesticides.
- Ensuring financial support for technology adoption needed for enhancing efficient production.
- Providing the infrastructure needed for production such as agricultural roads, and spreading agricultural and veterinary services, which involve the participation of farmers.
- Encouraging the establishment of agricultural and food industries and focusing on cooperatives.

As for marketing and agricultural trade, the following points are useful to consider in the Arab context:

- Providing high quality and appropriately priced agricultural products by adopting efficient use of technologies
- Supplying goods according to the market demand, promoting contract production with farmers and disseminating research on marketing procedures.
- Promoting the establishment of companies to develop exports.
- Providing the infrastructure and services needed to assess the quality of husbandry produced against global agricultural standards.
- Providing services needed for agricultural goods'

storage, packaging and canning, and transportation.

- Devising legal frameworks compatible to regional and international agreements.
- Enhancing access to international agricultural trade by studying future export opportunities according to the goods concerned and market.
- Limiting bureaucracy in agricultural trade.
- Promoting and supporting agricultural exports and working towards enhancing international market access.

### 3.4 Scientific Research:

Division of the world based on geography i.e. north and south or east and west is no longer valid. It is becoming clear that the world is now divided among those who have and harness the technology and those who don't. The technological gap between countries of the world is getting wider. There is a large need for promoting technology and scientific research in the Arab world, especially in agriculture. State controlled institutions have failed to bridge the technological gap. Therefore, civil society institutions and the private sector need to assume a major role in technology transfer.

The following points suggest ways to incorporate research in agricultural production and trade:

- Depending on applied research and the use of technology that help enhance productivity and

diversity in agricultural production

- Transferring knowledge and experience in the operation of technical devices used in agricultural production.
- Networking, coordination and cooperating between institutions working on research and projects pertaining to agriculture.
- Enhancing capacity building, especially in human resources, infrastructure and equipment.
- Intensifying the role of national centers for agricultural research to help transfer technology and to work as an intermediary between different institutions.
- Encouraging universities and research centers for disseminating academic and applied research on topics that pertain to agricultural priorities.
- Encouraging the private sector to innovate and undertake research that will serve the development of the agriculture. This could be promoted by establishing intellectual property rights that will encourage agricultural investment.

### 4. Regionalism and Arab Agricultural Trade:

There are a number of problems facing the establishment of an Arab common market. Rarely did Arab States pursue policies to encourage inter-trade. Until 1996, only 6 to 7% of Arab trade was inter-trade. Table 4 below shows selected statistics about the magnitude of inter-Arab agricultural

**Table 4:** Inter-Arab Agricultural Exports as a percentage of Total Trade for a country:

Country	Exports to other Arab Countries
Syria	29%
Saudi Arabia	20%
Morocco	6%
Egypt	4%

Source: [www.arabnews.com](http://www.arabnews.com)

exports for the year 1997.

Such low levels of inter-Arab trade is attributed to several factors. First, inefficient and highly protected industry found in poorer Arab states, fall short in providing the products needed in the Arab market. Second, many Arab states have yet not capitalized their natural assets to be converted into

strategic development centers that can produce world-class products to be sold locally, regionally and internationally. Third, there is lack of joint production possibilities among Arab states to diversify their markets instead of providing subsidies for commodities to prevent other states from opening up their markets. Finally, there is lack of commu-



nication and the presence of information imperfection among Arab countries that preclude initiatives of intra-regional integration; this is intensified by political border hostilities between some Arab states.

There are other important points to consider concerning the limitations for establishing an integrated agricultural Arab production and trade system:

- Lack of water resources as discussed earlier stands as an obstacle in increasing the size of cultivated lands and productivity.
- Arab countries adopt unilateral actions to serve their national self-sufficiency without considering the effects of such action on neighboring Arab countries.

Gains from regional integration in our globalized world include "economic welfare gains, enhanced

political power in extra-regional affairs and non-economic goals (especially in security-related ones).<sup>(22)</sup> Many Arab countries have initiated to increase their regional interaction but not enough efforts have been exerted for that purpose. The slow growth of real GDP in the region, compared to other developing countries is sometimes attributed to little attempts to regionalize. This explains why little capital was surged in the Arab world, compared to other developing countries. Moreover, Arab export growth has only reached 1.5 % yearly, which is a relatively low number when compared with annual export growth of 10% in other developing countries.<sup>(23)</sup> Table 5 below shows the share of intra-regional trade in total trade for different geographic region, where the Middle East demonstrates a relatively low statistic.

**Table 5:** Intra-regional Trade (Exports and Imports) as % of Total Trade:

	1991	1992	1993	1994	1995	1996	1997	Average 1991-1997
CEE + CIS	21.7	22.3	25.8	33.2	34.8	34.4	35.2	29.6
Asia	34.7	36.1	35.7	37.0	37.7	38.0	38.1	36.8
Africa	7.4	7.8	8.2	8.9	10.1	10.5	10.2	9.0
Middle East	7.3	7.1	7.6	7.9	7.2	6.6	5.8	7.1
Western Hemisphere	6.6	17.7	18.4	18.3	18.8	19.3	19.0	18.3

Source: [www.al-bab.com/arab/econ/sulaiman.htm](http://www.al-bab.com/arab/econ/sulaiman.htm).

For Arab countries to avoid further marginalization in the world economy, Arab governments need to undergo structural adjustments to achieve a trade-policy regime that encourages integration, doing away with protectionist tendencies. This might boost the Arab world chance as a whole (not merely as sub-regions) to be part of a regional trade agreement with the EU and countries in the southern and eastern Mediterranean. Currently, the sub-regional groups found in the Arab world are the Co-operative Council for the Arab States of the Gulf (GCC) and the Council of Arab Economic Unity.

A Regional Trade Agreement (RTA) in the whole Arab World will lead to further trade liberalization, since the contents of RTAs are usually compatible with those found in the Uruguay Round. Trade liberalization among Arab countries as shown above can generate both economic and political impetus

in the face of larger regional blocs such as the EU. A collective trade policy and objective will increase the bargaining power of Arab countries in multilateral negotiations about world trade policies. However, trade liberalization as discussed in earlier sections can be a sword with two edges, where it might have adverse effects on the agricultural environment and social conditions.

### Conclusion:

The changing global economic and political structure is exerting pressures on many countries, especially developing ones, to devise adaptive measures that will help them cope with changing conditions. However, despite the implicit assumption that globalization will foster growth and development for all countries equally, the divide between Northern and Southern Countries is still evident, taking a new form and thrust.

Agriculture as an essential resource of production and revenue generation is placed at the point of contention when trade policies are crafted. Globalization has changed the pattern of agricultural trade leading to both positive and negative implications on various countries. Essentially, developing countries as shown have endured the negative implications more than developed countries, as they lack the structural preconditions to adapt to the new Agreement on Agriculture posited in the Uruguay Round.

The Arab world faces other challenges pertaining to agriculture, where its productive capacities are hampered by internal policies and protectionist tendencies. Regional integration will be useful to set collective strategies and to transfer financial assistance from richer Arab countries to poorer, in an attempt to diversify their agricultural exports and foster the growth of the region. However, for that to be achieved, agricultural and trade reforms need first to start at home, with the cooperation of NGOs and research centers to achieve agricultural development and independence.

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# The Global Governance of Trade as if Development Really Mattered

By Dani Rodrik, Harvard University

## EXECUTIVE SUMMARY

It is widely accepted, not least in the agreement establishing the World Trade Organisation (WTO), that the purpose of the world trade regime is to raise living standards all around the world-rather than to maximise trade per se. Increasingly, however, the WTO and multilateral lending agencies have come to view these two goals-promoting development and maximising trade-as synonymous, to the point where the latter easily substitutes for the former. The net result is a confounding of ends and means. Trade has become the lens through which development is perceived, rather than the other way around.

Imagine a trading regime in which trade rules are determined so as to maximise development potential, particularly of the poorest nations in the world. Instead of asking, "how do we maximise trade and market access?" negotiators would ask, "how do we enable countries to grow out of poverty?" Would such a regime look different than the one that exists currently?

The answer depends on how one interprets recent economic history and the role that trade openness plays in the course of economic development. The prevailing view in G7 capitals and multilateral lending agencies is that economic growth is dependent upon integration into the global economy. Successful integration in turn requires both enhanced market access in the advanced industrial countries and a range of institutional reforms at home (ranging from legal and administrative reform to safety nets) to render economic openness viable and growth-promoting. I call this the "enlightened standard view"-enlightened because of its recognition that there is more to integration than simply lowering tariff and non-tariff barriers to trade, and standard because it represents the conventional wisdom. In this conception, the WTO's

focus on expanding market access and deepening integration through the harmonisation of a wide range of "trade-related" practices is precisely what development requires.

This paper presents an alternative account of economic development, one which questions the centrality of trade and trade policy and emphasises instead the critical role of domestic institutional innovations. It argues that economic growth is rarely sparked by imported blueprints and opening up the economy is hardly ever critical at the outset. Initial reforms instead tend to combine unconventional institutional innovations with some elements from the orthodox recipe. They are country-specific, based on local knowledge and experimentation. They are targeted to domestic investors and tailored to domestic institutional realities.

A reinvigorated focus on development and poverty alleviation, along with an empirically-based understanding of the development process, would have far-reaching implications for the manner in which the international trading regime and the WTO function. This paper makes the case for such a reorientation, arguing that developing countries are short-changing themselves when they focus their complaints on specific asymmetries in market access (tariff peaks against developing country exports, industrial country protection in agriculture and textiles, etc.). They would be better served by pressing for changes that enshrine development at the top of the WTO agenda, and thereby provide them with a better mix of enhanced market access and room to pursue appropriate development strategies.

Starting with the debate about whether growth or poverty alleviation strategies yield the greatest benefits, the paper argues that the distinction is not significant, since policies targeted at the poor generally tend to have growth payoffs. Even so, poverty reduction is a worthwhile policy goal in itself, for three reasons: 1) growth is not a sufficient measure of social welfare, since it ignores both the level and distribution of income, and competing growth strategies may have different payoffs for the poor; 2) interventions to help the poor may be the best way to raise average incomes,

since they seek to close gaps between private and social costs; and 3) policies that target poverty reduction seek to maximise people's capabilities, including those of the poor, thus contributing to more sustainable development. The problem with current trade rules is not that they over-emphasise trade and growth at the expense of poverty alleviation, but that they over-emphasise trade at the expense of poverty reduction and growth.

Turning to the determinants of economic growth, the paper discusses the enlightened standard view, which grew out of the failures of the Washington Consensus policies of the 1980s and 90s. This view goes beyond liberalisation and privatisation to include the need for financial regulation and supervision, legal and administrative reform, labour market flexibility and social safety nets. Its reforms, however, are biased towards an Anglo-American conception of institutional soundness and are driven largely by the requirements of integration into the world economy. Needed instead is an approach that emphasises domestic institutional innovations (comprising a mix of orthodoxy with "local heresies") and of investment strategies tailored to each country.

