



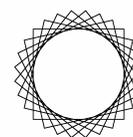
Southern Agenda on Trade and Environment Phase II

Arab Region

Resource Paper

April 2005

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This paper was produced as part of the *Southern Agenda on Trade and Environment*, a project jointly implemented by the International Centre for Trade and Sustainable Development (ICTSD), the International Institute for Sustainable Development (IISD) and the Regional International Networking Group (RING). The project aims to strengthen the capacity of trade negotiators, key national policy-makers and regional actors in developing countries to determine priorities for promoting and negotiating proactive positions, which reflect their own "Southern Agenda" on environment and trade in the multilateral trading system. The Southern Agenda on Trade and Environment is generously supported with funds from the Swedish International Development Cooperation Agency (SIDA); the Swiss Agency for Development and Cooperation (SDC); and the International Development Research Centre (IDRC).

An Arabic version of this document was produced through the support of the United Nations Economic and Social Commission for Western Asia (UN-ESCWA).

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SUMMARY

The objective of this paper is to provide a synthesis of relevant information related to trade and environment in the Arab region.

In Section I, the Arab region is defined as those countries that are members of the League of Arab States (LAS), with reference also made to three sub-regions (Mashriq, Maghrib and Gulf) as well as a cluster of least developed countries. The status of the Arab states in the World Trade Organization (WTO) and the politicization of the accession process are then examined given that many trade and environment concerns in the region are related to issues raised within the context of the WTO.

Section II provides background information on the relevant economic, social, and environmental situations in the Arab region in order to contextualize the various challenges, opportunities, and constraints that face Arab policy-makers in dealing with trade and environment issues. Most Arab countries today are committed to pursuing trade liberalization as a means to integrate into the world economy. However, the Arab region continues to depend largely on the global oil and gas markets and to attract low levels of foreign direct investment; while long-standing economic diversification programs have yet to achieve much success. Moreover, a number of policies espoused by Arab governments contribute to the dire performance of intra-regional trade. The Arab region is also characterized by high levels of unemployment, dependency on traditional family-owned small and medium sized enterprises for overall economic activity, rapid population growth, and low labor force participation (particularly among women) relative to other regions. The region also has scarce water resources and high energy consumption rates that have not yet been adequately addressed. While most Arab countries have signed the major environmental conventions, the main problem lies with the implementation and enforcement of these treaties and laws.

Section III covers the main trade and environment issues in the region, including the key components of the WTO's Doha Development Round as they concern the Arab region. It starts with an analysis of the effect of environmental measures on market access and competitiveness, and then considers trade-related multilateral environmental agreements (MEAs) such as the Kyoto and Cartagena (Biosafety) protocols. Other issues discussed include: agriculture, fisheries, trade-related intellectual property rights, and environmental goods and services.

Finally, the paper concludes with a review of the priorities and needs with respect to trade and environment in the Arab region as expressed in both The Sustainable Development Initiative in the Arab Region—adopted by resolution of the LAS' Council of Ministers Responsible for the Environment (CAMRE) in 2002—and “The Regional Program on Trade and Environment Capacity Building in the Arab Region”, adopted by CAMRE in 2003. According to this regional program, the three priority areas of concern for Arab countries with regard to trade and environment are: market access, competitiveness and dispute resolution (including trade-related MEAs). It should be noted, however, that civil society groups also consider public (including consumer) awareness and information dissemination a priority.

1. INTRODUCTION

The Arab region is composed of 21 states containing roughly 300 million people. The region is linked by language and other cultural ties, though politically it has been fragmented as a result of its colonial legacy and the continued state of instability and conflict that characterized much of the region during the 20th Century.¹ This complex history has led to confusion when it comes to defining the “Arab region” at least for analytical purposes. International organizations group countries of the Arab region differently along various geographic, social and economic lines.

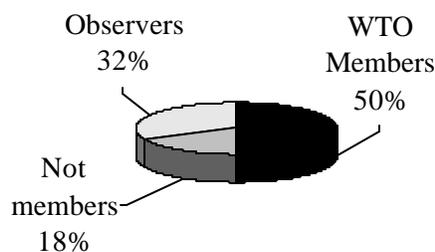
For the purposes of this paper, we shall refer to the Arab Region as those countries that formally belong to the League of Arab States (LAS) and who share the common language of Arabic. Where relevant it also distinguishes between three geographic sub-regions that tend to share closer relations. Thus the *Mashriq* Region groups Egypt, Iraq, Jordan, Lebanon, Palestine and Syria together; the *Maghrib* region is composed of Algeria, Libya, Morocco and Tunisia; while the *Gulf* region includes the six members of the Gulf Cooperation Council (GCC: Bahrain, Kuwait, Oman, Qatar, United Arab Emirates, and Saudi Arabia) as they share common identities, interests and resources. Yemen may be considered to be part of the larger Gulf sub-region in certain cases, however it also belongs to a fourth cluster of countries that includes the Comoros Islands, Djibouti, Mauritania, Somalia and Sudan since they are all listed by the United Nations and the World Trade Organization (WTO) as least developed countries (*LDCs*) and are characterized by a high degree of poverty.

Arab States in the World Trade Organization (WTO)

Much discussion and analysis regarding the trade and environment nexus in the Arab region takes place within the context of the WTO, and as such it is important to understand some of the challenges and issues facing Arab countries who are, or are seeking to become, WTO members.

Nearly all Arab countries share the official desire to liberalize and integrate into the world economy—which they hope will lead to economic growth and thus, eventually, to sustainable development. The prime mechanisms sought for achieving this goal is through participation in the WTO. As of March 2005, there are eleven Arab members (representing 50% of Arab countries) of the WTO with seven others formally listed by the WTO as observers. The membership of Syria, Somalia and Palestine has been held back for mostly political reasons and the lack of peace and stability in the region.

Diagram 1: Arab participation in WTO



* The authors would like to thank Mona Hammami for her input, particularly with regard to the tables and appendix.

¹ Indeed, it has been pointed out by many, including the United Nations Economic and Social Commission for Western Asia (ESCWA), that the Arab region has been in a continuous state of conflict and instability during the entire 20th Century, with at least one major war each decade. This has led to far-reaching consequences in terms of socio-economic indicators and development in general.

Arab states are engaged and influence WTO deliberations through a variety of mechanisms. Maghrib countries such as Morocco and Tunisia are active in African blocs, while Egypt often seeks to identify positions shared by African, Arab and developing country blocs. WTO members of the GCC also seek coordination on issues, with Saudi Arabia as an observer even offering a submission for consideration to the WTO Committee on Trade and Environment that raised issues of concern for the entire Gulf region.

Table 1: Arab participation in the WTO²

WTO Member States	Observer Status at WTO	Not Members of WTO
Jordan (2000)	Algeria	Syria
Oman (2000)	Sudan	Palestine
UAE (1996)	Lebanon	Comoros Islands
Egypt (1996)	Saudi Arabia	Somalia
Qatar (1996)	Yemen	
Djibouti (1995)	Libya	
Bahrain (1995)	Iraq	
Kuwait (1995)		
Tunisia (1995)		
Mauritania (1995)		
Morocco (1995)		
11 Arab Countries	7 Arab Countries	4 Arab Countries

Source: WTO

Nevertheless, securing coordinated and collective Arab positions on WTO issues for negotiation can be challenging. During Arab Ministerial Meetings in preparation for the WTO Ministerial Meetings at Doha in 2001 and Cancun 2003, Arab officials affirmed the need to coordinate Arab positions in areas such as agriculture, public health, market access and the exchange of information and experiences. However, this was sought despite the acknowledgement stated by Egyptian Foreign Minister of Foreign Trade Youssef Boutros-Ghali that a “unified position from Arab countries is difficult to achieve since each of them has a different economy and one can find more differences than common points.”³

One key barrier to increased effective Arab coordination and participation within the WTO is the rejection by the WTO of accreditation of Arabic as an official language. The official statement by Bahrain to the Doha Ministerial Conference in 2001 expresses Arab views on this subject by stating that “we believe that this [accreditation of Arabic] would contribute to a better understanding and awareness of the activities of this Organization and of the multilateral trading system by Arab countries.”⁴ This has been in part remedied by the unofficial provision of WTO Arabic language services by the United Nations Economic and Social Commission for Western Asia (ESCWA), as well as new private sector services provided by Talal Abu-Ghazaleh & Co. International (TAGI) in an effort to keep Arab policy-makers and the private sector informed.⁵

Another key barrier is the perceived politicization of the WTO process that has prevented a number of Arab states from joining. As one observer notes, in general, “Accession negotiations are being used by some major WTO member countries to attempt to obtain commitments from acceding countries, (e.g. Algeria, Saudi Arabia and the Russian Federation) that extend beyond WTO obligations...notably with respect to aspects of their domestic energy policies, such as dual price systems and export taxes, and to totally

² WTO, “Understanding the WTO: Members and Observers”, http://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm (accessed on October 30, 2004).

³ ESCWA, Press Release, “Lebanese Deputy Prime Minister Opens ESCWA Arab Ministerial Meeting in Preparation for Cancun Conference”, 24 July 2003, <http://www.escwa.org.lb/information/press/escwa/2003/july/24.html>.

⁴ WTO, “Bahrain: Statement by H.E. Mr. Ali Saleh Al-Saleh, Minister of Commerce and Industry”, WT/MIN(01)/ST/74, 11 November 2001.

⁵ The ESCWA website is located at <http://www.escwa.org.lb/arabic/wto/index.asp>; and the TAGI website is at <http://www.wtoarab.org>.

liberalize their energy services sectors.”⁶ Moreover, there have been explicit calls from US Senators and members of the House of Representatives requesting President George W. Bush to block Saudi Arabia’s entry into the WTO until—as a recent letter put it—it agrees to “renounce its support of the Arab boycott against Israel, crack down on terrorist financing and improve its human rights record.”⁷ Similar calls hold back Syria’s entry, although it officially requested WTO membership during the WTO Ministerial Meeting in Cancun in 2003.

The politicization of the WTO membership and participation process may be best illustrated in the protracted negotiations regarding observer status for the LAS. In an official communication to the WTO in September 2000, the LAS expressed its member states’ unanimous decision to request observer status in the WTO in order to participate in ministerial conferences and in key bodies and committees (including the Committee on Trade and Environment).⁸ In this communication, the LAS referred to the 1998 establishment of the Greater Arab Free Trade Area (GAFTA) under its auspices and to the fact that it conforms to the “fundamentals and principles” of the WTO, stating:

the participation by the League of Arab States, as an observer in the work of WTO, would significantly facilitate the task of WTO in dealing with the Arab States in all economic and trade fields. It would also strengthen cooperation between the two organizations and support the efforts of Arab States towards trade liberalization and integration in the world economy.⁹

The WTO rejected the request of the LAS to participate at the Ministerial Conference held in Doha in 2001, prompting several Arab delegations to express their regret regarding this decision.¹⁰ It was strongly felt that the LAS could assist to enhance coordination among Arab states in WTO committees such as the CTE. Indeed, there has been much consternation in the region regarding the continued rejection of the LAS application for observer status in WTO meetings—including at the Fifth WTO Ministerial Meeting held in Cancun in 2003—especially given that the United States and Israel have held up the application for what are widely considered political reasons, and not just because the League’s charter still calls for a trade boycott on Israeli products.¹¹ The fact that the US engages in a similar boycott against Cuban goods (via the Helms Burton Act) for instance reinforces the widely-held belief in the Arab world that there are clear double-standards at work to harm Arab interests and further divide the Arab world. Egypt, which has led the Arab world’s insistence on the importance of the LAS, has in turn withheld consent on other inter-governmental organizations obtaining observer status as a “means to exerting pressure.”¹²

⁶ Murray Gibbs, “Energy Policies, Human Development and the Doha Agenda.” http://www.asiatradinginitiative.org/view/vn/cate_details.asp?code=8&id=316

⁷ *Arab News*, “Bush Pressurized to Oppose Saudi WTO Admission” (6 July 2004), <http://www.arabnews.com/?page=4§ion=0&article=47936&d=6&m=7&y=2004>. See also Eugene Kontorovich, “Reform Strategy of Saudi Arabia”, *The Washington Times* (August 1, 2004), http://www.defenddemocracy.org/in_the_media/in_the_media_show.htm?doc_id=234201. Both articles accessed in November 2004.

⁸ WTO, CTE, “Request for Observer Status by the League of Arab States”, WT/CT/COM/5. The LAS requested observer status to participate in the Ministerial Conference of the WTO, as well as the following bodies: The General Council, The Council for Trade in Goods, The Council for Trade in Services, The Committee on Trade and Development, The Committee on Regional Trade Agreements, and the Committee on Trade and Environment.

⁹ *Ibid.*

¹⁰ See, for instance, the statement of Bahrain (circulated by H.E. Mr. Ali Saleh AlSaleh, Minister of Commerce and Industry) to the Doha Ministerial Conference (WT/MIN(01)/ST/74) on 11 November 2001.