This argument is supported by an examination of three types of successful development strategies: 1) import substitution strategies, based on (temporary) import protection for home producers, as done successfully in scores of developing countries during the 1960s and early 1970s; 2) outward oriented industrialisation strategies, as pursued by the East Asian tigers in the 1980s, in which export led growth was made possible by government support of private investment, including credit subsidies, tax incentives, duty free access to inputs and capital goods as well as educational and infrastructural development; and 3) two track reform strategies, as pursued for example by China and Mauritius in the late 1970s, that combine market liberalisation and state regulation in different ways.

The third section of the paper examines the literature on trade policy and economic performance, which forms the basis for the oft-heard statements on the benefits of trade openness, and concludes

that there is no convincing evidence that trade liberalisation is predictably associated with subsequent economic growth. The claims for such links arise from the misattribution of macroeconomic phenomena (overvalued currencies, macroeconomic instability), institutional failures, or geographical location to trade policies. The only systematic relationship is that countries dismantle trade restrictions as they get richer, which accounts for the fact that most of today's rich countries embarked on economic growth behind protective barriers, which they subsequently lowered. This raises serious questions about the priority placed on integrationist policies in orthodox reform programmes. The problem is not trade liberalisation per se, but the diversion of financial resources and political capital from more urgent development priorities.

The fourth section elaborates this point, presenting some tradeoffs faced by developing countries in deciding to implement WTO agreements, which reflect little concern for needed development priorities. Bilateral and regional trade agreements are often worse in terms of the obligations required in exchange for enhanced market access. Moreover, their emphasis on eliminating the state from the formulation or regulation of economic policy undermines state capacity to undertake the institutional reforms necessary to benefit from global integration.

The final section develops some general principles for a world trade regime that puts development first. Such a regime would accept institutional diversity and the right of countries to "protect" their institutional arrangements-so long as they do not seek to impose it on others. Once these principles are accepted and internalised in trade rules, priorities of poor nations and the industrial countries can be rendered compatible and mutually supportive. An "opt-out mechanism" would essentially extend the existing safeguard agreement to permit countries to restrict trade or suspend WTO obligations for reasons that include social and distributional goals as well as development priorities. This would require replacing the serious injury test with the need to demonstrate broad domestic support for the proposed measure among all relevant parties - including exporters

and importers as well as consumer and public interest groups-and could be complemented by WTO monitoring as well as an automatic sunset clause.

The WTO is devoted largely to bargaining over market access. "Free trade" is not the typical outcome of this process; nor is consumer welfare what negotiators prioritise. Instead, the negotiating agenda has been shaped in response to a tug-of-war between exporters and multinational corporations in the advanced industrial countries on one side, and import-competing interests (typically, but not solely, labour) on the other. The differential treatment of manufactures and agriculture, or of clothing and other goods within manufacturing, the anti-dumping regime, and the intellectual property rights (IPR) regime, for example, are all a result of this political process. There is little in the structure of the negotiations to ensure that their outcomes are consistent with development goals, let alone that they seek to further development.

One result of a shift to a development focus would be that developing nations articulate their needs not in terms of market access, but in terms of the policy autonomy needed to exercise institutional innovations. Another is that the WTO should function to manage the interface between different national systems rather than to reduce national institutional differences. The most obvious advantage would be a more development-friendly international economic environment. Countries would be able to use trade as a means for development, rather than being forced to view trade as an end in itself (and thereby sacrifice development goals). It would save developing countries precious political capital by obviating the need to bargain for "special and differential treatment"-a principle that in any case is more form than substance at this point.

In addition, viewing the WTO as managing institutional diversity gets developing countries out of a negotiating conundrum that arises from the inconsistency between their demands for flexibility to implement their development policies, on the one hand, and their complaints about Northern protectionism in agriculture, textiles, and labour and

environmental standards, on the other. As long as the issues are viewed in market-access terms, developing countries will remain unable to defend their need for flexibility. And the only way they can gain enhanced market access is by restricting their own policy autonomy in exchange. Once the objective of the trade regime is viewed as letting different national economic systems prosper side by side-the debate can centre on each nation's institutional priorities and how they may be rendered compatible.

Finally, the shift in focus provides a way to reconcile the perspectives of developing country governments, which complain about asymmetry in trade rules, and civil society organisations, primarily in the North, which charge that the system pays inadequate attention to values such as transparency, accountability, human rights and environmental sustainability. The often conflicting demands of these two groups-over issues such as labour and environmental standards or the transparency of the dispute settlement process-have paralysed the multilateral trade negotiation process and allowed the advanced industrial countries and the WTO leadership to seize the "middle" ground.

Tensions over these issues become manageable if the debate is couched in terms of development processes-broadly defined-instead of the requirements of market access.

Viewing the trade regime-and the governance challenges it poses-from a development perspective makes clear that developing country governments and NGO critics share the same goals: policy autonomy, poverty alleviation, and environmentally sustainable human development.

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## Trade, Gender and Poverty

By Nilufer Cagatay

### Executive Summary

The system of rules and agreements that currently governs international trade is based on the widely accepted view that expanding global trade is beneficial to all countries and their citizens. This derives from mainstream trade theory, which holds that production specialisation according to each nation's comparative advantage typically leads to a more efficient allocation of resources in the world economy and consequently to higher levels of output and growth in all countries. Growth in turn will promote national development and reduce poverty. Despite the recognition that trade liberalisation creates both winners and losers within each country, it is held that there are net gains over all, allowing losers to be compensated through trade adjustment assistance or changes in taxation policies.

While trade liberalization has occurred in developing countries as part of structural adjustment policies, in industrialized countries, it has occurred in the context of regional trade agreements or the World Trade Organization (WTO). This permits industrialized countries to continue to protect the very markets that are critical to developing countries - such as agriculture, textiles, etc. Developing country frustration with this imbalance was one of the reasons for the breakdown of WTO negotiations in Seattle in 1999.

Trade liberalization has also been challenged by civil society groups, who contest the automatic relationship between trade, growth and development, and demand greater participation in setting trade policies and agreements.

These debates are occurring at a time when development itself is being re-conceptualized. Measures of development based on market criteria (income or consumption) are being replaced by those based on human well-being, particularly of those often left out - poor people, racial and other minorities and women. This paper argues that

trade must be similarly re-evaluated - going beyond the social impact of trade, based on growth and market access, to look at social content, that is, the social relations across and within nations (class, gender, race, etc) that form the context in which trade policies are enacted. Focusing on trade, gender and poverty, it examines two sides of the relationship: 1) the impact of trade liberalization on gender inequalities (primarily via employment, wages and the care economy) and 2) the impact of gender inequality on trade performance.

As development is reconceptualized, a contradiction becomes apparent: on the one hand, there is widespread recognition that development is not limited to economic efficiency and growth, but includes such things as well-being, equality, dignity, the right to realize one's human potential, and above all, freedom from poverty. On the other, there is even greater insistence on economic liberalization - specifically, that the best way to eliminate poverty is through improved efficiency and higher growth brought about through trade liberalization. Thus according to the PSRP Source Book: "economic growth is the single most important factor influencing poverty" (Ames et al. 2001).

This insistence is based on a definition of poverty as absolute rather than relative and limited to income poverty only. Critics argue that the concept should be broadened to include possession or lack of assets, dignity, autonomy and time. They note that poverty should be viewed as a process, rather than a state of being, and those living in poverty should be seen as deploying whatever assets they possess in an effort to cope with poverty. Reconciling the concepts of absolute and relative poverty is the capabilities approach, which focuses not on income poverty but on human poverty—defined as the denial of opportunities and choices to live a most basic or tolerable human life. Common to all of these multidimensional analyses of poverty is the view that empowerment of the poor, particularly of poor women, is essential to its elimination.

### Gender and Poverty

The concept of human poverty helps shed light on the relationship between gender inequality and

poverty, shifting the focus away from the household as a unit of analysis and onto the situation of each of its members. Women are more vulnerable to chronic poverty because of gender inequalities in the distribution of income, access to productive inputs such as credit, command over property or control over earned income, as well as gender biases in labor markets. Resource allocation is often gender-biased within households as well as in state and market institutions. It is often stated that labor is the poor's most abundant asset. But women do not always have full control over their own labor or the income they earn. Men may forbid their wives from working outside the household or extract labor from women through actual or threatened violence, making it harder for women to transform their capabilities into incomes or well being.

While gender inequalities reproduce the poverty of families, communities and nations from one generation to the next, they also have an impact on growth performance and therefore have direct and indirect consequences on poverty and poverty reduction. Gender inequalities mediate the relationship between macroeconomic and trade policies, on the one hand, and the outcomes of these policies, on the other.

#### The Impact of Trade Liberalisation on Gender Inequalities

Economists working on gender and development have been investigating the complex relationships between gender inequalities and trade liberalisation for at least the last two decades. Recent studies show that export-orientation in developing countries develops in tandem with the increase in women's share of paid employment. "In the contemporary era no strong export performance in manufactures by any developing country has ever been secured without reliance on female labour" (Joekees 1995:3). In industrialised economies, by contrast, increased trade with developing countries has led to loss of women's employment in industries where they are over-represented, such as textiles, apparel, and leather goods.

In addition, increases in female employment through export-oriented production seem to be

more common in the manufacturing sector and in semi-industrialized economies. By contrast, although research is sparse, case studies suggest that trade liberalization in predominantly agricultural economies may disadvantage women compared to men, even when traditional export crop production increases (Gladwin 1991, Fontana et al. 1998). In many sub-Saharan African countries, women are critical to food security, as they are typically small farmers or food crop producers. Trade reform tends to advantage large and medium producers, since small farmers, especially women often lack access to credit, new technologies, marketing know-how etc. needed to take advantage of new markets.

Moreover, even in cases where household income increases with increased production for export, the well-being of women and children may not improve. If the increase in family income is accompanied by a decrease in food crop production because women's labor is mobilized for cash crop production, the family nutritional intake might suffer while women's work burden increases. The problem lies not only in unequal resource control within households, but in institutionalized gender biases in both the state and the market.

But leaving aside industrialised countries and predominantly agricultural economies, can the association of trade liberalisation with an increase in women's share of paid employment in the export sector be expected to lead to higher incomes and greater empowerment for women, especially poor women? There are a number of reasons to be sceptical. Most importantly, even in economies where trade liberalisation is associated with an increase in women's share of paid employment, the sectoral reallocation of work creates both winners and losers— among women as well as between women and men. If job losses are concentrated in the informal sector, in small firms, and among low-skilled workers, while gains occur among skilled workers, poor women are likely to suffer disproportionately vis a vis less poor women as well as vis a vis men.

Secondly, increases in women's share of paid employment in the export sector brought about by

sectoral reallocation may not be sustainable over time. If the principal cause of the increase is the substitution of female workers for male workers in this sector, it could be expected to be sustained, leading to wage equalisation over time, albeit in a downward direction. If, however, as evidence seems to indicate, the increase occurs largely as a result of the expansion of sectors with predominantly female workers and a decline in sectors with predominantly male workers, it is unlikely to eliminate gender inequalities in wages and working conditions. It is significant that the increase in women's share of paid employment has taken place at a time when the power of workers generally has eroded, owing to increased capital mobility, greater flexibility due to technological innovation as well as labour market deregulation caused by the need to stay competitive in an era of intensified globalisation and market liberalisation.

Thus although trade liberalisation may advantage women in terms of employment, their "competitive advantage" as workers lies in their lower wages and inferior working conditions. Indeed, much of women's trade-related gains in employment have occurred in state promoted export processing zones (EPZs), which are exempt from local labour laws, and in the informal sector, where work is characterised by long hours, insecure employment, unhealthy conditions, low wages and often, sexual harassment.

Any assessment of the impact of trade liberalization on gender equality must look at its impact not only on women's paid employment opportunities, including wages and working conditions but also on the unpaid care economy. Researchers have long observed that increases in women's labor force participation are not accompanied by a commensurate reduction in their unpaid domestic work, as men have been reluctant to pick up the slack. Two outcomes are widely observed: either the provision of care is squeezed, and/or women's leisure time is reduced. The 1999 Human Development Report ties intensification of international competition to a squeeze in the provision of care - both unpaid and paid care activities, which in turn in turn jeopardizes human development.

In addition, trade liberalisation takes place as part of a package of market deregulation, privatisation and fiscal austerity. Many governments lack the administrative and fiscal capacity to mitigate the negative social consequences of economic liberalisation. First, market liberalisation itself hampers the capacity of governments to provide services and/or safety nets for the most vulnerable by reducing state revenues. Moreover, in order to attract foreign capital, governments have been compelled to give tax breaks, shifting the burden of taxation from capital to labour in the world economy.

When social services are cut, or user fees are charged, the impact falls primarily on the poor, the majority of whom are women. Women bear a double burden in that not only do they lose services such as education, health care, clean water, etc., they must increase their hours of unpaid household and care labour in order to make up for the shortfall.

The point is not only that some women lose while others gain from trade expansion. Rather, as gender inequalities are multidimensional, even women who may gain in one dimension, such as employment, may lose in another, such as leisure time. On the one hand, paid employment can potentially give them greater control over income and increase their status and bargaining power within households or communities. Further, increased control over income is likely to increase women's own well being and that of their children. At the same time, women become incorporated into the paid workforce as "inferior" sellers of labor, reflecting both inter-class disadvantage vis-à-vis capital and intra-class disadvantage vis-à-vis male workers.

#### The Impact of Gender Inequalities on Trade Performance

Gender-based inequalities in control over resources such as land, credit and skills not only hinder women's ability to take advantage of new opportunities created by trade liberalization, but also constrain the output response and thus the export capacity of the whole economy. Gender inequalities in education, health and access to



farm inputs often dampen output, productivity and growth rates ( IFPRI 2000), and thus hinder export performance, particularly in agricultural economies dominated by smallholders. Indeed, research has shown that gender-based inequality in households acts to constrain output capacity in sub-Saharan African economies (Darity 1995, Warner and Campbell 2000).

In contrast, in some export-oriented semi-industrialised countries, gender inequalities in manufacturing wages have operated to stimulate investment and so lead to higher growth rates (Sequino 2000). While most dimensions of gender inequality (in education, health, training) constrain productivity and output and indirectly hinder trade performance, wage inequality seems to impact positively on growth in the context of global competition.

However, while gender-based wage differences can create a competitive advantage for some semi-industrialized countries, if adopted by all of these countries they may result in a slow but steady deterioration in these countries' terms of trade vis-à-vis industrialized countries. Manufactured exports from developing countries are more female-intensive than those from industrialized countries. Gender-based wage differentials can affect the determination of terms of trade in that "low wages paid to women workers have allowed the final product prices to be lower than what they would otherwise have been without compromising the profit share (Joekees 1999). This points to another problem in achieving gender-equity in wages via trade liberalization: the fact that women in different countries are segregated into a relatively narrow range of occupations and compete with each other through trade. Trade and investment liberalization offers incentives to countries to repress women's wages to stay competitive and attract foreign investment, since firms can always find a country where wages are lower. Moreover, the impact of gender inequalities on trade is not limited to wage differentials. Rather it embraces the entire range of inequalities previously discussed - including assets and credit, time and leisure, education and health care access - all of which affect the generation of the capabilities and skills needed for sustainable production - not

only for the current workforce but for future generations.

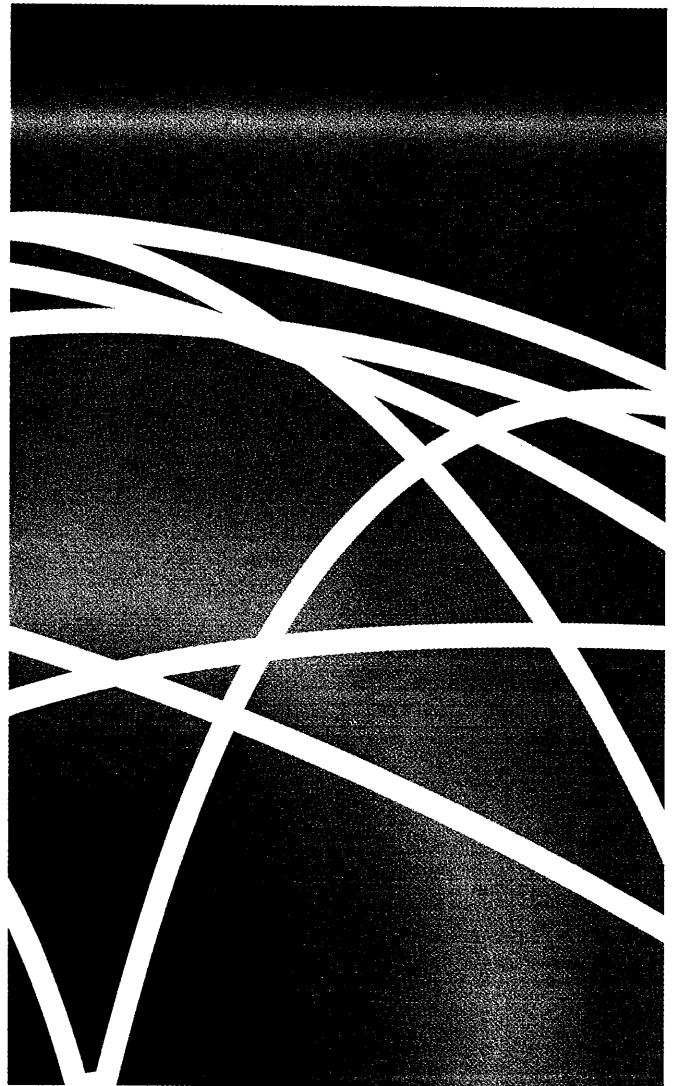
#### Constraints on Gender-Sensitive Trade Policies

Although it is increasingly recognized that trade policies have gender-differentiated impacts and that gender inequalities affect trade performance, gender awareness is not a factor in the negotiation of trade agreements and policies. In addition to the ideological constraints, most of which derive from the insistence that expansion of markets and increased market incorporation of women and poor people translates into higher income and well being, there are a number of institutional constraints.

First among these is governance: women and women's voices are largely absent in trade policy-making institutions, despite the numerous UN resolutions and agreements requiring gender mainstreaming in policies, programmes and institutions, including those relating to trade. Critiques by researchers and civil society organizations cannot result in more gender equitable trade policies without an institutional structure backed by political commitment and resources. At the global level, this requires a serious dialogue on the need for such a structure and how the WTO can be reformed to carry out some of the needed functions. In this regard, the gender mainstreaming provisions in both MERCOSUR and APEC provide some good examples. At the national level, ministries of trade must strengthen their capacity for gender sensitivity and work more closely with ministries of women's affairs, which in turn must be upgraded in terms of resources, expertise and political status. While it is true that gender inequality will not be eliminated through more gender-aware trade policies, it is also true that an understanding of the relationship between gender inequality and trade policy can help policy-makers understand why the expected results from trade liberalization may not come about.

- 1 Views expressed are not necessarily those of UNDP's or any other UN institution
- 2 These progress included: SPS (tires 2, 3 and 5); TBT (tires 1 and 2); Agriculture (Tires 3, 4, 5 and 6); Customs Valuation (tires 1, 2, 3 and 4); Rules of Origin (tiret 1); Subsidies (tiret 4); Services (tires 1 and 2) and TRIP (tires 2, 3 and 4).
- 3 See WTO paper JOB(00)/8205/Rev.2 (8234), 15 December 2000.
- 4 See WTO documents G/L/460 to 466 of 7 August 2001
- 5 See WTO document G/C/M/??? (to be provided)
- 6 See WTO document WT/L/410 of 7 August 2001
- 7 In this context, it is important to note that the United States Government, in order to ensure the vigorous enforcement of the ASCVM, has established a Subsidies Enforcement Office (SEO), which aims at examining subsidy complaints and concerns raised by its exporters and monitoring foreign subsidy practices to determine whether they are impeding US exports and are inconsistent with the ASCM.
- 8 To be updated.
- 9 Food and Agricultural Organization of the United Nations, Agriculture Policy Support Service, [www.fao.org](http://www.fao.org): visited on August 20th
- 10 Food and Agricultural Organization of the United Nations, Agriculture Policy Support Service, [www.fao.org](http://www.fao.org): visited on August 20th
- 11 World Trade Organization website, [www.wto.org](http://www.wto.org): visited on August 18th 2001.
- 12 World Trade Organization website, [www.wto.org](http://www.wto.org): visited on August 18th 2001.
- 13 Bello, Walden, "WTO Tries to Subvert Developing Countries' Resistance to New Trade Talks", Bangkok Post, March 27th, 2001.
- 14 Draft Report for the Secretary General on Sustainable Agriculture and Rural Development (SARD), Integrated Management of Land Resources and on Combating Desertification and Drought.
- 15 Mariano, Rafael V., "The Impact of Globalization on the Rural Sector", [www.davos2001.ch](http://www.davos2001.ch); visited on August 17th, 2001.
- 16 Ferrantino, Michael, "International Trade, Environmental Quality and Public Policy," in King, Phillip (Ed), International Economics and International Economic Policy, McGraw-Hill Companies, USA, 2000.
- 17 Mariano, Rafael, "The Impact of Globalization on the Rural Sector", [www.davos2001.ch](http://www.davos2001.ch): visited August 17th
- 18 Anderson, Kym, "Agriculture, Developing Countries and the WTO Millennium Round", Center for International Economic Studies, Australia, November 1999).
- 19 License to Kill, Research Foundation for Science, Technology and Ecology, India, 2000.
- 20 Food and Agricultural Organization of the United Nations, Agriculture Policy Support Service, [www.fao.org](http://www.fao.org): visited on August 20th
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- 23 Suleiman, Nasser M, "Economic Integration Tendencies in the Middle East and North Africa", [www.al-bab.com/arab/econ/sulaiman.htm](http://www.al-bab.com/arab/econ/sulaiman.htm): visited on August 20th
- 24 Suleiman, Nasser M, "Economic Integration Tendencies in the Middle East and North Africa", [www.al-bab.com/arab/econ/sulaiman.htm](http://www.al-bab.com/arab/econ/sulaiman.htm): visited on August 20th