¹¹ See, for instance, IslamOnline, “US, Israel Block Arab League Participation in WTO Meeting”, <http://www.islamonline.net/English/News/2003-08/28/article03.shtml>, August 28, 2004 (accessed October 20, 2004). For a defense of the rationale used by the USA and Israel to hold up the Arab League’s participation, see Eugene Kontorovich, “The Arab League Boycott and WTO Accession: Can Foreign Policy Excuse Discriminatory Sanctions” in *Chicago Journal of International Law*, No.2, <http://ssrn.com/abstract=406780>.

¹² IISD, “Observership, Market Access Stall at TNC” in *Bridges Weekly Trade News Digest* (Volume 6, Number 16, 2 May 2002). It should be pointed out that none of the main Arab states (Syria, Lebanon, Saudi Arabia, and Algeria) that continue to boycott Israeli products have gained WTO membership, while Arab WTO members such as Egypt, Jordan, and the members of the GCC had all given up at least the secondary and tertiary boycott by the time of their accession.

Currently, the LAS remains among those officially listed as “International Intergovernmental Organizations whose requests for observer status are pending” before the Committee on Trade and Environment, which is a status it shares with other organizations of interest to the Arab region including the Organization of the Petroleum Exporting Countries (OPEC), the Gulf Cooperation Council (GCC), the Organization of Islamic Conferences (OIC) and the Gulf Organization for Industrial Consulting (GOIC).¹³

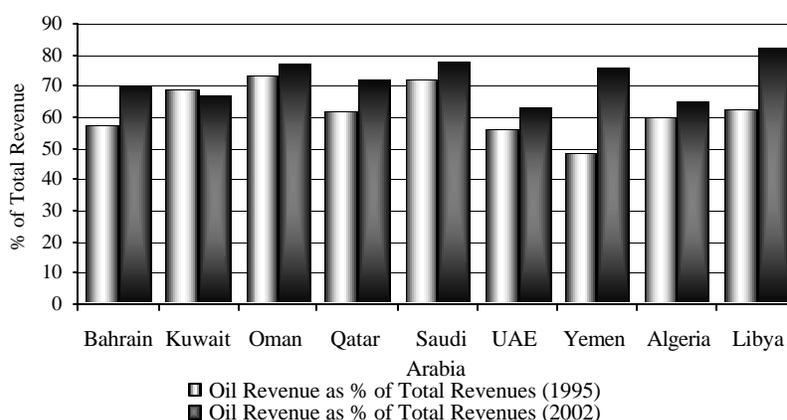
2. REGIONAL SITUATION

2.1 Economic Overview

Economic development in the Arab region has been characterized in recent years by gradual progression towards trade liberalization and more open access for goods and services. However, protectionist policies remain strong, as does government engagement in key economic sectors.

GDP in the Arab region is largely dependent on oil in the Gulf region (including Yemen), and on global oil and gas markets in the mixed oil economies of Algeria, Egypt, Libya and Sudan. Overall, the share of mining and quarrying in Arab GDP has risen slightly from 25.3% in 1992 to 27.3% in 2000.¹⁴ Saudi Arabia is by far the largest oil producer in the Arab region (and the world), reaching over 8.6 million barrels per day in 2003, with export revenues reaching over US \$80 billion during the same period.¹⁵ With the average OPEC Basket Crude Oil Price increasing from US\$12.28 in 1998 to US\$50 in 2004, the overall importance of oil revenues to these countries cannot be over-estimated, and is illustrated in Figure 1.

Figure 1: Oil Revenue as % of Total Revenue for Selected Oil-dependent Arab Countries (1995-2002)¹⁶



Source: International Monetary Fund (IMF)

Manufacturing industries and tourism are significant contributors to GDP for Egypt, Lebanon, Morocco, Palestine and Tunisia; while agriculture remains an important sector in such countries as the Comoros

¹³ WTO, “Environmental Backgrounder: Annex I—the Observer Status in the Committee on Trade and Environment Regular”, http://www.wto.org/english/tratop_e/envir_e/envir_backgrnd_e/c9s1_e.htm (accessed on October 30, 2004).

¹⁴ ESCWA and AIDMO, *Bulletin of Industrial Statistics for the Arab Countries 1992-2000*, Fifth Issue, December 2001, p.11.

¹⁵ ESCWA, *Survey of Economic and Social Developments in the ESCWA Region 2003-2004*, E/ESCWA/EAD/2004.4, English, pp. 13-14.

¹⁶ IMF, Bright E. Okogu, “The Middle East and North Africa in a Changing Oil Market”, p.10, <http://www.imf.org/external/pubs/ft/med/2003/eng/okogu/okogu.htm>.

Islands, Djibouti, Egypt, Syria and Yemen. Indeed, in the year 2000, Egypt and Yemen continued to rely on agricultural activities for over 15% of their respective GDP, with over 40% and 60% respectively of their workforce employed in the sector.¹⁷ However, concerted effort has been made in recent years to diversify the economies of the region and secure more stable sources of foreign exchange so as to alleviate dependence on commodity markets. Privatization of water supply, wastewater, electricity and telecommunications services is also being pursued, particularly in the Gulf and Maghrib countries in complementarity with legal and institutional reforms.

Most Arab oil-dependent countries officially embarked on a process of economic diversification as early as the 1970s in order to reduce dependency on oil, spread risks, stimulate economic development, and cater to a growth in native populations and labor forces.¹⁸ Indeed, diversification of income sources was considered by many in countries such as Oman as “the only way forward to realize sustainable development for an economy that is based on non-renewable resources.”¹⁹ The extent to which Gulf countries have succeeded in diversifying their economies away from the oil sector into such areas as financial services and tourism is debatable, as on the whole they remain concentrated on oil-related, capital and energy-intensive industries such as petrochemicals, fertilizers and metals. Yet, diversification policies have achieved results with the number of industrial establishments in the Gulf countries growing from a total of 4,386 in 1989 to 7,300 a decade later, and value-added (in current prices) in the manufacturing industry increasing by 382% in the UAE, 91% in Saudi Arabia, 87% in Kuwait, 75% in Qatar and 41% in Bahrain. In Oman, value-added rose from US\$45 million in 1980 to US\$669 by 1998.²⁰ There have also been notable advances in the services sector over the past two decades, particularly in such countries as the UAE and Bahrain, with Dubai being described by many as the most important commercial, business and transport hub in the region.

A key challenge facing these diversification policies is the development of an institutional framework that can enforce environmental protection measures and regulations as they relate to these new sectors.²¹ For instance, investment in tourism services has become particularly pronounced in the region with large-scale, high-end resorts being developed along the Red Sea in Egypt, along the Tunisian and Moroccan coastlines, into the sea with the development of the Palm Island village near Dubai and up in the Lebanese Sanine mountains where one project is expected to cover one percent of the country’s surface area. Most of these complexes are fully or partially funded through foreign investment from neighboring Arab countries or from Europe. Public policies to encourage foreign investment in these development projects also normally requires the conduct of environmental impact assessments (EIAs) to determine their potential effects on water resource quality and quantity, coastal marine life, fishery resources, forests and natural heritage. However, the analysis and recommendations of these EIAs in the region often remain limited.

The average share of manufacturing in the GDP for all Arab countries fluctuated between 9.5% and 11% from 1992 to 2000, and stood at 10.3% in 2000.²² The manufacturing sector in the region is dominated by small and medium sized enterprises (SMEs) that employ generally less than 50 employees, but together contribute over 90% to regional employment.²³ Most of these firms are concentrated in textile, garment and agro-food industries. SMEs in these industries are facing significant challenges associated with the increased competition from imports of less expensive substitutes in their traditionally protected home market and from the costs of compliance with increasingly stringent environmental, health and safety standards being demanded by foreign markets and at home. While larger firms in the region are able to adjust to these

¹⁷ World Resources International (WRI), Earth Trends Country Profiles, http://earthtrends.wri.org/country_profiles/index.cfm?theme=88rcode=3.

¹⁸ ESCWA and Arab Planning Institute (API), *Economic Diversification in the Arab Region: Proceedings of the Expert Group Meeting, Beirut, 25-27 September 2001*, United Nations, 2002, p.7.

¹⁹ Hussam M. AlRawahy, “Future Challenges and Opportunities for Emerging Economies: Oman’s Perspective”, Workshop on Trade and Environment and International Competitiveness, ESCWA, Beirut, 23-25 October 2002.

²⁰ Elias Baroudi, “Economic Diversification in the Oil-Producing Countries: The Case of the Gulf Cooperation Council Economies” in ESCWA and API, *Economic Diversification in the Arab Region: Proceedings of the Expert Group Meeting, Beirut, 25-27 September 2001*, United Nations, 2002, p. 32.

²¹ Ibid.

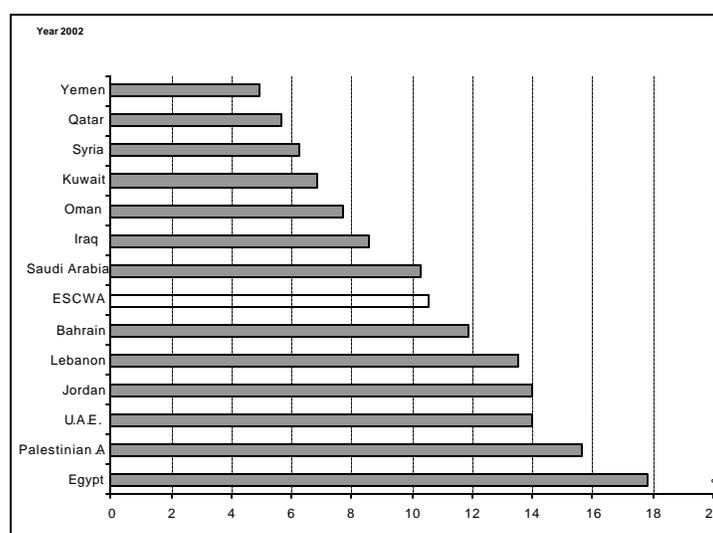
²² ESCWA & AIDMO, op.cit., p. 12.

²³ The definition of an SME in Morocco may include firms with up to 250 employees.

market changes, SMEs are having a more difficult time in making the necessary investments and productivity improvements given their limited access to capital, information and skilled human resources. Indeed, there is little state support for upgrading overall SME capabilities in the region. One regional expert has made the important point that in the Arab region “SMEs are concentrated in labor-intensive and traditional activities with low levels of productivity and poor quality products. There is little or no technological dynamism;” by comparison, in the East Asian and developed regions, “SMEs tend to be in ‘modern’ manufacturing and services, often in the field of cutting edge technology, with strong entrepreneurial bases, vibrant export sectors and a large base of educated and technical manpower.”²⁴ This has led some of the more aggressive trade liberalization policies in the region to result in the closure of many small businesses, which contributes to increasing unemployment rosters and disillusionment with trade liberalization policies.

Large industries, particularly the phosphate, fertilizer, oil, gas and petrochemical industries are also facing increasing pressures to change their production processes in order to comply with new environment and health regulations being enacted in domestic and destination markets.

Figure 2: Share of Manufacturing Industries in the GDP of Selected Arab Countries (2002)



Source: ESCWA, Statistical Abstract of the ESCWA Region, *United Nations: New York, 23rd edition, 2003.*

2.1.1 Export and import structure

Mining and quarrying industries far surpass manufacturing industries as a share of total industrial exports. For instance, in 2000, mining and quarrying industries (at 66.4%) represented more than double that of manufacturing industry exports (30.4%) when averaged across all Arab countries.²⁶ The importance of the oil and gas as a share of GDP is significant (see above), their share in total exports exceeds 70% in most oil-producing countries, as detailed Table 2 below. However, for the more diversified economies in the region (e.g., Egypt, Jordan, Morocco and Tunisia), manufacturing industry exports are more significant than those for mining and quarrying.²⁷ Major export and import sectors of Arab countries are listed in the Annex.

²⁴ Antoine Mansour, “Support Services and the Competitiveness of SMEs in the MENA Region”, The Egyptian Center for Economic Studies, Working Paper No. 56, May 2001, p.4.

²⁶ ESCWA & AIDMO, op.cit, p.20

²⁷ Ibid., p. 21.