Agenda  
List of Participants  
Acknowledgments





# Agenda

## Day 1 September 10, 2001

- 8.30-9.30 Registration
- 9.30-10.30 Opening session: Setting the workshop objectives and agenda  
Speakers:  
Yves de San (UNDP Resident Representative)  
Ziad Abdel Samad (ANND)
- 10.30-11.00 Coffee break
- Session 1: International Trade- Globally and in the Arab World  
Moderator:  
Roberto Bissio (Social Watch)
- 11.00-12.00 Setting the scene: The Global Framework  
Speakers:  
Mumtaz Keklik (UNDP)  
Martin Khor (TWN)
- 12.00-12.30 Priorities of the Arab Region: What type of globalization and trade agreements are suitable for the Arab region  
Speaker:  
Mohammad El-Said Said (Alaharam Center for Political and Strategic Studies)
- 12.30-1.30 Discussion
- 1.30-3.00 Lunch
- 3.00 - 4.00 Session 2: New issues facing the fourth ministerial meeting in Qatar and new round  
Speakers:  
Martin Khor (TWN)
- 4.00 - 4.30 Coffee break
- 4.30 - 5.30 Discussion

## Day 2 September 11, 2001

- 9.00 -10.00 Session 3:  
Problems of implementation  
Speakers:  
Tang Xiaobing (UNCTAD)
- 10.00-10.30 Coffee break
- 10.30-1.00 Session 4: Round Table  
Trade Agreements- Opportunities and Threats for the Arab World  
Sectoral Priorities for the Arab Region  
Speakers:  
Resource persons:  
Roberto Bissio, Mumtaz Keklik, Tang Xiaobing, Mohga Smith  
Alia Mobayed  
Moderator:  
Nada Al-Nashif
- 1.00-3.00 Lunch
- 3.00-5.00 Round Table:  
Position and strategies of Arab NGOs:  
Key issues facing the fourth ministerial meeting in Qatar  
Speakers:  
Izzat Abdul Hadi (ANND Palestine)  
Dr. Mohammad Hasan Khalil (ANND Egypt)  
Abdulhamid al-Kam (ANND Morocco)  
Moderators:  
Ziad Abdel-Samad
- 5.30-6.00 Conclusions and Closure  
Nada Al-Nashif (UNDP)  
Ziad Abdul Samad (ANND)

## List of Participants

Country	Organization	Name
Algeria	El-Amel Association for Social Development	Salah Abdennouri
Bahrain	Bahraini Human Rights Society	Sabika Al-Najjar
Bahrain	Bahraini Human Rights Society	Zahra Al-Zeera
Bahrain	Economist Association	Abdulla Haddad
Egypt	Journalist/Al-Ahram	Mohamad El-Sayed Said
Egypt	Appropriate Communications Techniques ACT	Azza Shalaby
Egypt	Center for Trade Union and Workers Services CTUWS	Rahma Refaat
Egypt	Association for Health and Environmental Development	Mohammad Hassan Khalil
Egypt	Legal Resource & Research Center	Amir Salem
China	UNCTAD	Xiaobing Tang
Iraq	Iraqi ALAMAL Association	Gamal Aljawahiri
Jordan	Jordanian Women's Union	Falha' Troudi
Jordan	Women Organization to Combat Illiteracy	Lubna Bajjali
Lebanon	Embassy of Netherlands	H.E. Mr. Jan Piet Kleiweg de Zwaan
Lebanon	Embassy of German	G. Hilduer
Lebanon	Embassy of UAE	Khaled Shohdil
Lebanon	Embassy of Australia	Jamil Hanna
Lebanon	USAID	Jon Breslar
Lebanon	NDI	Heba el-Shazli
Lebanon	FAO-Min. of Agriculture	Amal Salibi
Lebanon	E U	Rene Milas
Lebanon	ILO	Azita Berar Awad
Lebanon	WHO	Habib Latiri
Lebanon	UNESCO	Suleiman Suleiman
Lebanon	UNIDO	Giuseppe Papuli
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that is above what private users are willing to pay for it. The allocation of water often reflects national and social policies and priorities towards agriculture, the environment and national security that go beyond promoting the interests of profitable private farmers. Social and policy considerations apart, the diversion of actual prices from their scarcity values is imposing social costs on the domestic economy as well as on neighbouring countries.

- Water is not only a desirable commodity; its availability is also critical for life. There are little or no substitutes for it. Furthermore, it is a well-entrenched principle that no matter how scarce water is; every person is entitled to a minimum quantity that is considered consistent with human dignity.
- Very few countries have water supplies that they have to themselves alone that they do not share with others. It is often the case that surface water (rivers) passes through several countries and aquifers are shared. More than 85% of the water available to the respective countries of the region originate outside their borders or is shared in a common aquifer with others. It comes as no surprise that there is no well-defined sharing agreements among riparian and that history is rife with water conflicts. Water is part of the tragedy of the commons.
- While the total water supply may be limited, and, few if any, substitutes exist for it; there exist substantial possibilities for inter-sectoral and inter-regional substitutions. As well, there are a number of technologies and conservation packages that rationalize demand and raise the efficiency of its use. Part of the water scarcity crisis in the region is the fact that agriculture uses over 70-80% of the total available domestic supply. It is typically the case that other needs are suppressed, but this leaves a wide room for inter-sectoral reallocations.
- While the quantity of water is in short supply in the region, concern for preserving its quality is perhaps more pressing. Syria is more worried about the quality of water that will be left for it after the irrigation schemes that Turkey is con-

templating in the South-East Anatolia Project than about the total quantity. Pollution and saline intrusion of the aquifers are being increasingly recognized as critical factors in planning for the future.

- The current allocation of the shared water resources in the region are not the outcome of agreements, negotiations or equitable principles. Rather they reflect the asymmetries of power in existence and the abilities of the strong to impose their wills on the weak. Turkey and Israel, even though one is a downstream riparian and the other is an upstream one, both have managed to monopolize and utilize water shares far and beyond any rational allocation system consistent with basic international law governing transboundary resources.

The headwaters of the River Jordan, located in northern Israel, the occupied Golan Heights and Lebanon feed Lake Tiberias; Syrian and Jordanian waters (most importantly the Yarmouk River), meanwhile, and West Bank and Israeli springs feed the Jordan River below Lake Tiberias. As a whole, these elements constitute the Jordan international drainage basin, a naturally defined area that cannot be artificially sub-sectioned. As a result of Israel's occupation of the Golan Heights and its control over southern Lebanon, Israel controls the headwaters of the Jordan River.

By its pre-1967 borders, Israel accounts for only 3% of the Jordan basin area; yet it currently has control of the greater part of its waters. At present, Israel is drawing an annual 70-100 million cubic meters (mcm) from the Yarmouk, and is piping 1.5 mcm per day from Lake Tiberias in its National Water Carrier (Rudge 1992). Consequently, the River Jordan, which, in 1953, had an average flow of 1250 mcm per year at the Allenby Bridge (Main 1953), now records annual flows of just 152-203 mcm (Soffer 1994).

### 2.2.2 Land resources:

Problems facing land resources in the Arab world include:

- Land degradation;
- Soil erosion;



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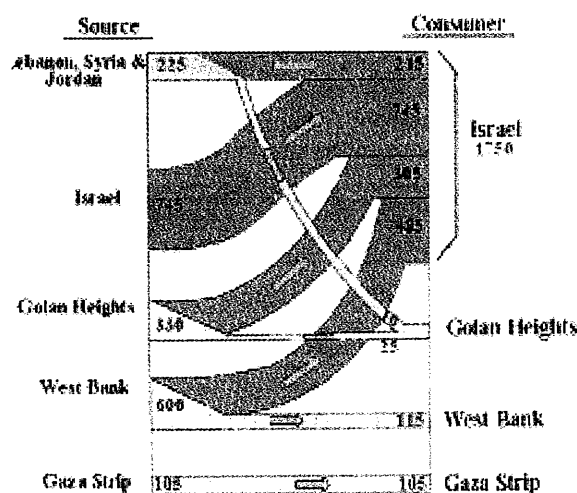
- Creeping soil salinization;
- Desertification
- Loss of sustainability;
- Increased encroachment on limited available land for urban uses;
- Weak land registry system;
- Poor enforcement of laws regarding land management;
- Lack of integrated land use planning;
- Competition among public institutions on land management issues;
- Lack of expertise in integrated land resource management;
- Shortage of decision support systems and planning tools for sound land management;
- Fragmentation of land ownership through inheritance;
- High cost of land reclamation and limited credit mechanisms;
- Lack of physical and biological data about rangelands
- Absence of laws to permit control of grazing in common areas;
- Land tenure in rangelands and forests
- Lack of knowledge and understanding of the dynamics of social and economic interactions in rangelands;
- Lack of laws to designate and protect national forests and nature preserves;
- Lack of research, inventory and monitoring of forest and nature areas;

### 2.2.3 Agricultural Production

Constraints facing Agricultural Production include:

- Small farm sizes result in high production costs, marketing problems, and complicate the process of knowledge dissemination and technology transfer;
- Small farm sizes also cause difficulties in water distribution from shared wells and springs;
- Lack of effective farmers' associations to improve management of water resources, reduce input costs and improve output marketing.
- Insufficient and ineffective agricultural extension services;
- Inadequate applied research services linked

- closely to extension programs;
- Insufficient farmer access to production and marketing credit;
- Lack of support information for decision-making on more profitable alternative products and technologies;
- Limited access to alternative markets and high export transaction costs;
- Limited availability of food processing market outlets;
- Yields are low due to inappropriate varieties, poor cultural practices and inefficient input use;
- High cost of inputs;
- Limited genetic improvement of farm animals (especially sheep and goats);
- High neonatal and early-age mortality for sheep;
- Limited use of improved breeding technologies (i.e. artificial insemination) for dairy cows;
- Absence of processing and storage capacity (transportation, storage, processing plants for milk and milk products) results in unstable seasonal production;
- Lack of vertical integration in poultry production limits productivity and profitability;
- The persistent problem of insufficient cereal production makes the Arab world more dependent on cereal importing.
- Shortage of grain storage capacity;
- High cost of feed;
- Limited veterinary diagnostic staff and laboratories;
- Absence of food safety regulations for meat and poultry;
- Limited food processing capacity



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### 2.2.4 Marketing:

Marketing is one of the administrative components needed for agricultural development and which suffers from structural problems in the Arab World as will be shown below.

- Unstable prices in domestic markets;
- Long domestic marketing channels (marketing margins are high);
- Frequent surpluses;
- Lack of reliable decision making information on demand, supply and prices;
- Insufficient access to latest production technology and management concepts;
- Limited availability of refrigerated trucks for internal and export marketing;
- Inadequate pre-cooling, grading, export packaging, cold storage and transportation services;
- Limited knowledge of global markets and marketing requirements;
- Absence of substantial companies (channel captains) capable of dealing effectively with global buyers;
- Inadequate direct Arab export experience;
- Poor understanding of export quality demands, quality and food safety assurance and required post harvest practices;
- Non-competitive and weak food processing industry;

### 2.2.5 Institutional and Human Resource Development:

- Inappropriate agricultural laws and regulations;
- Lack of an agricultural insurance system;
- Shortage of well trained agricultural researchers, extension workers and entrepreneurs;
- Unclear strategy for agricultural education and insufficient resources;
- Intermediate agricultural education is almost non-existent;
- Lack of reliable production, trade and price data;
- Lack of clarity of the future role and relationship of NGOs to other institutions;
- Incomplete coordination with regional and international institutions related to Israeli imposed restrictions;
- Weakness in cooperatives and other rural community organizations;
- Absence of grading and standardization, market information, and capacity building institutions;
- Absence of coherent government programs to assure adequate rural and agricultural credit facilities.

Table 3 below shows that the Arab world is ranked very low in terms of its social and institutional capacities as well as the adoption of science and technology in the agricultural sector. The figures demand that civil society participation in rural development should be expanded, especially in the Arab context.

**Table 3:** Countries Worldwide with respect to selected agriculture sustainability Indices:

Country	Social & Institutional Capacity	Global Stewardship	Water Qnty	Water Qlty	Terrestrial Systems	Reducing Water Stresses	Reducing Population Pressure	Science & Technology
Algeria	114	88	109	104	8	95	86	77
Egypt	64	56	81	63	4	107	77	78
Jordan	70	76	98	119	54	115	104	90
Lebanon	84	82	117	60	70	111	57	52
Libya	122	121	93	85	12	89	95	73
Kuwait	106	118	122	33	48	108	84	86
Morocco	80	92	119	121	35	102	70	68
S. Arabia	121	119	121	65	23	98	114	56
Sudan	115	84	61	118	16	105	97	113
Syria	117	95	73	79	80	100	100	100
Tunisia	102	46	95	99	58	110	68	83

Source: 2001 Environmental Sustainability Index, Annual Meeting 2001, Davos, Switzerland.

### 3. Future Sustainable Agricultural Strategies:

The Arab world has to face the challenges of the new millennium. The responsibility to make changes does not rely on the governments alone. Civil society institutions have a major role to play. Clear definitions of roles, mandates and responsibilities should be made. Fundamentally, agricultural policies in the Arab world should be founded on the principles of a free market economy, which includes transparency, pluralism, the protection of human rights and environmental sustainability. The role of government is to provide the basic infrastructure, the legal and regulatory framework, and the knowledge and information required to facilitate efficient production and distribution of agricultural products in the private sector. It is also important that governments assist farmers and exporters in becoming more competitive through technology transfer assistance, research, positive legal and regulatory environment, and human resource development. The private sector, in a free and competitive manner, should lead the agricultural growth process.

#### 3.1 POLICY AND INSTITUTIONAL FRAMEWORK:

The Arab world should adopt an agricultural policy that aims "to achieve a modern agriculture that responds to the needs of local and foreign markets and to be competitive in terms of quality and price through:

- In devising a unified or a common agricultural policy, it is important to learn from different Arab experiences in forming agricultural policies and strategies.
- The optimal exploitation of agricultural resources, particularly land and water, based on economic viability and efficiency and social equity, to ensure their sustainability, preserve the environment, and to contribute to achieving food security;
- Development of the rural areas through an integrated rural development approach, where agriculture constitutes its backbone;
- To improve competitiveness of agricultural production in the local and foreign markets;
- To enable the private sector to act freely and to contribute to rural and agricultural development;
- To strengthen the institutional structure and legislative framework of the agricultural sector, and to develop human resources to enable more efficient delivery of services.

- To enhance NGO participation in defining agricultural future strategies as well as to use university facilities to coordinate implementation of strategies. Moreover, farmers' committees should be formed to tackle farmers' needs and problems. The role of women and the youth in agriculture should be expanded to achieve integrated rural development.
- To control the fragmentation of farm holdings through land consolidation and other mechanisms.
- To develop channels and systems of rural support, with full participation of the rural communities that aim to enhance agricultural productivity.

### **3.2 Natural Resource Development:**

It is clear that land and water resources are severely restricted in most Arab countries. The urgent challenge then is to efficiently use its scarce land and water resources in labor-intensive agriculture to maximize income and employment. Aggressive governmental intervention is needed to regulate land and water usage, to stimulate more efficient use of scarce resources and to assure sustainability of existing resources for future generations. These issues can be addressed separately by considering the following suggestions:

- Over exploitation of land should be curtailed by demarcating land use areas and undertaking agricultural awareness programs, transferring appropriate technology and devising legal and institutional framework to meet the previous purposes.
- Promoting effective land use planning.
- Using agricultural resources according to their relative values and suitability.
- Enhancing productivity and sustainable management for agricultural land
- Adopting sustainable rangeland management as well as protecting forestry and natural reserves.
- Increasing rangelands grazing capacity and grazing period.
- Rehabilitating Water resources and enhancing water supplies as well as making use of available spring waters by adopting appropriate

technologies for doing so.

- Improving the adopted water harvesting techniques.
- Strengthening the legal and institutional framework for water management.

### **3.3 Production, Marketing and Trade:**

Agricultural productivity can be expanded by considering the following points:

- Promoting scientific research and awareness programs in agriculture.
- Developing land suitability map to assist in improving the productivity of agricultural systems in the Arab world.
- Increasing the productivity of local varieties and breeds.
- Protecting the region from disease and epidemics.
- Using environmental friendly and appropriate pesticides.
- Ensuring financial support for technology adoption needed for enhancing efficient production.
- Providing the infrastructure needed for production such as agricultural roads, and spreading agricultural and veterinary services, which involve the participation of farmers.
- Encouraging the establishment of agricultural and food industries and focusing on cooperatives.

As for marketing and agricultural trade, the following points are useful to consider in the Arab context:

- Providing high quality and appropriately priced agricultural products by adopting efficient use of technologies
- Supplying goods according to the market demand, promoting contract production with farmers and disseminating research on marketing procedures.
- Promoting the establishment of companies to develop exports.
- Providing the infrastructure and services needed to assess the quality of husbandry produced against global agricultural standards.
- Providing services needed for agricultural goods'

storage, packaging and canning, and transportation.

- Devising legal frameworks compatible to regional and international agreements.
- Enhancing access to international agricultural trade by studying future export opportunities according to the goods concerned and market.
- Limiting bureaucracy in agricultural trade.
- Promoting and supporting agricultural exports and working towards enhancing international market access.

### 3.4 Scientific Research:

Division of the world based on geography i.e. north and south or east and west is no longer valid. It is becoming clear that the world is now divided among those who have and harness the technology and those who don't. The technological gap between countries of the world is getting wider. There is a large need for promoting technology and scientific research in the Arab world, especially in agriculture. State controlled institutions have failed to bridge the technological gap. Therefore, civil society institutions and the private sector need to assume a major role in technology transfer.

The following points suggest ways to incorporate research in agricultural production and trade:

- Depending on applied research and the use of technology that help enhance productivity and

diversity in agricultural production

- Transferring knowledge and experience in the operation of technical devices used in agricultural production.
- Networking, coordination and cooperating between institutions working on research and projects pertaining to agriculture.
- Enhancing capacity building, especially in human resources, infrastructure and equipment.
- Intensifying the role of national centers for agricultural research to help transfer technology and to work as an intermediary between different institutions.
- Encouraging universities and research centers for disseminating academic and applied research on topics that pertain to agricultural priorities.
- Encouraging the private sector to innovate and undertake research that will serve the development of the agriculture. This could be promoted by establishing intellectual property rights that will encourage agricultural investment.

### 4. Regionalism and Arab Agricultural Trade:

There are a number of problems facing the establishment of an Arab common market. Rarely did Arab States pursue policies to encourage inter-trade. Until 1996, only 6 to 7% of Arab trade was inter-trade. Table 4 below shows selected statistics about the magnitude of inter-Arab agricultural

**Table 4:** Inter-Arab Agricultural Exports as a percentage of Total Trade for a country:

Country	Exports to other Arab Countries
Syria	29%
Saudi Arabia	20%
Morocco	6%
Egypt	4%

Source: [www.arabnews.com](http://www.arabnews.com)

exports for the year 1997.

Such low levels of inter-Arab trade is attributed to several factors. First, inefficient and highly protected industry found in poorer Arab states, fall short in providing the products needed in the Arab market. Second, many Arab states have yet not capitalized their natural assets to be converted into

strategic development centers that can produce world-class products to be sold locally, regionally and internationally. Third, there is lack of joint production possibilities among Arab states to diversify their markets instead of providing subsidies for commodities to prevent other states from opening up their markets. Finally, there is lack of commu-



nication and the presence of information imperfection among Arab countries that preclude initiatives of intra-regional integration; this is intensified by political border hostilities between some Arab states.

There are other important points to consider concerning the limitations for establishing an integrated agricultural Arab production and trade system:

- Lack of water resources as discussed earlier stands as an obstacle in increasing the size of cultivated lands and productivity.
- Arab countries adopt unilateral actions to serve their national self-sufficiency without considering the effects of such action on neighboring Arab countries.

Gains from regional integration in our globalized world include "economic welfare gains, enhanced

political power in extra-regional affairs and non-economic goals (especially in security-related ones).<sup>(22)</sup> Many Arab countries have initiated to increase their regional interaction but not enough efforts have been exerted for that purpose. The slow growth of real GDP in the region, compared to other developing countries is sometimes attributed to little attempts to regionalize. This explains why little capital was surged in the Arab world, compared to other developing countries. Moreover, Arab export growth has only reached 1.5 % yearly, which is a relatively low number when compared with annual export growth of 10% in other developing countries.<sup>(23)</sup> Table 5 below shows the share of intra-regional trade in total trade for different geographic region, where the Middle East demonstrates a relatively low statistic.

**Table 5:** Intra-regional Trade (Exports and Imports) as % of Total Trade:

	1991	1992	1993	1994	1995	1996	1997	Average 1991-1997
CEE + CIS	21.7	22.3	25.8	33.2	34.8	34.4	35.2	29.6
Asia	34.7	36.1	35.7	37.0	37.7	38.0	38.1	36.8
Africa	7.4	7.8	8.2	8.9	10.1	10.5	10.2	9.0
Middle East	7.3	7.1	7.6	7.9	7.2	6.6	5.8	7.1
Western Hemisphere	6.6	17.7	18.4	18.3	18.8	19.3	19.0	18.3

Source: [www.al-bab.com/arab/econ/sulaiman.htm](http://www.al-bab.com/arab/econ/sulaiman.htm).

For Arab countries to avoid further marginalization in the world economy, Arab governments need to undergo structural adjustments to achieve a trade-policy regime that encourages integration, doing away with protectionist tendencies. This might boost the Arab world chance as a whole (not merely as sub-regions) to be part of a regional trade agreement with the EU and countries in the southern and eastern Mediterranean. Currently, the sub-regional groups found in the Arab world are the Co-operative Council for the Arab States of the Gulf (GCC) and the Council of Arab Economic Unity.

A Regional Trade Agreement (RTA) in the whole Arab World will lead to further trade liberalization, since the contents of RTAs are usually compatible with those found in the Uruguay Round. Trade liberalization among Arab countries as shown above can generate both economic and political impetus

in the face of larger regional blocs such as the EU. A collective trade policy and objective will increase the bargaining power of Arab countries in multilateral negotiations about world trade policies. However, trade liberalization as discussed in earlier sections can be a sword with two edges, where it might have adverse effects on the agricultural environment and social conditions.