Table 2: Oil and Gas Exports (percent of total exports)

Country	Oil as % of Export (2002)
Bahrain	69.8
Kuwait	92.4
Oman	77.2
Qatar	84.2
Saudi Arabia	81.7
UAE	45.7
Yemen	88.3
Algeria	89.2
Egypt	31.0

Source: IMF

With regard to the direction of Arab trade, the majority of exports have traditionally depended on the OECD and Asian countries, and thus consideration of the environmental, health and safety regulations in those countries have influenced the market access and competitiveness of Arab exports. By contrast, intra-Arab trade comprised only 8% of total exports, a modest increase from about 5% in 1970. These figures compare unfavorably with intra-regional trade in other regions such as East Asia (22.2% in 1998), NAFTA countries (51.0%), the European Union (56.8%), and even the Andean Pact countries (11.4%).²⁸ Arab intra-regional exports totaled US\$12 billion in 1998, of which 60% went to GCC countries and another 25% to Mashriq countries. Interestingly, the proportion of trade within the three main sub-regions (Mashriq, Maghrib, and Gulf) is significantly higher than overall intra-Arab trade, with, for instance nearly two-thirds of intra-Arab exports from Maghrib countries flowing to other Maghrib countries, and about 75% of GCC's Arab exports going to other GCC countries.²⁹

According to the Economic Research Forum (ERF), the main reason for the poor performance of intra-Arab regional trade is that “the policies of Arab governments discourage trade within the region. With the notable exception of GCC countries, which maintain relatively open trade regimes, most Arab countries impose major trade barriers. The average import tariff for the region as a whole is higher than that of any other region except Africa. Non-tariff barriers include restrictive licensing, outright import bans, state trade monopolies, restrictive foreign exchange allocation and multiple exchange rates.”³⁰ Such a statement has been borne out by empirical case studies in the region, with one ESCWA study showing that Arab exporters were often more bothered by restrictive environmental and other regulations in fellow Arab countries than those of the EU. Access to information and customs restrictions were commonly cited as non-tariff trade barriers in this study.³¹

²⁸ Economic Research Forum (ERF), *Economic Trends in the MENA Region*, p.58, <http://www.erf.org/eg/html/trends02.asp>

²⁹ ERF, *ibid.*, p.59.

³⁰ *Ibid.*

³¹ ESCWA, *The Impact of Environmental Regulations on Production and Exports in the Food Processing, Garment and Pharmaceutical Industries in Selected ESCWA Member Countries*, United Nations, New York, E/ESCWA/Ed/2001/14, 25 October 2001, p. 41

Table 3: Merchandise exports of the Middle East by destination, 2003 (Billion dollars and percentage)³²

	VALUE		SHARE		ANNUAL PERCENTAGE CHANGE		
	2003	1995	2003	1995-00	2001	2002	2003
World	298.7	100.0	100.0	12	-8	2	19
Asia	145.2	46.9	48.6	15	-11	-4	22
Japan	51.9	19.7	17.4	11	-10	-8	26
Other	93.3	27.2	31.2	17	-11	-2	20
Western Europe	47.7	21.6	16.0	9	-15	-5	19
European Union (15)	42.3	19.2	14.2	9	-16	-6	19
North America	46.3	11.4	15.5	20	-5	-7	23
Intra-Middle East	21.9	7.7	7.3	11	-2	7	7
Africa	10.4	3.5	3.5	15	-4	-13	19
Latin America	2.8	2.0	0.9	1	-5	-9	2
C./E. Europe/Baltic States/CIS	2.5	1.4	0.8	-5	13	14	15
Inter-regional trade	255.0	86.8	85.4	14	-10	-5	21

Source: WTO

2.1.2 Investment

The Arab region continues to attract meager FDI, registering less than 0.2% of the total world FDI (see Figure 3 below for the sub-regions, and Annex for the country details). The Maghrib region accounted for roughly half of the nearly \$8 billion in FDI, with Morocco particularly strong in this regard. The Gulf region and, especially the Mashriq continued to suffer the effects of lack of stability with only modest FDI increases. Sudan accounted for nearly all the FDI attracted by the Arab LDC countries, and is attributable to Northern companies searching for oil supplies. Indeed, most of the inflow of FDI in the region “has been in the form of resource extraction or market seeking to take advantage of the region’s natural resources.”³³ Most of the FDI in oil-dependent countries (such as in the Gulf region) has been directed towards oil exploration and refining, and more recently towards oil-related manufacturing industries such as chemicals and petrochemicals. In the case of Saudi Arabia, over 85% of the total investment in chemical and petroleum product sector comes from abroad.³⁴ In the more diversified economies of the Arab region, the inflow of FDI is more stable than that of the oil-producing countries and remains closely linked to the implementation of economic reform programs (including privatization schemes). For instance, Egypt attracts a good portion of the region’s FDI in such sectors as pharmaceuticals, auto manufacturing and telecommunications.³⁵

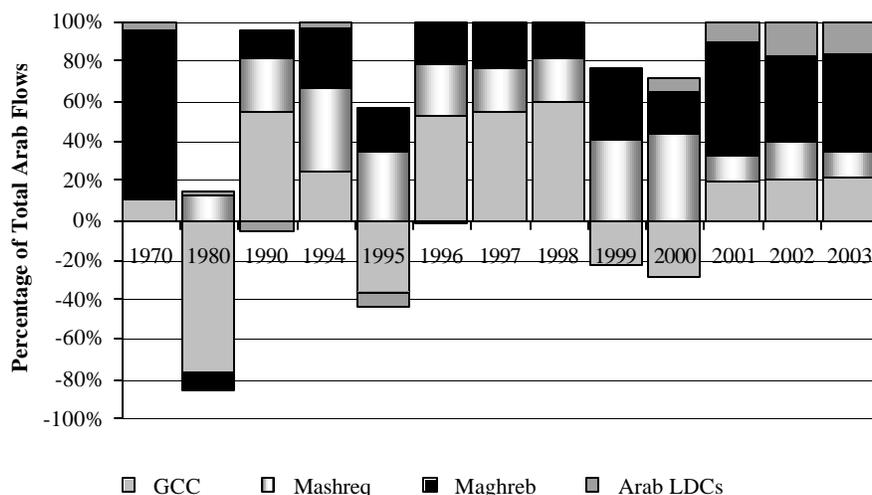
³² WTO, *International Trade Statistics 2004*, http://www.wto.org/english/res_e/statis_e/its2004_e/its04_byregion_e.htm.

³³ ESCWA, *The Role of Foreign Direct Investment in Economic Development in ESCWA Member Countries*, E/ESCWA/ED/1999/17, United Nations, New York, 1999, p. 61

³⁴ A-M. M. Abdel-Rahman, “Economic Diversification in the Kingdom of Saudi Arabia” in ESCWA and Arab Planning Institute (API), *Economic Diversification in the Arab Region: Proceedings of the Expert Group Meeting, Beirut, 25-27 September 2001*, United Nations, 2002, p. 104.

³⁵ ESCWA, *The Role of Foreign Direct Investment*, op.cit., p. 33.

Figure 3. Share of Arab FDI Flows by Region and Over Time



Source: Authors' calculations based on UNCTAD, World Investment Report 2003

2.1.3 Regional trade and integration

Despite the current poor level of intra-Arab trade, Arab countries are forging an increasing number of multilateral, regional and bilateral trade agreements with the hope of increasing regional integration (the major theme of regional economic discussions for the past decade). These include the:

- *Greater Arab Free Trade Agreement (GAFTA)* – which seeks to establish a free trade area by 2005 among the fifteen Arab signatory countries and is organized under the League of Arab States (LAS).
- *Euro-Mediterranean Free Trade Area (EMFTA)* – which seeks to establish a free trade area by 2010 by building upon the bilateral *Euro-Mediterranean Partnership Agreement* negotiated between the European Union and ten Mediterranean Partner Countries (MPCs), eight of which are Arab countries (Algeria, Egypt, Jordan, Lebanon, Morocco, Occupied Palestinian Territory, Syrian Arab Republic, Tunisia).
- *Agadir Agreement* – which is a sub-regional agreement that seeks to establish a FTA between Egypt, Jordan, Morocco and Tunisia by 2006 and complements efforts to establish the EMFTA.
- *Gulf Cooperation Council Free Trade Area* – which eliminates tariffs among the six GCC countries and is complemented by a customs union that will harmonize tariffs throughout the GCC.
- *Arab Maghrib Union (AMU)* – which seeks to foster economic integration between Algeria, Libya, Mauritania, Morocco and Tunisia, but has been stagnant for several years.
- *Common Market for Eastern and Southern Africa (COMESA)* – which was established in 1993 seeks to foster trade and economic integration among 19 Sub-Saharan African countries, two of which are also Arab countries. Member countries are Angola, Burundi, Comoros, D.R. Congo, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe.
- *United States-Middle East Partnership Initiative* – which includes a trade component and builds upon the bilateral trade agreements that Jordan (2000) and Morocco (2004) have signed with the United States. Bilateral trade negotiations are also underway with Bahrain and Oman.
- *Bilateral trade agreements among Arab States* – which have been forged between several Arab states, including Lebanon and Syria, Jordan and Syria, Lebanon and Saudi Arabia, Morocco and Algeria, with negotiations underway between Yemen and the GCC.

Recent deliberations before the WTO took note of the proliferation of trade agreements being signed around the world and have raised concern as to whether this global phenomenon is advancing or impeding greater liberalization of trade and investment. However, many of these trade arrangements were conceived in the spirit of fostering greater regional integration among Arab countries, which is encouraged as a means for coordinating regional policies on issues such as the harmonization of technical standards and conformity assessment procedures, which can in turn facilitate trade. However, in reality, regional economic integration remains limited.

The WTO has also taken note of the role of environmental reviews in examining the economic, social and environmental implications of these trade agreements and the benefits they can serve in informing the negotiations and decision-making. Some of the trade agreements pursued in the region have applied this tool at the regional and bilateral levels, albeit the impetus for conducting these reviews have come from Europe or the United States. A listing of these reviews is noted below.

- *Sustainability Impact Assessment of the Euro-Mediterranean Free Trade Area (SIA/EMFTA)* and the *Sustainability Impact Assessment of the EU-GCC Free Trade Area* are sponsored by the European Commission and prepared by teams of institutions in consultation with stakeholders. The SIAs are intended to inform the negotiations, however, in the case of the SIA/EMFTA the assessment is also being used to assist the European Commission to identify mechanisms to target development assistance toward Mediterranean Partner Countries (MPCs) of the Euro-Mediterranean Partnership in a manner that alleviates potential adverse impacts of the EMFTA on sustainable development in the region.
- *Environmental Review of the US-Jordanian Free Trade Agreement* and the *Environmental Review of the United States-Moroccan Free Trade Agreement* were required under U.S. Executive Order 13141 in order to inform the negotiations. Similar reviews are prepared within the context of bilateral trade agreements being negotiated between the United States and certain Gulf countries. However, these reviews focus on the environmental impacts of the proposed trade agreement on the United States, and to a limited degree on potential socio-economic or environmental impacts associated with the FTA in the partner country.

Additionally, several non-governmental organizations and regional institutions have supported the preparation of sectoral impact assessments and environmental impact assessments of regional trade agreements in the Mediterranean region. These studies have generally agreed on the economic dislocation that is resulting from the increased trade liberalization in the region, particularly in the textile, garment, agricultural and agro-food sectors, and the need to support small and medium enterprises, small scale farmers, and vulnerable groups to face the challenges caused by increased import competition and growing demand for products that meet more stringent environmental and health standards.³⁶

2.2 Social Overview

According to the World Bank, while only 2.4% of the MENA region's population lives in absolute poverty under an income of \$1 a day, this figure jumps to a more realistic 23% for incomes of only \$2 a day. Worryingly, the reduction in the absolute numbers of poor that was achieved in the 1980s was reversed during the 1990s despite the fact that economic growth was relatively higher for the region.³⁷ Moreover, during the past decade, there has been little or no reduction in the proportion of undernourished people in the Arab region, and the UNDP concludes that the region will not reach the MDG target of halving hunger by 2015 (although Kuwait, Egypt, Saudi Arabia, Sudan and Syria have made some progress). Still, undernourishment is not a

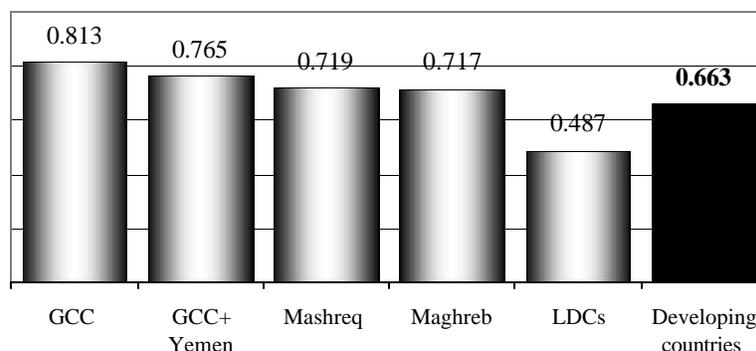
³⁶ See various studies prepared under the auspices of the FEMISE Network, Blue Plan, and ESCWA in cooperation with the Mediterranean Environmental Technical Assistance Program (METAP), particularly "Strategic environmental assessment of the impact of trade liberalization on SMEs: Case Study of the textile and garment sector in Morocco," ESCWA, Blue Plan and METAP, Beirut, November 2004.