### Conclusion:

The changing global economic and political structure is exerting pressures on many countries, especially developing ones, to devise adaptive measures that will help them cope with changing conditions. However, despite the implicit assumption that globalization will foster growth and development for all countries equally, the divide between Northern and Southern Countries is still evident, taking a new form and thrust.

Agriculture as an essential resource of production and revenue generation is placed at the point of contention when trade policies are crafted. Globalization has changed the pattern of agricultural trade leading to both positive and negative implications on various countries. Essentially, developing countries as shown have endured the negative implications more than developed countries, as they lack the structural preconditions to adapt to the new Agreement on Agriculture posited in the Uruguay Round.

The Arab world faces other challenges pertaining to agriculture, where its productive capacities are hampered by internal policies and protectionist tendencies. Regional integration will be useful to set collective strategies and to transfer financial assistance from richer Arab countries to poorer, in an attempt to diversify their agricultural exports and foster the growth of the region. However, for that to be achieved, agricultural and trade reforms need first to start at home, with the cooperation of NGOs and research centers to achieve agricultural development and independence.

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# The Global Governance of Trade as if Development Really Mattered

By Dani Rodrik, Harvard University

## EXECUTIVE SUMMARY

It is widely accepted, not least in the agreement establishing the World Trade Organisation (WTO), that the purpose of the world trade regime is to raise living standards all around the world-rather than to maximise trade per se. Increasingly, however, the WTO and multilateral lending agencies have come to view these two goals-promoting development and maximising trade-as synonymous, to the point where the latter easily substitutes for the former. The net result is a confounding of ends and means. Trade has become the lens through which development is perceived, rather than the other way around.

Imagine a trading regime in which trade rules are determined so as to maximise development potential, particularly of the poorest nations in the world. Instead of asking, "how do we maximise trade and market access?" negotiators would ask, "how do we enable countries to grow out of poverty?" Would such a regime look different than the one that exists currently?

The answer depends on how one interprets recent economic history and the role that trade openness plays in the course of economic development. The prevailing view in G7 capitals and multilateral lending agencies is that economic growth is dependent upon integration into the global economy. Successful integration in turn requires both enhanced market access in the advanced industrial countries and a range of institutional reforms at home (ranging from legal and administrative reform to safety nets) to render economic openness viable and growth-promoting. I call this the "enlightened standard view"-enlightened because of its recognition that there is more to integration than simply lowering tariff and non-tariff barriers to trade, and standard because it represents the conventional wisdom. In this conception, the WTO's

focus on expanding market access and deepening integration through the harmonisation of a wide range of "trade-related" practices is precisely what development requires.

This paper presents an alternative account of economic development, one which questions the centrality of trade and trade policy and emphasises instead the critical role of domestic institutional innovations. It argues that economic growth is rarely sparked by imported blueprints and opening up the economy is hardly ever critical at the outset. Initial reforms instead tend to combine unconventional institutional innovations with some elements from the orthodox recipe. They are country-specific, based on local knowledge and experimentation. They are targeted to domestic investors and tailored to domestic institutional realities.

A reinvigorated focus on development and poverty alleviation, along with an empirically-based understanding of the development process, would have far-reaching implications for the manner in which the international trading regime and the WTO function. This paper makes the case for such a reorientation, arguing that developing countries are short-changing themselves when they focus their complaints on specific asymmetries in market access (tariff peaks against developing country exports, industrial country protection in agriculture and textiles, etc.). They would be better served by pressing for changes that enshrine development at the top of the WTO agenda, and thereby provide them with a better mix of enhanced market access and room to pursue appropriate development strategies.

Starting with the debate about whether growth or poverty alleviation strategies yield the greatest benefits, the paper argues that the distinction is not significant, since policies targeted at the poor generally tend to have growth payoffs. Even so, poverty reduction is a worthwhile policy goal in itself, for three reasons: 1) growth is not a sufficient measure of social welfare, since it ignores both the level and distribution of income, and competing growth strategies may have different payoffs for the poor; 2) interventions to help the poor may be the best way to raise average incomes,

since they seek to close gaps between private and social costs; and 3) policies that target poverty reduction seek to maximise people's capabilities, including those of the poor, thus contributing to more sustainable development. The problem with current trade rules is not that they over-emphasise trade and growth at the expense of poverty alleviation, but that they over-emphasise trade at the expense of poverty reduction and growth.

Turning to the determinants of economic growth, the paper discusses the enlightened standard view, which grew out of the failures of the Washington Consensus policies of the 1980s and 90s. This view goes beyond liberalisation and privatisation to include the need for financial regulation and supervision, legal and administrative reform, labour market flexibility and social safety nets. Its reforms, however, are biased towards an Anglo-American conception of institutional soundness and are driven largely by the requirements of integration into the world economy. Needed instead is an approach that emphasises domestic institutional innovations (comprising a mix of orthodoxy with "local heresies") and of investment strategies tailored to each country.

This argument is supported by an examination of three types of successful development strategies: 1) import substitution strategies, based on (temporary) import protection for home producers, as done successfully in scores of developing countries during the 1960s and early 1970s; 2) outward oriented industrialisation strategies, as pursued by the East Asian tigers in the 1980s, in which export led growth was made possible by government support of private investment, including credit subsidies, tax incentives, duty free access to inputs and capital goods as well as educational and infrastructural development; and 3) two track reform strategies, as pursued for example by China and Mauritius in the late 1970s, that combine market liberalisation and state regulation in different ways.

The third section of the paper examines the literature on trade policy and economic performance, which forms the basis for the oft-heard statements on the benefits of trade openness, and concludes

that there is no convincing evidence that trade liberalisation is predictably associated with subsequent economic growth. The claims for such links arise from the misattribution of macroeconomic phenomena (overvalued currencies, macroeconomic instability), institutional failures, or geographical location to trade policies. The only systematic relationship is that countries dismantle trade restrictions as they get richer, which accounts for the fact that most of today's rich countries embarked on economic growth behind protective barriers, which they subsequently lowered. This raises serious questions about the priority placed on integrationist policies in orthodox reform programmes. The problem is not trade liberalisation per se, but the diversion of financial resources and political capital from more urgent development priorities.

The fourth section elaborates this point, presenting some tradeoffs faced by developing countries in deciding to implement WTO agreements, which reflect little concern for needed development priorities. Bilateral and regional trade agreements are often worse in terms of the obligations required in exchange for enhanced market access. Moreover, their emphasis on eliminating the state from the formulation or regulation of economic policy undermines state capacity to undertake the institutional reforms necessary to benefit from global integration.

The final section develops some general principles for a world trade regime that puts development first. Such a regime would accept institutional diversity and the right of countries to "protect" their institutional arrangements so long as they do not seek to impose it on others. Once these principles are accepted and internalised in trade rules, priorities of poor nations and the industrial countries can be rendered compatible and mutually supportive. An "opt-out mechanism" would essentially extend the existing safeguard agreement to permit countries to restrict trade or suspend WTO obligations for reasons that include social and distributional goals as well as development priorities. This would require replacing the serious injury test with the need to demonstrate broad domestic support for the proposed measure among all relevant parties - including exporters

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and importers as well as consumer and public interest groups—and could be complemented by WTO monitoring as well as an automatic sunset clause.

The WTO is devoted largely to bargaining over market access. “Free trade” is not the typical outcome of this process; nor is consumer welfare what negotiators prioritise. Instead, the negotiating agenda has been shaped in response to a tug-of-war between exporters and multinational corporations in the advanced industrial countries on one side, and import-competing interests (typically, but not solely, labour) on the other. The differential treatment of manufactures and agriculture, or of clothing and other goods within manufacturing, the anti-dumping regime, and the intellectual property rights (IPR) regime, for example, are all a result of this political process. There is little in the structure of the negotiations to ensure that their outcomes are consistent with development goals, let alone that they seek to further development.

One result of a shift to a development focus would be that developing nations articulate their needs not in terms of market access, but in terms of the policy autonomy needed to exercise institutional innovations. Another is that the WTO should function to manage the interface between different national systems rather than to reduce national institutional differences. The most obvious advantage would be a more development-friendly international economic environment. Countries would be able to use trade as a means for development, rather than being forced to view trade as an end in itself (and thereby sacrifice development goals). It would save developing countries precious political capital by obviating the need to bargain for “special and differential treatment”—a principle that in any case is more form than substance at this point.

In addition, viewing the WTO as managing institutional diversity gets developing countries out of a negotiating conundrum that arises from the inconsistency between their demands for flexibility to implement their development policies, on the one hand, and their complaints about Northern protectionism in agriculture, textiles, and labour and

environmental standards, on the other. As long as the issues are viewed in market-access terms, developing countries will remain unable to defend their need for flexibility. And the only way they can gain enhanced market access is by restricting their own policy autonomy in exchange. Once the objective of the trade regime is viewed as letting different national economic systems prosper side by side—the debate can centre on each nation’s institutional priorities and how they may be rendered compatible.

Finally, the shift in focus provides a way to reconcile the perspectives of developing country governments, which complain about asymmetry in trade rules, and civil society organisations, primarily in the North, which charge that the system pays inadequate attention to values such as transparency, accountability, human rights and environmental sustainability. The often conflicting demands of these two groups—over issues such as labour and environmental standards or the transparency of the dispute settlement process—have paralysed the multilateral trade negotiation process and allowed the advanced industrial countries and the WTO leadership to seize the “middle” ground.

Tensions over these issues become manageable if the debate is couched in terms of development processes—broadly defined—instead of the requirements of market access.

Viewing the trade regime—and the governance challenges it poses—from a development perspective makes clear that developing country governments and NGO critics share the same goals: policy autonomy, poverty alleviation, and environmentally sustainable human development.

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# Trade, Gender and Poverty

By Nilufer Cagatay

## Executive Summary

The system of rules and agreements that currently governs international trade is based on the widely accepted view that expanding global trade is beneficial to all countries and their citizens. This derives from mainstream trade theory, which holds that production specialisation according to each nation's comparative advantage typically leads to a more efficient allocation of resources in the world economy and consequently to higher levels of output and growth in all countries. Growth in turn will promote national development and reduce poverty. Despite the recognition that trade liberalisation creates both winners and losers within each country, it is held that there are net gains over all, allowing losers to be compensated through trade adjustment assistance or changes in taxation policies.

While trade liberalization has occurred in developing countries as part of structural adjustment policies, in industrialized countries, it has occurred in the context of regional trade agreements or the World Trade Organization (WTO). This permits industrialized countries to continue to protect the very markets that are critical to developing countries - such as agriculture, textiles, etc. Developing country frustration with this imbalance was one of the reasons for the breakdown of WTO negotiations in Seattle in 1999.

Trade liberalization has also been challenged by civil society groups, who contest the automatic relationship between trade, growth and development, and demand greater participation in setting trade policies and agreements.

These debates are occurring at a time when development itself is being re-conceptualized. Measures of development based on market criteria (income or consumption) are being replaced by those based on human well-being, particularly of those often left out - poor people, racial and other minorities and women. This paper argues that

trade must be similarly re-evaluated - going beyond the social impact of trade, based on growth and market access, to look at social content, that is, the social relations across and within nations (class, gender, race, etc) that form the context in which trade policies are enacted. Focusing on trade, gender and poverty, it examines two sides of the relationship: 1) the impact of trade liberalization on gender inequalities (primarily via employment, wages and the care economy) and 2) the impact of gender inequality on trade performance.

As development is reconceptualized, a contradiction becomes apparent: on the one hand, there is widespread recognition that development is not limited to economic efficiency and growth, but includes such things as well-being, equality, dignity, the right to realize one's human potential, and above all, freedom from poverty. On the other, there is even greater insistence on economic liberalization - specifically, that the best way to eliminate poverty is through improved efficiency and higher growth brought about through trade liberalization. Thus according to the PSRP Source Book: "economic growth is the single most important factor influencing poverty" (Ames et al. 2001).

This insistence is based on a definition of poverty as absolute rather than relative and limited to income poverty only. Critics argue that the concept should be broadened to include possession or lack of assets, dignity, autonomy and time. They note that poverty should be viewed as a process, rather than a state of being, and those living in poverty should be seen as deploying whatever assets they possess in an effort to cope with poverty. Reconciling the concepts of absolute and relative poverty is the capabilities approach, which focuses not on income poverty but on human poverty—defined as the denial of opportunities and choices to live a most basic or tolerable human life. Common to all of these multidimensional analyses of poverty is the view that empowerment of the poor, particularly of poor women, is essential to its elimination.

## Gender and Poverty

The concept of human poverty helps shed light on the relationship between gender inequality and

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poverty, shifting the focus away from the household as a unit of analysis and onto the situation of each of its members. Women are more vulnerable to chronic poverty because of gender inequalities in the distribution of income, access to productive inputs such as credit, command over property or control over earned income, as well as gender biases in labor markets. Resource allocation is often gender-biased within households as well as in state and market institutions. It is often stated that labor is the poor's most abundant asset. But women do not always have full control over their own labor or the income they earn. Men may forbid their wives from working outside the household or extract labor from women through actual or threatened violence, making it harder for women to transform their capabilities into incomes or well being.

While gender inequalities reproduce the poverty of families, communities and nations from one generation to the next, they also have an impact on growth performance and therefore have direct and indirect consequences on poverty and poverty reduction. Gender inequalities mediate the relationship between macroeconomic and trade policies, on the one hand, and the outcomes of these policies, on the other.

#### The Impact of Trade Liberalisation on Gender Inequalities

Economists working on gender and development have been investigating the complex relationships between gender inequalities and trade liberalisation for at least the last two decades. Recent studies show that export-orientation in developing countries develops in tandem with the increase in women's share of paid employment. "In the contemporary era no strong export performance in manufactures by any developing country has ever been secured without reliance on female labour" (Joeke 1995:3). In industrialised economies, by contrast, increased trade with developing countries has led to loss of women's employment in industries where they are over-represented, such as textiles, apparel, and leather goods.

In addition, increases in female employment through export-oriented production seem to be

more common in the manufacturing sector and in semi-industrialized economies. By contrast, although research is sparse, case studies suggest that trade liberalization in predominantly agricultural economies may disadvantage women compared to men, even when traditional export crop production increases (Gladwin 1991, Fontana et al. 1998). In many sub-Saharan African countries, women are critical to food security, as they are typically small farmers or food crop producers. Trade reform tends to advantage large and medium producers, since small farmers, especially women often lack access to credit, new technologies, marketing know-how etc. needed to take advantage of new markets.

Moreover, even in cases where household income increases with increased production for export, the well-being of women and children may not improve. If the increase in family income is accompanied by a decrease in food crop production because women's labor is mobilized for cash crop production, the family nutritional intake might suffer while women's work burden increases. The problem lies not only in unequal resource control within households, but in institutionalized gender biases in both the state and the market.

But leaving aside industrialised countries and predominantly agricultural economies, can the association of trade liberalisation with an increase in women's share of paid employment in the export sector be expected to lead to higher incomes and greater empowerment for women, especially poor women? There are a number of reasons to be sceptical. Most importantly, even in economies where trade liberalisation is associated with an increase in women's share of paid employment, the sectoral reallocation of work creates both winners and losers— among women as well as between women and men. If job losses are concentrated in the informal sector, in small firms, and among low-skilled workers, while gains occur among skilled workers, poor women are likely to suffer disproportionately vis a vis less poor women as well as vis a vis men.

Secondly, increases in women's share of paid employment in the export sector brought about by

sectoral reallocation may not be sustainable over time. If the principal cause of the increase is the substitution of female workers for male workers in this sector, it could be expected to be sustained, leading to wage equalisation over time, albeit in a downward direction. If, however, as evidence seems to indicate, the increase occurs largely as a result of the expansion of sectors with predominantly female workers and a decline in sectors with predominantly male workers, it is unlikely to eliminate gender inequalities in wages and working conditions. It is significant that the increase in women's share of paid employment has taken place at a time when the power of workers generally has eroded, owing to increased capital mobility, greater flexibility due to technological innovation as well as labour market deregulation caused by the need to stay competitive in an era of intensified globalisation and market liberalisation.

Thus although trade liberalisation may advantage women in terms of employment, their "competitive advantage" as workers lies in their lower wages and inferior working conditions. Indeed, much of women's trade-related gains in employment have occurred in state promoted export processing zones (EPZs), which are exempt from local labour laws, and in the informal sector, where work is characterised by long hours, insecure employment, unhealthy conditions, low wages and often, sexual harassment.

Any assessment of the impact of trade liberalization on gender equality must look at its impact not only on women's paid employment opportunities, including wages and working conditions but also on the unpaid care economy. Researchers have long observed that increases in women's labor force participation are not accompanied by a commensurate reduction in their unpaid domestic work, as men have been reluctant to pick up the slack. Two outcomes are widely observed: either the provision of care is squeezed, and/or women's leisure time is reduced. The 1999 Human Development Report ties intensification of international competition to a squeeze in the provision of care - both unpaid and paid care activities, which in turn in turn jeopardizes human development.

In addition, trade liberalisation takes place as part of a package of market deregulation, privatisation and fiscal austerity. Many governments lack the administrative and fiscal capacity to mitigate the negative social consequences of economic liberalisation. First, market liberalisation itself hampers the capacity of governments to provide services and/or safety nets for the most vulnerable by reducing state revenues. Moreover, in order to attract foreign capital, governments have been compelled to give tax breaks, shifting the burden of taxation from capital to labour in the world economy.

When social services are cut, or user fees are charged, the impact falls primarily on the poor, the majority of whom are women. Women bear a double burden in that not only do they lose services such as education, health care, clean water, etc., they must increase their hours of unpaid household and care labour in order to make up for the shortfall.

The point is not only that some women lose while others gain from trade expansion. Rather, as gender inequalities are multidimensional, even women who may gain in one dimension, such as employment, may lose in another, such as leisure time. On the one hand, paid employment can potentially give them greater control over income and increase their status and bargaining power within households or communities. Further, increased control over income is likely to increase women's own well being and that of their children. At the same time, women become incorporated into the paid workforce as "inferior" sellers of labor, reflecting both inter-class disadvantage vis-à-vis capital and intra-class disadvantage vis-à-vis male workers.

#### The Impact of Gender Inequalities on Trade Performance

Gender-based inequalities in control over resources such as land, credit and skills not only hinder women's ability to take advantage of new opportunities created by trade liberalization, but also constrain the output response and thus the export capacity of the whole economy. Gender inequalities in education, health and access to



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farm inputs often dampen output, productivity and growth rates (IFPRI 2000), and thus hinder export performance, particularly in agricultural economies dominated by smallholders. Indeed, research has shown that gender-based inequality in households acts to constrain output capacity in sub-Saharan African economies (Darity 1995, Warner and Campbell 2000).

In contrast, in some export-oriented semi-industrialised countries, gender inequalities in manufacturing wages have operated to stimulate investment and so lead to higher growth rates (Sequino 2000). While most dimensions of gender inequality (in education, health, training) constrain productivity and output and indirectly hinder trade performance, wage inequality seems to impact positively on growth in the context of global competition.

However, while gender-based wage differences can create a competitive advantage for some semi-industrialized countries, if adopted by all of these countries they may result in a slow but steady deterioration in these countries' terms of trade vis-à-vis industrialized countries. Manufactured exports from developing countries are more female-intensive than those from industrialized countries. Gender-based wage differentials can affect the determination of terms of trade in that "low wages paid to women workers have allowed the final product prices to be lower than what they would otherwise have been without compromising the profit share (Joeke 1999). This points to another problem in achieving gender-equity in wages via trade liberalization: the fact that women in different countries are segregated into a relatively narrow range of occupations and compete with each other through trade. Trade and investment liberalization offers incentives to countries to repress women's wages to stay competitive and attract foreign investment, since firms can always find a country where wages are lower.

Moreover, the impact of gender inequalities on trade is not limited to wage differentials. Rather it embraces the entire range of inequalities previously discussed - including assets and credit, time and leisure, education and health care access - all of which affect the generation of the capabilities and skills needed for sustainable production - not

only for the current workforce but for future generations.

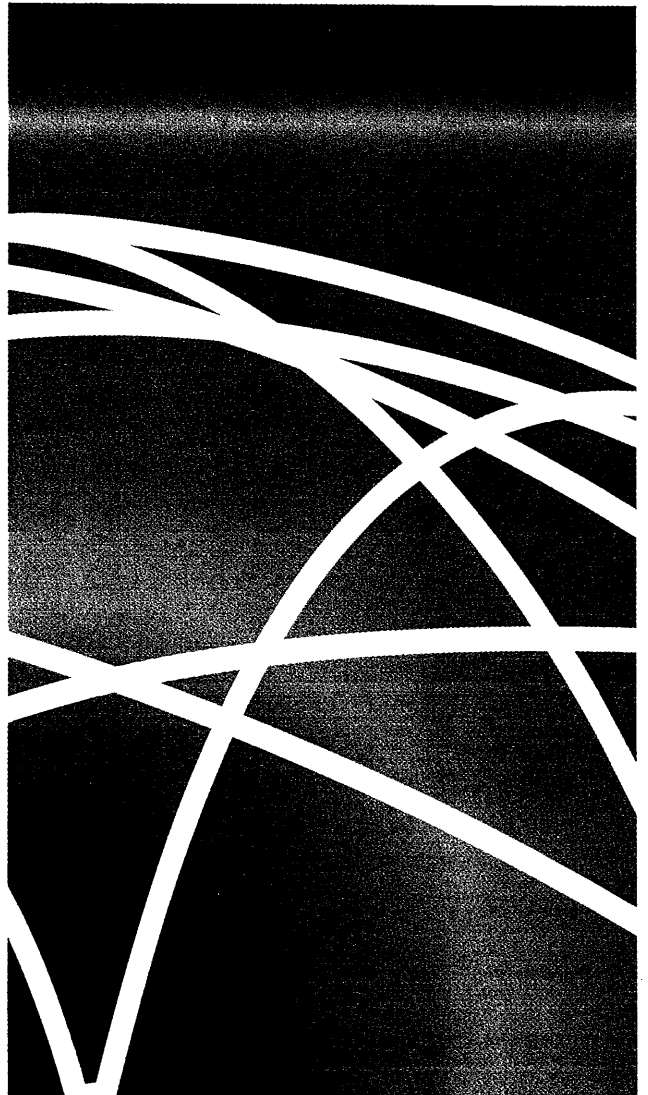
#### Constraints on Gender-Sensitive Trade Policies

Although it is increasingly recognized that trade policies have gender-differentiated impacts and that gender inequalities affect trade performance, gender awareness is not a factor in the negotiation of trade agreements and policies. In addition to the ideological constraints, most of which derive from the insistence that expansion of markets and increased market incorporation of women and poor people translates into higher income and well being, there are a number of institutional constraints.