³⁷ World Bank, "Middle East and North Africa Region Strategy Paper", June 2004, p.2. [http://lnweb18.worldbank.org/mna/mena.nsf/Attachments/MNA+Strategy/\\$File/MNA+Strategy+2004.pdf](http://lnweb18.worldbank.org/mna/mena.nsf/Attachments/MNA+Strategy/$File/MNA+Strategy+2004.pdf)

significant problem in most Arab countries (due to close family bonds and wider social and religious networks), with the notable exceptions of Mauritania, Yemen, Iraq, Sudan, and Somalia.³⁸

In terms of the Human Development Index (HDI), Arab states as a whole perform slightly worse than average for developing countries (see Annex). While the Arab region performs better than South Asia and Sub-Saharan Africa, it lags behind both Latin America and East Asia.³⁹ However, there is considerable variation within the region (see figure 4 below). In terms of the sub-regions, it is clear that the Gulf region, characterized by a relatively small population and a high concentration of natural resource wealth, retains a significantly higher HDI rating than the Mashriq and Maghrib regions.

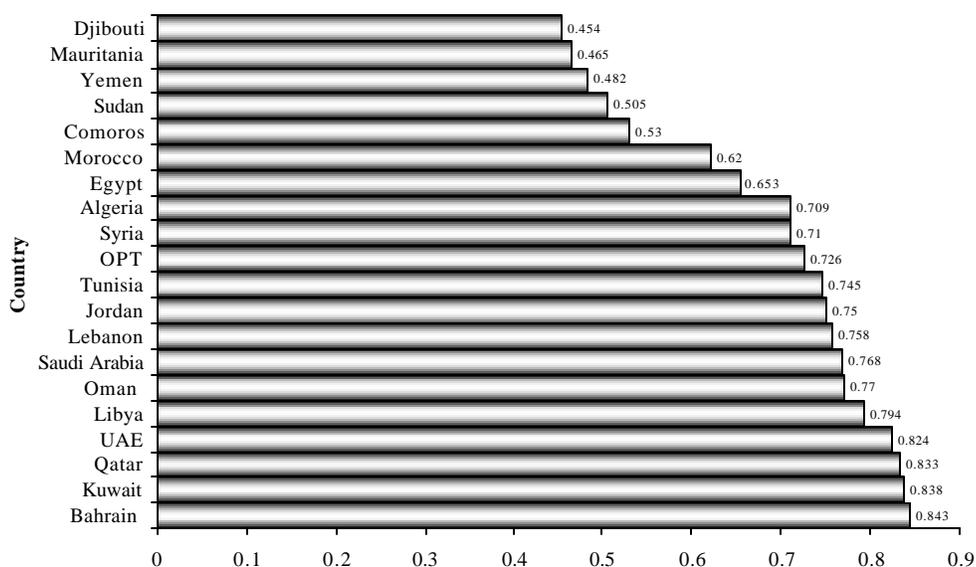
Figure 4: Arab HDI Values by Sub-Region (In Comparison with Developing Countries' Average)



Source: Based on Arab Human Development Report 2002

As Figure 5 below shows, the small Gulf states of Bahrain, Kuwait, Qatar and UAE are closely followed by the larger, more-populated Gulf countries of Oman and Saudi Arabia in leading the Arab region in terms of the HDI rankings. Alternatively, the Maghrib countries are roughly ranked equally to the Mashriq countries. As expected, the LDC countries of the Arab region are all towards the bottom of the scale.

Figure 5: HDI Values in Arab Countries



Source: UNDP

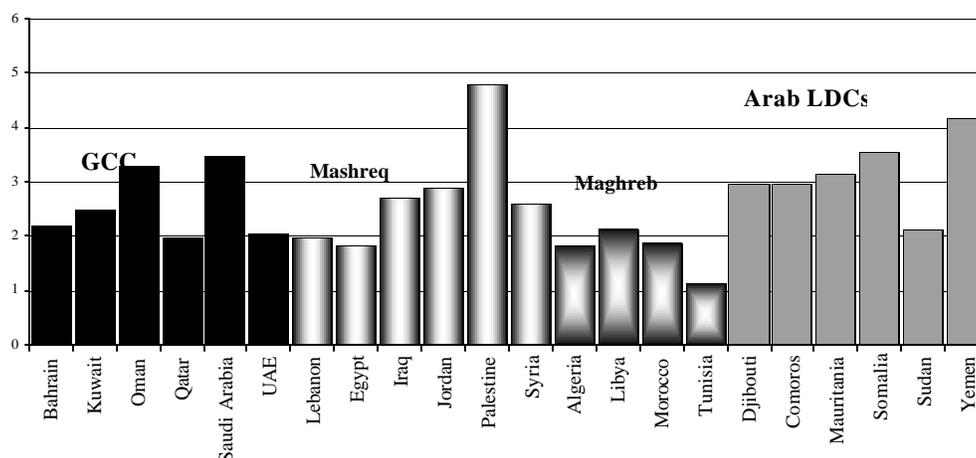
³⁸ United Nations Development Program (UNDP), “The Millennium Development Goals in Arab Countries”, pp.5-6, http://www.undp.org/mdg/ArabRegionalReport_english.pdf

³⁹ UNDP, *Arab Human Development Report 2002* (New York: United Nations), p. 25.

Demographic trends, employment, and the role of women in Arab Region

In the year 2000, the Arab region contained around 300 million people—or about 5% of the total world population—with Egypt by far the most numerous (68 million) accounting for nearly one in every four Arabs. Sudan and Algeria have the next largest population sizes (31 and 30 million respectively); while countries such as Bahrain, Qatar and Djibouti all have population sizes of under 1 million.⁴⁰ In terms of population growth, the Arab region has amongst the highest figures in the world, with only Tunisia (at 1.1%) below the global average of 1.4%.

Figure 6: Arab Population Annual Growth Rates



Source: Based on UNDP, Arab HDR 2002

The region is characterized by rapid population growth and relatively low (though growing) labor force participation rates, particularly among women. As labor force growth rates continue to rise at an average of 3.1% during the period 1998-2003, the Agriculture sector—organized in largely informal manner along family unit lines—remains a large sector for employment in the Arab region. In Yemen and Egypt, for example, employment in the agricultural sector accounts for 60% and 40% of total employment.⁴¹ As for urban labor markets, there are generally three types of employment: public administration, formal employment in enterprises under public sector control, and informal private activities. Once again there is a particularly bleak picture with respect to youth unemployment, among the highest rates in the world at nearly 26%, with female youth unemployment exceeding 31%. Indeed, with an average of 4 million new entrants into the labor force each year for the foreseeable future, the MENA region has the “greatest challenge of any region in the need to create employment opportunities for new entrants.”⁴²

According to the International Labor Organization (ILO), the Arab region experienced another rise in unemployment during 2003. Indeed, with an unemployment rate of 12.2 per cent (up from 11.9% in 2002), the region has the highest incidence of unemployment in the world.⁴³ This is the result of a major restructuring of employment in the public sector and high labor force growth rates. Additional causes of increased unemployment are recent policies in Gulf countries to increase the share of nationals in the work force, which is displacing foreign workers, often fellow Arabs. Incidence of unemployment among Arab women is particularly high, with rates exceeding an average of 16.5% for the region.

⁴⁰ Ibid., p. 143.

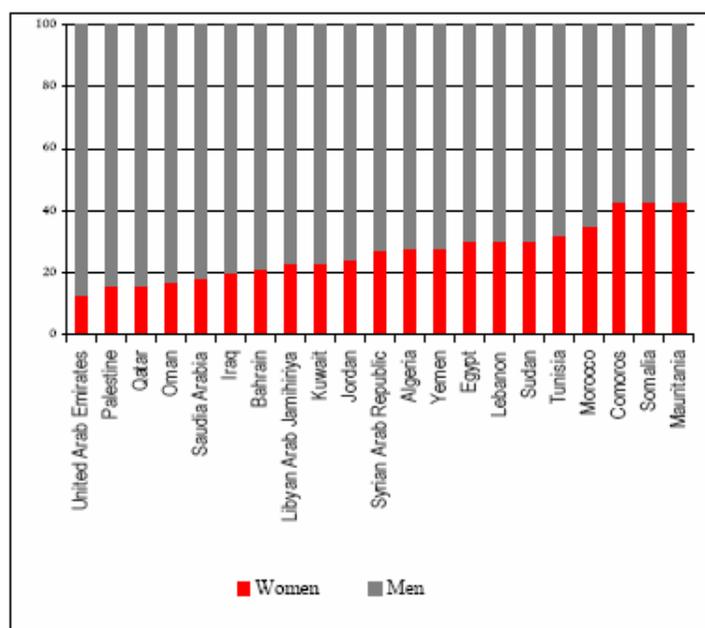
⁴¹ WRI, “Earth Trends”, op.cit.

⁴² World Bank, “Middle East and North Africa Region Strategy Paper”, June 2004, p.3. [http://lnweb18.worldbank.org/mna/mena.nsf/Attachments/MNA+Strategy/\\$File/MNA+Strategy+2004.pdf](http://lnweb18.worldbank.org/mna/mena.nsf/Attachments/MNA+Strategy/$File/MNA+Strategy+2004.pdf)

⁴³ ILO, *Global Employment Trends*, January 2004, p.2, <http://www.ilo.org/public/english/employment/strat/download/trends.pdf>

In terms of the Arab states promoting gender equality and empowering women, there are mixed results. Although there has been relative improvement in most Arab countries, women remain underrepresented in government. Arab women hold on average 5% of parliamentary seats, with participation rates ranging from a high of 12% in Tunisia and 11% in Djibouti and Morocco to a low of 0% in Bahrain, Kuwait and the UAE.⁴⁴ With regard to the share of women in the total labor force in the Arab world, there is an inverse relationship between the income levels and participation of women, such that the share of women is least in the Gulf region (with an average of well under 20%), while it is highest among some of the Arab LDCs such as Mauritania and Somalia (with just over 40%). Most countries of the Mashriq and Maghrib region are somewhere in the middle. Overall, in 2001, the participation of women in the global economy was estimated at 55.2 per cent, with corresponding rates in East Asia and the Pacific at 70 per cent, South Asia at 43.6 per cent, and Latin America and the Caribbean at 42 per cent. By stark contrast, a very modest 29 per cent of Arab women participated in the national economies of the Arab region.⁴⁵ Overall, according to the World Bank, the assessment is still bleak: “women are not empowered to better their quality of life and that of their families.”⁴⁶

Figure 7: Share of women and men in total labor force (2000)



Source: ILO, Labour statistics database (LABORSTA)

2.3 Environmental Overview

The Mashriq and Gulf sub-regions are characterized by serious over-grazing of lands, inefficient use of water resources, political tensions and subsidies for farmers, all of which have led to widespread damage to the already fragile lands of this region. Over 80% of the land in the Gulf area has been classed as “degraded” as result of wind erosion. Land salinization is another key problem, with over 40% of the combined Mashriq and Gulf area now considered “degraded” as a result.⁴⁷

⁴⁴ UNDP, *Arab Human Development Report 2003* (New York: United Nations), p.203.

⁴⁵ ESCWA, “Where do Arab Women Stand in the Development Process: A Gender-Based Statistical Analysis” (New York: United Nations, 2004), E/ESCWA/SDD/2004/Booklet.1(12 January 2004), <http://www.escwa.org.lb/information/publications/sdd/docs/sdd-04-booklet.1.pdf>

⁴⁶ World Bank, “Middle East and North Africa Region Strategy Paper”, op.cit., p.2.

⁴⁷ UNEP, GEO-3, “Fact Sheet: West Asia”, <http://www.unep.org/GEO/pdfs/GEO-3%20Fact%20Sheet%20%20West%20Asia.pdf>

In terms of biodiversity, the Arab region has a wide variation of both terrestrial (forests, rangelands, deserts) and aquatic ecosystems (mangrove swamps, mudflats, coral reefs and freshwater ecosystems). There are around 800 endemic vascular species in the region, with hot spots such as Socotra Island in Yemen particularly rich in endemic biodiversity; while the regional seas contain more than 1,200 species of fish and more than 300 species of coral.⁴⁸ However, a great number of these species are threatened as industrial pollution and ship ballasts take a heavy toll, especially in the Arabian Gulf and the Red Sea areas. Wetlands are also scarce, with the Maghrib region containing 37 wetlands of international importance according to RAMSAR, while the Mashriq and Gulf regions contain only a handful.

With regard to forest cover, the Maghrib region had over 77 million hectares of forests in 1990, while a decade later this was reduced by nearly 10 million hectares. The Gulf and Mashriq regions experienced modest declines in forest coverage during the 1990s, despite efforts to fend off land degradation and desertification through reforestation initiatives. In terms of percent of land area covered by forests and woodland, the Mashriq and Maghrib regions experienced a slight improvement over the period 1970 to 1994 (from 1.1 to 1.2, and 6.8 to 7.0% respectively) while the number of protected areas increased significantly from 1970 to 2002 (from 9 to 19, and 30 to 92 respectively). The Gulf area has seen a serious decline in the total forest and woodland cover (from 2.0 to 1.4 over the same period), though it has also supported the largest increase in protected areas (1 to 35).⁴⁹

2.3.1 Water and energy

Water is an increasingly scarce resource in the Arab region, where over 80% of the water used is still for agricultural purposes. No less than eight out of the fifteen most water scarce countries in the world are found in the Arab region.⁵⁰ Demand for water is far outstripping supply and groundwater extraction is exceeding sustainable rates of withdrawal. This is having disastrous consequences in countries such as Lebanon where groundwater salinity increased from 340 mg per liter to 22,000 mg per liter in recent years, mainly due to sea water intrusion resulting from illegal and over-pumping.⁵¹ The availability of renewable freshwater resources in the region is under 1000 m³/year per capita, and is expected to fall to 570 m³/year by 2025 due to growing demand and dwindling supplies.⁵² Five out of the seven countries in the Gulf region have a water stress index (% of used to water available) already well over 100%.