First among these is governance: women and women's voices are largely absent in trade policy-making institutions, despite the numerous UN resolutions and agreements requiring gender mainstreaming in policies, programmes and institutions, including those relating to trade. Critiques by researchers and civil society organizations cannot result in more gender equitable trade policies without an institutional structure backed by political commitment and resources. At the global level, this requires a serious dialogue on the need for such a structure and how the WTO can be reformed to carry out some of the needed functions. In this regard, the gender mainstreaming provisions in both MERCOSUR and APEC provide some good examples. At the national level, ministries of trade must strengthen their capacity for gender sensitivity and work more closely with ministries of women's affairs, which in turn must be upgraded in terms of resources, expertise and political status. While it is true that gender inequality will not be eliminated through more gender-aware trade policies, it is also true that an understanding of the relationship between gender inequality and trade policy can help policy-makers understand why the expected results from trade liberalization may not come about.

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- 1 Views expressed are not necessarily those of UNDP's or any other UN institution
  - 2 These progress included: SPS (tires 2, 3 and 5); TBT (tires 1 and 2); Agriculture (Tires 3, 4, 5 and 6); Customs Valuation (tires 1, 2, 3 and 4); Rules of Origin (tiret 1); Subsidies (tiret 4); Services (tires 1 and 2) and TRIP (tires 2, 3 and 4).
  - 3 See WTO paper JOB(00)/8205/Rev.2 (8234), 15 December 2000.
  - 4 See WTO documents G/L/460 to 466 of 7 August 2001
  - 5 See WTO document G/C/M/??? (to be provided)
  - 6 See WTO document WT/L/410 of 7 August 2001
  - 7 In this context, it is important to note that the United States Government, in order to ensure the vigorous enforcement of the ASCVM, has established a Subsidies Enforcement Office (SEO), which aims at examining subsidy complaints and concerns raised by its exporters and monitoring foreign subsidy practices to determine whether they are impeding US exports and are inconsistent with the ASCM.
  - 8 To be updated.
  - 9 Food and Agricultural Organization of the United Nations, Agriculture Policy Support Service, [www.fao.org](http://www.fao.org): visited on August 20th
  - 10 Food and Agricultural Organization of the United Nations, Agriculture Policy Support Service, [www.fao.org](http://www.fao.org): visited on August 20th
  - 11 World Trade Organization website, [www.wto.org](http://www.wto.org): visited on August 18th 2001.
  - 12 World Trade Organization website, [www.wto.org](http://www.wto.org): visited on August 18th 2001.
  - 13 Bello, Walden, "WTO Tries to Subvert Developing Countries' Resistance to New Trade Talks", Bangkok Post, March 27th, 2001.
  - 14 Draft Report for the Secretary General on Sustainable Agriculture and Rural Development (SARD), Integrated Management of Land Resources and on Combating Desertification and Drought.
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  - 19 License to Kill, Research Foundation for Science, Technology and Ecology, India, 2000.
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  - 23 Suleiman, Nasser M, "Economic Integration Tendencies in the Middle East and North Africa", [www.al-bab.com/arab/econ/sulaiman.htm](http://www.al-bab.com/arab/econ/sulaiman.htm): visited on August 20th
  - 24 Suleiman, Nasser M, "Economic Integration Tendencies in the Middle East and North Africa", [www.al-bab.com/arab/econ/sulaiman.htm](http://www.al-bab.com/arab/econ/sulaiman.htm): visited on August 20th
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Agenda  
List of Participants  
Acknowledgments





# Agenda

## Day 1 September 10, 2001

- 8.30-9.30 Registration
- 9.30-10.30 Opening session: Setting the workshop objectives and agenda  
Speakers:  
Yves de San (UNDP Resident Representative)  
Ziad Abdel Samad (ANND)
- 10.30-11.00 Coffee break
- Session 1: International Trade- Globally and in the Arab World  
Moderator:  
Roberto Bissio (Social Watch)
- 11.00-12.00 Setting the scene: The Global Framework  
Speakers:  
Mumtaz Keklik (UNDP)  
Martin Khor (TWN)
- 12.00-12.30 Priorities of the Arab Region: What type of globalization and trade agreements are suitable for the Arab region  
Speaker:  
Mohammad El-Said Said (Alaharam Center for Political and Strategic Studies)
- 12.30-1.30 Discussion
- 1.30-3.00 Lunch
- 3.00 - 4.00 Session 2: New issues facing the fourth ministerial meeting in Qatar and new round  
Speakers:  
Martin Khor (TWN)
- 4.00 - 4.30 Coffee break
- 4.30 - 5.30 Discussion

## Day 2 September 11, 2001

- 9.00 -10.00 Session 3:  
Problems of implementation  
Speakers:  
Tang Xiaobing (UNCTAD)
- 10.00-10.30 Coffee break
- 10.30-1.00 Session 4: Round Table  
Trade Agreements- Opportunities and Threats for the Arab World  
Sectoral Priorities for the Arab Region  
Speakers:  
Resource persons:  
Roberto Bissio, Mumtaz Keklik, Tang Xiaobing, Mohga Smith  
Alia Mobayed  
Moderator:  
Nada Al-Nashif
- 1.00-3.00 Lunch
- 3.00-5.00 Round Table:  
Position and strategies of Arab NGOs:  
Key issues facing the fourth ministerial meeting in Qatar  
Speakers:  
Izzat Abdul Hadi (ANND Palestine)  
Dr. Mohammad Hasan Khalil (ANND Egypt)  
Abdulhamid al-Kam (ANND Morocco)  
Moderators:  
Ziad Abdel-Samad
- 5.30-6.00 Conclusions and Closure  
Nada Al-Nashif (UNDP)  
Ziad Abdul Samad (ANND)

## List of Participants

Country	Organization	Name
Algeria	El-Amel Association for Social Development	Salah Abdennouri
Bahrain	Bahraini Human Rights Society	Sabika Al-Najjar
Bahrain	Bahraini Human Rights Society	Zahra Al-Zeera
Bahrain	Economist Association	Abdulla Haddad
Egypt	Journalist/Al-Ahram	Mohamad El-Sayed Said
Egypt	Appropriate Communications Techniques ACT	Azza Shalaby
Egypt	Center for Trade Union and Workers Services CTUWS	Rahma Refaat
Egypt	Association for Health and Environmental Development	Mohammad Hassan Khalil
Egypt	Legal Resource & Research Center	Amir Salem
China	UNCTAD	Xiaobing Tang
Iraq	Iraqi ALAMAL Association	Gamal Aljawahiri
Jordan	Jordanian Women's Union	Falha' Troudi
Jordan	Women Organization to Combat Illiteracy	Lubna Bajjali
Lebanon	Embassy of Netherlands	H.E. Mr. Jan Piet Kleiweg de Zwaan
Lebanon	Embassy of German	G. Hilduer
Lebanon	Embassy of UAE	Khaled Shohdil
Lebanon	Embassy of Australia	Jamil Hanna
Lebanon	USAID	Jon Breslar
Lebanon	NDI	Heba el-Shazli
Lebanon	FAO-Min. of Agriculture	Amal Salibi
Lebanon	E U	Rene Milas
Lebanon	ILO	Azita Berar Awad
Lebanon	WHO	Habib Latiri
Lebanon	UNESCO	Suleiman Suleiman
Lebanon	UNIDO	Giuseppe Papuli
Lebanon	ANND	Ziad Abdel-Samad
Lebanon	ANND	Mahmoud Masri
Lebanon	ANND	Ghassan Makarem
Lebanon	Grassroots Action	Tarek Mrad
Lebanon	Grassroots Action	Ammar Abboud
Lebanon	The Lebanese Women Democratic Gathering	Joumana Merhi
Lebanon	Canadian Embassy/Lebanon	Yvonne Zadra
Lebanon	Collectif des ONGs	Mohamad Najjar
Lebanon	Syndicate of South Farmers	Waddah Fakhry
Lebanon	Ministry of Economy and Trade	Alia Moubayed
Lebanon	Comite d'assistance Populaire	Afif Afra
Lebanon	Lebanese Women's Council	Ikbal Doughan

Lebanon	Min. of Economy & Trade/USAID-WTO project	Zouha Sakr
Lebanon	UNDP/Lebanon	Yves de San
Lebanon	UNDP/Lebanon	Harald Wie
Lebanon	UNDP/Lebanon	Christian de Clercq
Lebanon	UNDP/Lebanon	Nada Al-Nashif
Lebanon	UNDP/Lebanon	Zena Ali-Ahmad
Lebanon	UNDP/Lebanon	Mona El-Yassir
Lebanon	UNDP/Lebanon	Mervat Abdel-Fattah
Lebanon	UNDP/ Poverty Project	Adib Nehmeh
Lebanon	Coordinating Committee for NGOs Working Among the Palestinian Community in Lebanon	Wafa El-Yassir
Lebanon	Green Forum	Habib Maalouf
Lebanon	Platform of NGOs in Saida	Majid Hamatto
Lebanon	Leb. NGO. Collectif for Children Human Rights	Marcelle Abdel-Samad
Lebanon	AMEL Association	Dr. Kamel Mohanna Jamal Hermez
Lebanon	Coordinating Committee for NGOs Working Among the Palestinian Community in Lebanon	Kassem Aina
Lebanon	Collectif des ONGs	Amin Farchoukh
Lebanon	Consumer's Lebanon	Abed Berro Ghaleb Sebai
Lebanon	World Bank	Bassam Ramadan
Malaysia	Third World Network	Martin Khor
Mauritania	ONG Espoir	Fatma Sidi Mohamed
Morocco	Maroc 2020	Karima el-Korri
Morocco	Espace Associatif	Abdel-Hamid El-Kam
Turkey/NY	United Nations Development Programme UNDP	Mumtaz Keklik
Palestine	Bisan Center for Research and Development Palestinian NGO Network	Izzat Abdul-Hadi
Sudan	AMAL - Friends of Children Society	Nagla Mohamad A.Kanona
Sudan	Alfanar Center for Development	Farid Idris
Sudan	Peace and Enviornmental Development PAND	Idris El Tahir el Nayal
Tunisie	L'Association Tunisienne des Femmes Democrates	Balkis Mechri Allogui
Tunisie	Ligue Tunisienne de Droits de L'Homme	Salaheddin Eljouchi
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Mona El Yassir (UNDP)