The main driving forces for water problems in the region are the burgeoning population, the accelerated development and competition for water in the urban, industrial and agricultural sectors, ineffective water management policies and practices, erratic precipitation and the highly volatile regional peace and security situation. The growing water claims of upstream riparian countries of shared water resources has resulted in further reducing the share of the downstream Arab countries, especially in Syria and Iraq.⁵³

The situation is exacerbated by the fact that nearly 80% of the ESCWA region's annual renewable water resources flow from outside of the region (about 176 billion cubic meters based on 2000 figures).⁵⁴ These

⁴⁸ UNEP, *GEO -3*, p. 143, http://geocompendium.grid.unep.ch/geo3_report/pdfs/Chapter%20%20Biodiversity.pdf

⁴⁹ UNEP, *Geo-3 Data Compendium*, http://geocompendium.grid.unep.ch/data_sets/biodiversity/sreg_biodiv_ds.htm.

⁵⁰ The most water scarce countries per capita in the region in descending order are: (1) Palestine; (2) Kuwait; (3) United Arab Emirates; (4) Qatar; (5) Saudi Arabia; (6) Jordan; (7) Bahrain; and (8) Yemen. Only Iraq, Lebanon and Syria are not among the top thirty most water scarce countries per capita. United Nations, "The United Nations World Water Development Report," 2003, p.74.

⁵¹ UNEP, *GEO -3*, "Fact Sheet: West Asia", op.cit.

⁵² According to Swedish hydrologist Malin Falkenmark's definition, water scarcity begins when renewable runoff water resources fall below 1000 m³/capita per year, while water stress is exhibited in countries benefit from less than 1700 m³ of renewable runoff water per person per year. See M. Falkenmark, "The massive water scarcity now threatening Africa – Why isn't it being addressed?" *Ambio*, 18(2), pp.112-118.

⁵³ CAMRE, ESCWA, UNEP, *World Summit on Sustainable Development Progress Report for the Arab Region*, 2001, p.23.

⁵⁴ ESCWA, *World Summit on Sustainable Development Assessment Report for the ESCWA Region*, New York: United Nations, 2002, E/ESCWA/ENR/2002/19, p. 33.

transboundary water resources serve 70% of the ESCWA population and support municipal, agricultural and industrial water users, as well as regional ecosystems. The effective management of shared water resources is thus crucial to ensuring the health, welfare and livelihoods of the region's population and environment.⁵⁵

As for energy production and consumption, Table 4 below shows clearly that the oil-rich countries of the Gulf region as well as the Maghrib have very high energy production and consumption rates.

Table 4: Water and Energy Indicators for Selected Arab Countries⁵⁶

	Renewable Water Resources (per capita m ³)	Water Balance (per capita m ³)	1999 Energy Production in quadrillion btu	1999 Energy Consumption in quadrillion btu	1999 CO ² Emissions ⁵⁷
Algeria	512	332	6.06	1.31	23.42
Bahrain	206	-259	0.41	0.37	5.52
Djibouti	520	500	0	0.02	0.49
Egypt	926	13	2.72	2.02	33.49
Iraq	3688	1321	5.48	1.16	21.66
Lebanon	1465	1021	0.01	0.23	4.22
Libya	111	-769	3.10	0.58	11.33
Mauritania	5013	4090	0	0.05	0.85
Morocco	1110	674	0.02	0.41	7.61
Saudi Arabia	134	-906	19.64	4.34	73.93
Sudan	3150	2517	0.13	0.07	1.22
Syria	1791	774	1.51	0.81	13.02
Yemen	283	32	0.85	0.14	2.52
TOTAL ARAB REGION	-	-	55.57	15.59	268.40

Source: UNDP, Arab HDR 2002

Recent studies conducted by the World Bank have also shed light on the overall cost of environmental degradation to the GDPs in a number of Arab countries. Table 5 below shows that environmental degradation cost an estimated average of 4.3% of the GDP in the six Arab countries examined. Air pollution alone cost Egypt an estimated 2.1% of its GDP, which in 2003 would be roughly \$1.7 billion.⁵⁸ Unfortunately, there has not been much attention paid to these alarming figures, nor have policy-makers in the Arab region begun to seriously address this issue.

Table 5: Overall Estimated Cost of environmental degradation (as %GDP)⁵⁹

	Algeria	Egypt	Jordan	Lebanon	Morocco	Syria	Tunisia
Land	1.2	1.2	0.61	0.6	0.5	1.3	0.5
Air	0.9	2.1	0.8	1.0	1.0	1.2	0.6
Water	0.8	1.0	1.2	1.1	1.2	0.8	0.6
Coastal Zones	0.6	0.3	0.2	0.7	0.5	0.1	0.3
Waste	0.1	0.2	..	<0.1	0.5	0.1	0.1
Sub Total	3.6	4.8	2.8	3.4	3.7	3.5	2.1
Global Environment	1.2	0.6	1.0	0.5	0.9	1.2	0.6
Total	4.8	5.4	3.8	3.9	4.6	4.7	2.7

Source: World Bank/METAP

⁵⁵ ESCWA, *The Potential Role of ESCWA in Conflict Resolution and Management of Shared Water Resources*, ESCWA/SPDP/WIT working paper, August 2003.

⁵⁶ UNDP, *Arab HDR 2002*, op.cit., Tables 12-13, pp. 150-1.

⁵⁷ CO² emissions measured in terms of million metric tons of carbon equivalent.

⁵⁸ Figure based on World Bank GDP figure for Egypt of \$82.4 billion for 2003. Please see World Bank, "Egypt at a Glance", http://www.worldbank.org/data/countrydata/aag/egy_aag.pdf.

⁵⁹ METAP/World Bank country studies on the *Cost of Environmental Degradation* in each of the countries noted, prepared between 2001 and 2003. Summary table provided in *SIA/EMFTA Phase I Final Report*, p. A58. Figures estimate damage costs to GDP based on a no-change scenario (e.g., current environmental pollution/quality conditions) in noted sectors.

2.3.2 Trade-related Multilateral Environmental Agreements (MEAs)

Table 6 below shows that—with the notable exception of the Kyoto Protocol, the Cartagena (Biosafety) Protocol and the Basel Ban—Arab countries in general have tended to sign trade-related MEAs, though the implementation of such agreements remains weak. In general, there is little follow up on national implementation because of lack of resources, political will and a weak and fragmented civil society (including media) that does not yet have the capability to serve as a much needed watch-dog.

Table 6: Ratification of major trade and environment related MEAs by Selected Arab States (1985-2000)⁶⁰

COUNTRY	MONTREAL PROTOCOL	BASEL CONVENTION/ BASEL BAN	CONVENTION ON BIODIVERSITY/ CARTAGENA PROTOCOL	CLIMATE CHANGE CONVENTION/ KYOTO PROTOCOL	STOCKHOLM CONVENTION	CITES
Bahrain	X	X/-	X/-	X/-	-	-
Egypt	X	X/X	X/X	X/-	X	X
Jordan	X	X/X	X/X	X/X	X	X
Kuwait	X	X/-	X/-	X/-	-	X
Lebanon	X	X/-	X/-	X/-	X	-
Mauritania	X	X/-	X/-	X/-	-	X
Oman	X	X/X	X/X	X/-	X	-
Qatar	X	X/X	X/-	X/-	X	X
Saudi Arabia	X	X/-	-	X/-	-	X
Sudan	X	-/-	X/-	X/X	-	X
Syria	X	X/X	X/X	X/-	-	X
UAE	X	X/-	X/-	X/-	X	X
Yemen	X	X/-	X/-	X/X	X	X

Sources: WTO, ESCWA and MEA secretariat homepages

2.3.3 Environmental and sustainable development governance in the Arab region

Institutional arrangements for environmental governance in the Arab region have evolved over the last decade and have become increasingly structured in their ability to address a variety of issues within the sustainable development framework. However, while institutions have developed, human capacity, institutional coordination and financial resources remain limited. As in many countries, the region also faces challenges associated with moving from a sector-based approach to environmental management to a dynamic multi-sectoral approach, which is needed to tackle complex sustainable development issues such as trade and environment.⁶¹

New institutions have emerged in the Arab region, both on the national level but also at the regional level, the most important of which was the establishment of the Council of the Arab Ministers Responsible for the Environment (CAMRE) by the League of Arab States (LAS) in 1987. CAMRE provided the first political forum for addressing environmental matters in the region. During the 1990s, the Joint Committee for Environment and Development in the Arab Region (JCEDAR) was established as an advisory body to CAMRE. The membership of JCEDAR is both governmental and non-governmental and includes representatives of national environmental agencies, NGOs, private sector associations and regional organizations. However, the success of these institutions in advancing regional sustainable development is constrained by the difficulty of coordinating sustainable development efforts across sectors and ministries at the national level.

⁶⁰ Based on concerned MEA secretariats, various official sources listing country ratification and accession to MEAs, and on WTO, *MEA Database: Matrix on Trade Measures Pursuant to Selected Multilateral Environmental Agreements (MEAs)*, WT/CTE/W/160/Rev.3 TN/TE/S/5/Rev.1 (16 February 2005), http://www.wto.org/english/tratop_e/envir_e/mea_database_e.htm.

⁶¹ ESCWA, *Governance for Sustainable Development in the Arab Region: Institutions and Instruments for Moving Beyond an Environmental Management Culture*, United Nations, New York, 2003, E/ESCWA/SDPD/2003/8.

Nevertheless, regional coordination has been possible in several areas. Regional preparations for the World Summit for Sustainable Development were coordinated by a Joint Secretariat composed of the CAMRE Technical Secretariat, ESCWA and UNEP/ROWA. This led to the adoption of *The Sustainable Development Initiative in the Arab Region* in July 2002, which was subsequently presented as a regional contribution to the WSSD. The Joint Secretariat is also responsible for coordinating regional follow-up to the WSSD. This included the preparation and adoption by CAMRE of the Regional Capacity Building Program on Trade and Environment for the Arab Region in 2003, which is discussed in the final section of this report.

Changes in perspectives and concepts regarding sustainable development in the Arab region are best observed in declarations issued following regional forums.⁶² The scope of topics included in regional sustainable development declarations has evolved and expanded over the past decade. While the orientation of topics still centers on institution building, capacity building, natural resource management, international cooperation, technology transfer and financing, more attention is being placed on economic issues (trade liberalization), international issues (multilateral environmental agreements, debt and financing) and participatory approaches to sustainable development (women, youth) in recent declarations.⁶³ This demonstrates positive steps towards integrated thinking about sustainable development issues, including the relationship between trade and the environment.

3. TRADE AND ENVIRONMENT OPPORTUNITIES AND CHALLENGES FOR THE REGION

3.1 Evolution of Trade and Environment Commitments in the Arab Region

The Arab states are, today, more aware about the importance and potential impact of trade and environment issues across their societies as a whole. Indeed, the recent evolution of trade and environment in the region can be viewed in three phases:

- **Phase one (early to mid-1990s):** Limited awareness exists of trade and environment issues and linkages. This is demonstrated by the lack of official participation and involvement of most Arab countries in GATT/WTO forums, particularly those related to the environment. Indeed, with the exception of a few specialist consultants or experts within the trade ministries, there was little awareness and information filtering down to other concerned agencies. With regard to oil resources, most officials were convinced that this was off the international agenda. Arab civil society was, for the most part, excluded from official discussions, although there was burgeoning concern about production and consumption patterns, particularly in reference to population growth and economic development.
- **Phase two (mid to late-1990s):** Emerging understanding of the importance of trade and environment linkages, particularly in reference to restrictions on market access and the realization that the oil sector could be the subject of negotiation within the WTO. Chambers of commerce, NGOs and regional organizations became active in addressing trade and environment issues and conducted numerous workshops and awareness-raising activities. Some countries in the region established trade and environment working groups or sub-committees within the framework of their national WTO committee (e.g., Egypt, Tunisia). This led CAMRE to recommend that countries establish

⁶² Key regional declarations include the: *Arab Declaration on Environment and Development* (1986); *Arab Declaration on Environment and Development and Future Prospects* (1991); *Regional Action Program for Sustainable Development* (1992); *Declaration of the First Conference on the Environment from an Islamic perspective* (2000); *Abu Dhabi Declaration: Perspectives of Arab Environmental Action* (2001); *Oman Declaration on Environment and Sustainable Development* (2001); *Arab Declaration to the World Summit on Sustainable Development* (2002); *Joint AMCEN/CAMRE Ministerial Declaration* (2002), and the *Arab Initiative for Sustainable Development* (2002).

⁶³ See ESCWA, *Governance for Sustainable Development in the Arab Region*, op.cit .

national committees on trade and environment to facilitate inter-ministerial coordination and discussion with civil society on this topic.⁶⁴ Initiatives were launched to share and develop information at the regional level on trade and environment linkages within the framework of enhancing sustainable development.⁶⁵

In reality, most of these committees did not meet and were not particularly active or influential in preparing positions for negotiation, particularly since concerned officials outside of the trade ministries had little input. Moreover, “there remained a very widespread confusion among much of the business and government sector over just what WTO was all about,”⁶⁶ and the fundamental fear was that environmental provisions were simply another way of imposing Northern values on the South. Civil society and the private sector were becoming more aware about the topic, but on the whole were not engaged or invited to participate in official deliberations on the subject as understanding about the various dimensions of trade and environment relationships was still unclear.

- **Phase three (late-1990s to present):** Most decision-makers in Arab countries are now aware of the direct and indirect linkages between trade and the environment, mainly because of high profile meetings such as the WTO Doha Ministerial Meeting and the WSSD Johannesburg Summit, as well as increasing attention being paid to the potential implications of trade-related MEAs. However, Arab countries remain mostly concerned about issues of market access and competitiveness. The liberalization of the energy sector has now become a major source of concern for oil-based economies. Arab countries are also increasingly responding to the call by CAMRE to establish a national trade and environment committee (e.g., Kuwait, Morocco), with Yemen and Lebanon being the latest countries to take steps to establish one.

In view of these developments, Arab countries have become more active in the WTO Committee on Trade and Environment (see Figure 8) and in raising related issues in national and regional declarations on sustainable development. Civil society and the private sector also participate increasingly in discussions about trade and the environment, with a few states, such as Egypt, Morocco and Tunisia as well as some GCC countries, inviting representatives to participate in the work of the national committee. However, most NGOs are interested in trade and environment issues as they relate to the impact of globalization in the Arab region. As such, civil society participation has helped to shift some focus on the impact of trade on the environment from issues exclusively on the WTO agenda to MEAs and broader sustainable development topics, such as genetically modified organisms and biosafety.

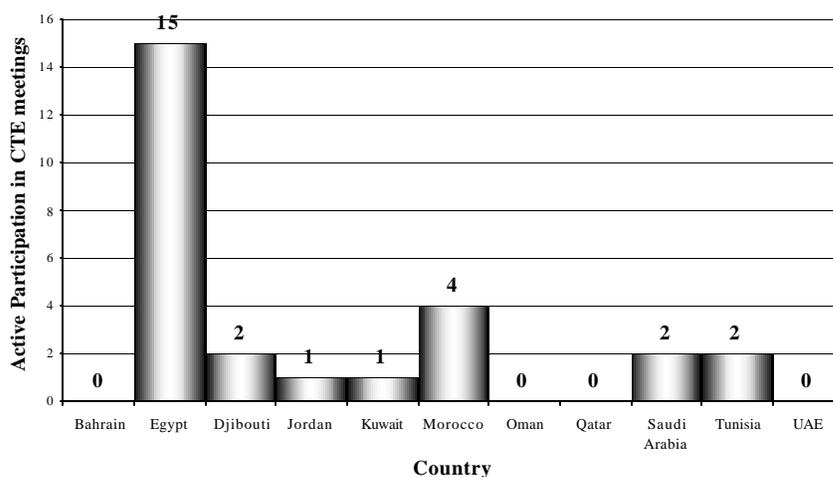
It should be noted that many in Arab society remain suspicious of globalization in general, and trade liberalization in particular. Private industry echoes this concern due to threats to competitiveness caused by increasing imports and the growing number of non-tariff barriers being faced in export markets. This has resulted in two different perspectives being voiced in the Arab region. The official policy supports WTO mechanisms, while society as a whole remains apprehensive. Indeed, “[a]lthough Arab leadership understands the importance of the WTO and the necessity of engaging positively in the multilateral framework, the people who make up the rank and file of the governing institutions and middle managers in government service are likely to reflect the same ideas as found in society at large. And in society at large we are finding big coalitions of anti-globalization, anti-WTO forces...”.⁶⁷ As such, there is an urgent need to build capacity in Arab countries in order to be both proactive, but also to ensure public participation in discussions involving trade and environment within the framework of the WTO and regional progress towards achieving sustainable development.

⁶⁴ CAMRE Resolution 125Q, adopted at meeting of 11-18 October 1999.

⁶⁵ The MedPolicies Initiative on trade and environment capacity building was launched by METAP with the financial support of the World Bank in 1997. It was initially implemented by the Harvard Institute for International Development and then transferred to ESCWA to build on their work on trade and environment that began in the mid-1990s.

⁶⁶ Talal Abu-Ghazaleh, “Opening Statement”, World Trade Law Organization Regional Conference, Amman, Jordan, 25 April 2002, p.1, http://www.tagi.com/Speech/Default.asp?Type_ID=5.

⁶⁷ *Ibid.*, pp. 4-5.

Figure 8: CTE: Participation⁶⁸ in Negotiations by Arab Countries (excluding written submissions)

Source: Based on WTO website- CTE Minutes: http://www.wto.org/english/tratop_e/envir_e/wrk_committee_e.htm

3.2 Key Trade & Environment Issues in the Arab Region

Concern about trade and environment issues in the Arab region is focused on points raised in the Doha Development Agenda, as well as other measures that involve the implementation of trade-related MEAs and progress towards sustainable development in the region. Most governments have addressed most their attention to the negative impact of environmental requirements on market access for Arab exports (particularly in OECD markets). The impact of energy subsidies in developed countries for oil-based economies is also of concern, as well as to some degree the liberalization of environmental goods and services. Attention to trade-related MEAs currently focuses on the implications of the Kyoto Protocol for the region. Among non-state actors, NGOs have started to focus on the Cartagena Biosafety Protocol (and especially the provisions related to GMOs). During the 1990s the Basel Convention on the trafficking of hazardous waste also received significant attention, albeit not within the context of WTO related matters. The enforcement of Trade Related Intellectual Property Rights (TRIPS) remains high on the agenda of many Arab countries and NGOs, many of whom are very concerned about public-health issues and access to affordable medicine; but not so much with issues related to the environment.

3.2.1 Effect of environmental measures on market access

The Doha Development Agenda calls for negotiations on the reduction or elimination of all tariffs and non-tariff barriers on all non-agricultural products, particularly those of interest to developing countries [Doha mandate, para. 32(i)]. Within the context of regional trade and environment challenges, non-tariff barriers are among the chief concerns of Arab countries with regards to limitation on market access and threats to export competitiveness. As Bahrain's Minister of Commerce and Industry declared in Bahrain's official statement circulated at the Doha Ministerial Conference in 2001: "The State of Bahrain is fully committed to international standards and laws which aim to preserve the environment. However, we emphasize the importance of not using environmental standards as a new barrier against exports of developing countries."⁶⁹ The Moroccan statement delivered at the Cancun Ministerial Conference in 2003 reaffirms this general Arab sentiment: "The negotiations on environment provide an opportunity for Members to make good the

⁶⁸ According to the 'Minutes' only the representatives of the respective countries that contributed to the discussion are mentioned. Representatives to other Arab Countries might have been present but did not participate. The period covered is between 1994 and 2004. Note that this does *not* include written submissions.

⁶⁹ WTO, "Bahrain: Statement Circulated by H.E. Mr. Ali Saleh Al-Saleh, Minister of Commerce and Industry", WT/MIN(01)/ST/74, 11 November 2001.

multilateral trade system's short-comings in the area of trade and environment, but without using them as an opportunity to restrict market access for exports..."⁷⁰

Regulations as technical barriers to trade

While the Doha Development Agenda identifies specific areas for discussion with the Committee on Trade and Environment, the Arab region is also concerned and oftentimes more interested by on-going negotiations and issues raised by the Committee on Technical Barriers to Trade (TBT) and the Committee on Sanitary and Phytosanitary Standards (SPS) with regards to environmental, health and safety related TBTs and SPS. This is partially because while the CTE is charged with examining the impact of environmental requirements on trade, discussions regarding international standards and standard-setting processes continue with the latter two committees. It is also because of the increasing volume and sophistication of standards being adopted in both the North and the South. Arab countries are also particularly concerned whether the application of the increasing number of environmental, health and safety standards are protectionist in nature or legitimate according to science-based risk assessments or in terms of the General Exceptions listed in Article XX of the General Agreement on Tariffs and Trade (GATT). This raises four major challenges for the Arab region.

First is the importance of *standard-setting*. While not all Arab countries have independent standard-setting authorities, most governments agree on the importance of formulating standards and adopting them to national conditions. International standards are generally used as the basis of this formulation process even though Arab countries are rarely represented on working groups formulating technical standards due to the time, cost and human resources needed to effectively contribute to these efforts. However, technical capacity is available in the region to review technical standards and adapt them to local circumstances. For instance, the international standard for the presence of titanium dioxide in tahini-based products was considered not sufficiently stringent given that the Lebanese diet generally comprises a high level of consumption of such products. Accordingly, the Lebanese Standards Institution adopted a more rigorous standard and defended this standard on health grounds during pre-accession negotiations. At the regional level, efforts are also underway through the Standards Committee of the LAS Arab Industrial Development and Mining Organization (AIDMO), which seeks to formulate regionally acceptable standards and to harmonize standards across Arab countries. This work is being done in complementarity with GAFTA objectives that seek regional integration. Nevertheless, progress has been slow.

Second is the challenge of *conformity assessment*. Even if Arab exports are in conformity with increasingly stringent standards in foreign markets, the burden of demonstrating compliance with these standards is becoming increasingly time consuming and costly. This is a problem that arises not only with exports to developed country markets, but also an obstacle to trade within the region where conformity assessment procedures are often construed as veiled protectionist measures. For instance, agricultural imports into Egypt are stopped at the border pending the completion of numerous SPS tests, which may entail the testing of large samples of the consignment and time consuming procedures. The exporter is also responsible for paying the cost of refrigeration at border facilities. This has in many cases resulted in the spoilage of goods at the border, which are thus subsequently rejected. Countries in the region are also adopting increasingly sophisticated registration and conformity assessment procedures for pharmaceuticals, an expanding industry in the region. For example, all Arab countries require pharmaceutical companies to be in compliance with Good Manufacturing Practices (GMP) guidelines, with Qatar also requiring that Good Laboratory Practices (GLP) conformity also be certified and demonstrated by an accredited body.⁷¹ Conformity with these regulations is imposed on importers, but it is questionable whether they are being equally applied to domestic producers. While this violates the principle of national treatment (GATT, Article III), limited cases have been brought to dispute due to the structure of the political economy in the region.

This raises the third challenge facing Arab countries, namely that of *environmental enforcement*. Indeed, the problem of national treatment is a fundamental problem for developing countries, including those in the

⁷⁰ WTO, "Morocco: Statement by H.E. Mr. Mustafa Mechahouri, Minister of Foreign Trade", WT/MIN(03)/ST/85, 11 September 2003.

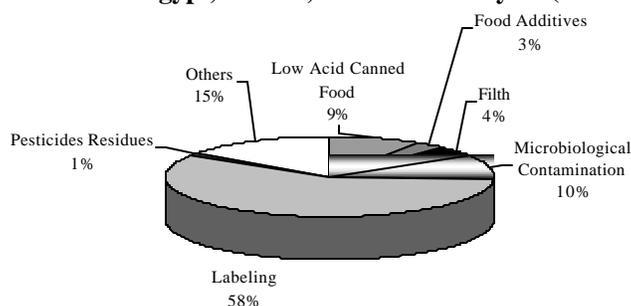
⁷¹ ESCWA, *Impact of Environmental Regulations*, op.cit., p. 41.

Arab region. The application and enforcement of national environmental and health regulations on domestic producers on the same terms as those applied on imports can easily be called into question since the legal and institutional frameworks for environmental and health monitoring and enforcement at the national level remain weak in the great majority of countries in the region. This weakness impedes the ability of Arab countries to strengthen their capacity and commitment to reliable conformity assessment systems and prevents them from adequately protecting their citizens for poor quality imports.

An additional difficulty rests with the fact that there are very few independent accreditation agencies in the Arab region to ensure the accuracy of conformity assessment testing facilities. Of those that exist, several are branches of national standard-setting bodies, which may call into question the independence of their procedures. Arab countries are currently considering the formulation of a regional accreditation authority, but it is uncertain yet as to whether such an agency would play a coordinating and capacity building role or have the authority to issue accreditation certificates to testing facilities in the region.⁷²

Despite these challenges, it is interesting to discover that Arab exporters have generally still been able to access European and US markets and the reasons that prevent their access are usually easily remedied. For instance, a review of agro-food exports to the United States from Egypt, Jordan, Lebanon and the Syrian Arab Republic from January to June 2001 reveals that environmental and health standards were among the least common problem impeding market access (see Figure 9). Pesticide residues accounted for less than one percent of detentions and the lack of conformity with US regulation regarding the use of low-acid cans in fruit and vegetable packaging accounted for nine percent of detentions at the border. However, a significant problem with labeling is apparent and, though easily remedied, it can be costly. Nonetheless, the situation can be remedied by improving access to adequate and accurate information about US labeling requirements.

Figure 9: USFDA Detentions from Egypt, Jordan, Lebanon and Syria (January-June 2001)⁷³



Source: ESCWA

The difficulty of securing labeling information and providing the necessary declarations about environmental, health and safety components of agro-food products for entry into the EU and US markets has grown since the adoption of such laws as the United States Public Health Security and Bio-terrorism Preparedness and Response Act of 2002 (the Bio-terrorism Act). This act requires agro-food importers to provide U.S. Customs with detailed information that allows for the traceability of inputs into all agro-food import shipments at least five days prior to arrival at US ports. Such laws may be considered potential barriers to trade because of the likely generation of additional challenges and costs for exporters from the region, and the difficulty of completing these declarations, particularly for SMEs. Additionally, most farmers in the region sell their fresh produce through SMEs or wholesalers who do not necessarily have the names of all the farmers from which they are selling produce. Similar challenges are likely to also emerge with the application of the European Union's adoption of rules governing traceability as well.

⁷² AIDMO-ESCWA "Expert Group Meeting on Accreditation," Rabat, Morocco, December 2003.

⁷³ ESCWA, *The Impact of Environmental Regulations*, op.cit., p. 22.

This brings us to the fourth challenge and opportunity presented by the trade negotiations to Arab countries, and is also raised in the Doha Development Agenda [para. 32(iii)]. *Product labeling* provides information to the consumer and allows them to make educated decisions based on their personal preferences. However, consumers must be informed about what to look for and what their rights are if product labeling is to be an effective tool in informing consumption choices. While consumer protection organizations have been established in the Arab region, including the Arab Federation of Consumers and individual organizations in Jordan, Lebanon and Egypt,⁷⁴ there remains limited awareness among individual consumers in the region about what may pose a risk to human health, be it in agricultural products, processed foods, textiles or garments. For example, a recent survey conducted of farmers, consumers and agricultural experts in Lebanon revealed limited awareness about GMOs and whether they are present in the Lebanese agricultural sector. However, the survey did reveal to a significant degree that consumers want to be informed as to whether GMOs are present when making a purchase decision.⁷⁵ However, some progress is being made on consumer rights and Jordan and Tunisia having already passed consumer protection laws,⁷⁶ and Egyptian and Lebanese laws are under review.

Another aspect of the labeling debate involves labeling for niche markets, such as organic labeling or socially responsible labels. While this trend has been witnessed in the agricultural sector with organic cotton production and organic agricultural goods being grown in Egypt, the textile and garment sector has yet to pursue environmentally-friendly label certification to a significant degree. However, what is interesting to note is how government regulations are becoming more stringent and slowly incorporating what used to be niche market environmentally-friendly standards, and this is a policy challenge that should be of priority concern for Arab exporters. For example, several European countries and non-governmental organizations had developed eco-labels during the 1990s that allowed for certification demonstrating that garments were free of carcinogenic azo dyes. However, in 2002 and then in 2003, the EU passed a directive banning the use of certain azo dyes entirely. Conformity with EC directive 2003/03/CE of 6 January 2003 restricting the use of certain azo dyes by 30 June 2004 can be high, particularly when the information, time and resources needed to identify and locate alternatives of an acceptable quality is included in the cost of conformity for small and medium scale producers. For instance, assuming no change in private sector behavior, the cost of conformity with the new EC directive could reduce Moroccan textile exports to the EU by 5.5% to 9%, although the impact will not be so large for garment exports.⁷⁷ The Moroccan Association for Textiles and Garments (AMITH) has since taken proactive action to inform their membership of the new regulation and assist them in complying with it. A loss of exports by 1.5% would also have been felt by Jordanian leather product exporters who traditionally used azo dyes during production, but have since stopped their use due to the regulation.⁷⁸

3.2.2 Effect of environmental taxes and subsidies on competitiveness

Other trade distorting measures of concern to Arab countries include the application of subsidies and environmental taxes. Despite the fact that the issue is not fully raised within the context of current negotiations before the WTO, the issue does form part of the on-going work program of the CTE (item 3).

⁷⁴ Jordanian Consumer Protection Society, Lebanese Consumer Protection Society, Central Egyptian Society for Consumer Protection, Egyptian Legal Association for Consumer Protection

⁷⁵ See results of survey included in ESCWA, *Towards a policy framework for genetically modified organisms (GMOs) in the ESCWA region: assessing the case of Lebanon*, forthcoming in late 2005.

⁷⁶ Dima Amr, "Long road ahead to defend Arab consumer rights — AFC," *The Jordanian Times*, 10 November 1999, <http://www.jordanembassyus.org/111099008.htm>

⁷⁷ METAP MedPolicies Initiative, "Les effets de la réglementation européenne relative à l'environnement sur les exportations marocaines de produits textiles: cas des colorants azoïques," Trade and Environment Policy Note, June 2004.

⁷⁸ METAP MedPolicies Initiative, "The Impact of Environmental Regulation on Trade: the Case of the EU Ban on the Use of Azo Dyes on Jordanian Leather Exports," Trade and Environment Policy Note, June 2004.

Environmental taxes and subsidies

Petroleum exporting countries, including those in the Arab region, consider the environmental taxes placed on oil products in many OECD countries to be a non-tariff barrier that infringes on their competitiveness and the ability of consumers to choose their preferred source of energy. Petroleum taxes and import duties are high in Europe and in the United States and the Arab position is that this discriminates against petroleum consumption in favor of alternative energy sources that are not necessarily less polluting. Indeed, while the justification for energy taxes is often made with a view towards achieving carbon emission reduction targets, a submission by Saudi Arabia to the CTE states that both Europe and the USA continue to tax oil under the environmental umbrella while heavily subsidizing highly polluting coal-burning plants, which raises the question of a double standard.⁷⁹ Furthermore, the submission states that in 1998, countries of the G7 gained revenues of US\$358 billion from fuel taxes, which is almost twice the amount that was earned by OPEC members from their petroleum exports;⁸⁰ contrarily oil-producing countries of the South suffer losses to GDP. This is “big business” for certain OECD governments and income that some claim to be the real reason for imposing the tax.

Accordingly, the Arab position is generally that members of both MEAs and the WTO must take care to respect their obligations towards both international agreements, but that WTO members should also take care to respect their obligations to reduce taxes and subsidies so as to implement the least trade distorting measure for realizing their environmental goals. And, one might add, a policy that does not favor one domestic polluting energy industry over one that is supported by imports.

Another major policy issue for petroleum-exporting countries in the Arab region and elsewhere is found in dual pricing (or two-tier pricing) practices for natural resources, namely petroleum resources whereby governments keep domestic prices lower (or export prices higher) than if they had been determined by market forces. It is believed that this has enabled some countries to use their natural resources as a means to promote industrialization or attract investment in a manner that can strengthen the development and the competitiveness of their national industrial sector.

While dual pricing as such is not inconsistent with WTO rules, problems arise in finding acceptable mechanisms to keep domestic prices lower than world prices. This is because energy inputs supplied at lower prices domestically than available internationally are a non-actionable subsidy (permissible subsidy) when those inputs are available throughout the economy and are not specific to export production. On the other hand, even if the energy inputs were not directly linked to exports, but available only to particular industries, they could still be considered specific and thus actionable under the Subsidies Agreement. In such a case, downstream products could subsequently be subject to countervailing duties if they were deemed to cause material injury to producer in export markets.

For instance, aluminum and steel production are energy intensive industries that are expanding in the Gulf sub-region, particularly in Bahrain and Saudi Arabia. Expansion in the aluminum sector is largely attributed to the low cost of energy inputs and the availability of cheap bauxite. The situation has led the EC to claim that some GCC countries are using their oil and gas wealth to subsidize these energy intensive industries. This has been a contentious issue for Saudi Arabia in the accession negotiations, particularly as Saudi Arabia pursues an aggressive economic diversification policy based on expanding manufacturing and heavy industries. The issue was also raised within the framework of negotiations to establish the EC-GCC Free Trade Area, albeit an agreement not fully to the liking of Arab countries was reached in order to finalize negotiations by a 2005 target. Despite the position of the North regarding the “subsidization” of heavy industries with the region’s relatively abundant energy resources, similar claims might be made by Gulf countries regarding water and agricultural land subsidies offered by most European governments to their farmers given the wealth of water and arable land that Europe enjoys in this area. Again, in the case of

⁷⁹ WTO, CTE, “Energy Taxation, Subsidies and Incentives in OECD Countries and their Economic and Trade Implications on Developing Countries, in particular Developing Oil Producing and Exporting Countries” (submission by Saudi Arabia), WT/CTE/W/215 and TN/TE/W9 (17 September 2002).

⁸⁰ Murray Gibbs, op.cit.

natural resource-related subsidies, Arab countries are concerned about the North applying a double standard in their dealings with the region.

It should be also recognized that energy subsidies are not as prevalent in the Gulf region as one may think given that Arab countries are increasingly removing energy-related subsidies and taxes. For example, Oman eliminated all export duties upon accession to the WTO, including those on its petroleum resources and derivatives.⁸¹ While the UAE's Federal Government regulates the retail pump price of petrol for its citizens, it does not subsidize petrol to retail marketing companies that also sell to export-oriented industries—thus causing retailers to incur significant losses in the domestic market as crude oil prices skyrocket to US\$50 per barrel.⁸²

Subsidies to encourage environmental investment and technology transfer

The ability to use subsidies to encourage clean production or environmental technology transfer can be beneficial for Arab countries, particularly those with significant SME manufacturing sectors such as those found in the Maghrib and Mashriq. The Doha Development Agenda includes provisions to encourage technology transfer to developing countries to help producers and exporters come into conformity with new standards. Assistance with technology transfer is particularly important for SMEs who need access to financial capital, know-how and information to identify and adapt new technologies and procedures for achieving environmental conformity. For example, environmental technology funds have been established in Morocco and Tunisia to support the environmental upgrading of enterprises to face more stringent environmental standards being adopted both domestically and in foreign markets. However, publicly-supported mechanisms for facilitating technology transfer may be construed as a subsidy in some cases. While the WTO sanctioned environmental pay-outs by governments until quite recently under Article 8 of the SCM Agreement, no one sought renewal of the clause when it was up for renewal due to fears that it may open new opportunities for “environmental protectionism” by the North. While none of these investment funds have been challenged, Arab governments should be vigilant to ensure that such green initiatives that support export-oriented SMEs are not called into question given their effectiveness in moving closer towards sustainable development and all the while ensure that subsidies do not become another measure for reducing the competitiveness of Arab exports.

3.2.3 Multilateral environmental agreements (MEAs)

While, in general, Arab countries remain concerned about the weakness of MEAs in incorporating the developmental interests of the developing countries, there is little specific information—official or otherwise—on the Arab position with respect to conflicts between WTO and the trade provisions of MEAs, despite the inclusion of this relationships as a subject for discussion within the Doha Development Agenda [para. 31(i) and 31(ii)]. This is borne out by the fact that there was only one submission by an Arab country—namely, a “non-paper” submitted by Egypt in 1996—in the CTE prior to the Doha Declaration in 2001⁸³; and only one submission that refers to MEAs after Doha, namely by Saudi Arabia.⁸⁴ There is, however, major concern among oil-dependent Arab countries about the impact of the Kyoto Protocol; while the significance of the CBD's Cartagena Protocol has also recently begun to be analyzed.

Kyoto Protocol to the Framework Convention on Climate Change (FCCC)

The MEA of greatest interest to energy exporting countries is the Kyoto Protocol. Measures that countries may take to implement the Protocol, such as the introduction of energy efficiency standards, energy taxes, subsidies, or the use of specific environmentally sound technologies, eco-labels, and government

⁸¹ Ibid.

⁸² “EPPCO Threatens to Suspend Benzene Supply,” *Al-Sharq Al-Awsat Newspaper*, 12 October 2004.

⁸³ WTO, CTE, Special Session, “Multilateral Environmental Agreements and WTO Rules: Proposals Made in the Committee on Trade and Environment from 1995-2002”, TN/TE/S/1, p. 6.

⁸⁴ WTO, CTE, Special Session, “Compilation of Submissions under Paragraph 31(i) of the Doha Declaration”, TN/TE/S/3/Rev.1

procurement policies, could have significant trade implications. The manner in which governments allocate emission allowances will affect the international competitiveness of their industrial sectors. Some of these actions could be challenged because of their possible inconsistency with specific WTO agreements, such as the Agreement on Subsidies or on Technical Barriers to Trade, and there may be initiatives to modify these Agreements. Furthermore, the implementation of the Protocol will create new markets for specific goods (e.g. energy-efficient goods) and services (e.g. services related to the trading of emissions rights) for which market access will be negotiated under GATT and the General Agreement on Trade in Services (GATS).⁸⁵

The Kyoto Protocol to the United Nations Framework Convention on Climate Change (FCCC)—which will come into effect in February 2005 after Russia finally ratified it and ensured that countries with at least 55% of the total anthropogenic Greenhouse Gases (GHG) emissions would comply—has been described by some as the “most important economic agreement penned in the 20th Century.”⁸⁶ It obliges states to reduce their GHG emissions by about 5% from their 1990 levels by 2008-2012. Through the G77 group, many developing countries, including many of the concerned Arab countries, have stressed the need for technology transfer and financial assistance to cope with the probable adverse economic effects of climate change; as well as with the effects resulting from the industrialized countries’ own responses to Kyoto. Thus for Arab countries, although there is some concern about the possible impact of climate change in the region, most of the research and concern is focused on the possible impact that climate change response measures will have on the oil-dependent countries, and particularly the Gulf region.

Indeed, only six Arab countries have acceded to the Kyoto Protocol, namely Djibouti, Jordan, Morocco, Sudan, Tunisia, and Yemen. Egypt has signed but not yet ratified the agreement.⁸⁷ However, there are legitimate fears in the Arab world that international trade links will basically transmit effects of greenhouse gas control measures adopted by one country to those who have not signed on to Kyoto.⁸⁸ Restrictions will lower global demand for carbon-emitting fuels (reducing their price); while emissions control may depress economic activity in countries subject to emissions restriction. In this regard, Article 4.8 is of particular importance, which states that in the implementation of commitments “the parties shall give full consideration to what action are necessary to meet the specific needs and concerns of developing country parties arising from adverse effects of climate change and/or the implementation of response measures”. In particular, this article refers to “countries whose economies are highly dependent on income generated from the production, processing and export, and/or consumption of fossil fuels and associated energy-intensive products.”

The relevance of these provisions for oil-dependent Arab states, especially the GCC countries, is clear:

On one hand, given their fragile ecosystems, the GCC countries would likely be victims of the adverse effects arising from climate change. In particular, climate change may add to existing problems of desertification, water scarcity and food production. On the other hand, and most important, the GCC economies would be harmed by the implementation of response measures given their degree of openness and their high rate of dependence on oil wealth.⁸⁹

The fear is that the burden of implementation will fall unevenly on energy-exporting countries. In cases of non-emission trading case, one study has shown that the losses experienced by the GCC region, whether in GDP or welfare terms, are higher than when compared to an Annex B country like Japan, or even when compared to other energy exporting regions such as Venezuela or North Africa. Thus, with the assumption that international price of oil will fall and that import prices of energy-intensive goods will rise in the GCC

⁸⁵ Murray Gibbs, *op.cit.*

⁸⁶ Aaron Cosbey, IISD, “The Kyoto Protocol and the WTO”, IISD & the Royal Institute of International Affairs, p. 1, <http://www.iisd.org/pdf/kyoto.pdf>.

⁸⁷ United Nations Framework Convention on Climate Change (UNFCCC), “Kyoto Protocol: Status of Signatories”, 25 November 2004, http://unfccc.int/files/essential_background/kyoto_protocol/application/pdf/kpstats.pdf.

⁸⁸ See, for instance, Mustafa Babiker, John M. Reilly and Henry D. Jacoby, “The Kyoto Protocol and Developing Countries”, MIT Joint Program on the Science and Policy of Global Change, Report No. 56, October 1999, <http://hdl.handle.net/1727.1/3590>.

⁸⁹ Mustafa Babiker, Arab Planning Institute (API), “Economic Impacts of Climate Change Response Measures on GCC Countries”, unpublished paper, p. 5.

region, the terms of trade will deteriorate nearly 9% and 7% respectively in the GCC and North African regions (see Table 7 below). Other energy-producers such as South Korea and India witness an improvement in their terms of trade. Indeed, the GCC region will suffer in terms of total welfare because of both a fall in income (GNP) and an increased cost of consumption due to a rise in imported consumer goods.

Table 7: Decomposition of Impacts of the Kyoto Protocol for Selected Regions (2010)⁹⁰

	Percentage Change with Kyoto Protocol		
	Welfare	GNP	Terms of Trade
Japan	-0.75	-1.84	+1.4
South Korea	+0.04	+0.19	+0.5
India	+0.29	+0.55	+1.1
Venezuela	-2.92	-2.56	-8.8
GCC	-3.81	-3.12	-8.7
North Africa	-2.40	-2.77	-6.8

Source: Babiker et al(2000)

What Babiker et al demonstrate is that the combination of removing existing fuel taxes along with emissions trading in Annex B countries “almost offsets costs inflicted on energy exporters by the Kyoto response measure without resulting in additional costs to Annex B region.”

Table 8: Reference Welfare Loss Under Kyoto Implementation and the Change in Loss Under Alternative Policy Measures⁹¹

	Venezuela	GCC	North Africa
Reference Welfare Loss	-2.92%	-3.81%	-2.40%
Change in Welfare Loss with:			
Removal of Existing Fuel Taxes	+0.16%	+0.96%	+0.37%
Removal of Coal Subsidies	+0.0%	+0.01%	+0.0%
Emission Trading	+0.81%	+1.03%	+0.5%
Combining the Three Measures Above	+2.47%	+3.26%	+1.80%

Source: Babiker et al (2000)

The Cartagena Protocol (CP) to the Convention on Biological Diversity (CBD)

In general, there have been limited advances in terms of biodiversity-related issues due to the limited technical and financial resources allocated, on the one hand, to assess the biological richness of the Arab region; and on the other hand, to develop mechanisms for its protection. Indeed, at regional level, there is a generalized low level of political will and public awareness on conservation topics, and a corresponding large list of capacity building needs for the wide range of biodiversity stakeholders.

Nearly all Arab countries have signed the CBD, while nearly half have signed the CP (see Table 9 below)⁹². However, only four Arab countries have ratified the Cartagena Protocol (Algeria, Egypt, Jordan, and Tunisia); while three others (Djibouti, Oman and Syria) have acceded to it. Morocco has signed the CP but not ratified or acceded to it; while the remaining eleven Arab signatories to the CBD (Bahrain, Iraq, Kuwait,

⁹⁰ Mustafa Babiker, John M. Reilly and Henry D. Jacoby, “op.cit., p. 8.

⁹¹ Ibid., p. 13.

⁹² Cartagena Protocol website, <http://biodiv.org/Biosafety/signinglist.aspx?sts=rtf&ord=dt>. The information in this table reflects activities as of August 2004.

Lebanon, Libya, Mauritania, Qatar, Saudi Arabia, Sudan, UAE, and Yemen) have not yet even signed the CP (as of August 2004).

Table 9: Arab countries that are signatories of the Cartagena Protocol on Biosafety

Country	Signature	Ratification	Entry into force
Algeria	25 May 2000	5 August 2004	3 November 2004
Djibouti	No	8 April 2002	Acs 11 September 2003
Egypt	20 December 2000	23 December 2003	Rtf 21 March 2004
Jordan	11 October 2000	11 November 2003	Rtf 9 February 2004
Morocco	25 May 2000	No	No
Oman	No	No	Acs 11 September 2003
Syria	-	1 April 2004	Acs 30 June 2004
Tunisia	19 April 2001	22 January 2003	Rtf 11 September 2003

Source: Cartagena Protocol website

As in much of the South, the majority of Arab countries have not yet adopted operational biosafety systems that regulate the release and commercialization of GMOs, primarily because the majority of them have not yet (officially) handled or released GMOs. In general, information on the real status of GMOs remains uncertain due to the limited availability of reliable data. An important reason for this lack of data is the suspected unregulated or illegal importing and cultivation of GMOs.⁹³ Indeed, according to the FAO in the Arab region, there only exists official information about Egypt—on the cultivation of genetically engineered (GE) tomatoes and the testing of nine GE crops (cotton, corn, groundnut, potato, soybean, squash, sugar cane, sweet potato, and wheat)—and Saudi Arabia, where GM-mushrooms are cultivated.

But with the increasing volume and trade of GMOs, and the corresponding urgent need to formulate clear policies regarding the handling and transfer of GMOs, many Arab signatories of the CBD have now begun the process of ratifying the Cartagena Protocol. Accordingly, there have been several initiatives on the national level across the Arab region to build capacity and strengthen laws in line with the new challenges introduced by the biotechnology revolution and the increasing spread of GMOs. Notably, these initiatives have been generally funded by UN agencies such as UNDP and have involved the active participation of civil society organizations. In Lebanon, for instance, the American University of Beirut (AUB), in partnership with the Ministry of Environment, initiated and currently leads the elaboration of the draft law on biodiversity access and benefit sharing.

It should be noted that the restrictions on GMO movements, as provided by the CBD and the Cartagena Protocol, are in many ways at odds with the policies of the World Trade Organization (WTO), and perhaps for this reason more than any other, many developing countries have been slow to ratify the Cartagena Protocol. Indeed, there has been a sharp rise in the interest of many civil society actors in the Arab region who fear that the CP will be negated by the politically more powerful WTO commitments which, many say, would lead to the local markets being flooded with GMO products without the requisite consumer awareness.⁹⁴ Indeed, with the very recent move by Saudi Arabia of approving the import of GM crops for human and animal consumption—and despite strict labeling requirements—some scientists remain concerned. Mohamed Hamoud, head of genetic research in the Faculty of Science at Tanta University (Egypt) says that the Saudi regulations do not adequately protect the environment: “Importing of GM seeds for cultivation is prohibited under the regulation, but farmers could obtain seeds from genetically modified fruits and vegetables imported for human consumption or plant GM seeds imported as fodder for animals.”⁹⁵

⁹³ For instance, see ESCWA, *Towards a policy framework for genetically modified organisms (GMOs) in the ESCWA region: assessing the case of Lebanon*, forthcoming in late 2005.

⁹⁴ For instance, a regional workshop for NGOs on “Genetically Modified Organisms (GMOs): Risks and Impacts” will take place in Amman, Jordan in May 2005. For more information about this workshop, contact the Arab Group for the Protection of Nature at info@apnature.com.

⁹⁵ Wagdy Sawahel, “Saudi Arabia approves GM food imports”, Science and Development Network (23 March 2005), <http://www.scidev.net/news/index.cfm?fuseaction=readnews&itemid=2006&language=1>.

Other relevant MEAs for the region include the Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES) and the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, though there has not been much research on them.

3.2.4 Trade-related intellectual property rights

In recent years, and particularly in the aftermath of the WTO Doha Ministerial Round, there has been major concern in the South about the impact of TRIPS Agreement in the region and this issue is noted in the Doha mandate [para 32 (1)]. However, relative to other regions, there has not been much research and official concern related to the environment *per se* in Arab countries, although biodiversity-rich countries such as Yemen are now giving the matter of safeguarding traditional knowledge and ensuring equitable access and benefit-sharing more attention— and as such, there is increasing interest in the relationship between TRIPS and the CBD. Rather, much of the concern in the Arab region is focused on health issues and more specifically the access to medicines at affordable prices. Other concerns related to patents are now being pursued, notably in Egypt. According to a recent law passed by Egypt, all farmers are granted the right to use saved seeds for replanting on their own lands. This allows farmers to maintain their traditional practice of saving seeds without paying any royalties, even when they are using seeds of new varieties developed and protected by local researchers.⁹⁶

As for energy-based products, technological progress has already given petrochemical industries in developed countries strong competitive advantage over their counterparts in developing countries, including those with rich endowment of natural resources like the GCC countries. “The TRIPS rules, therefore, are expected to exert considerable effect on the future of progress of petrochemicals in developing countries.”⁹⁷ Moreover, the transitional period is not expected to help developing (including Arab) countries much. These expectations are built on “fast technological progress in developed countries on the one hand, and the latter’s tightening control over transfer and dissemination of technology unless at a very high price, on the other.” As such, Arab states are advised to modify the impact of the agreement on the progress of these industries through the application of certain methods such as: establishing joint ventures with big transnational companies with access to updated technology; encouraging domestic R&D and cooperation with R&D institutions in other countries.⁹⁸

3.2.5 Agriculture

Agricultural subsidies given to large-scale producers in Europe and the United States significantly distort the international market price for basic commodities and threaten the competitiveness of small-scale producers in the Arab region. While agricultural subsidies (except those related to fish, see below) are not included within the framework of trade and environment issues as defined by WTO mandates, the nexus between agriculture, trade, environment and development can not be discounted.

Within the WTO context, non-trade concerns raised during the agricultural negotiations include the issues of environmental protection, food security, and rural development.⁹⁹ These linkages are recognized and are raised by the CTE within the framework of sectoral analysis on key sectors, namely agriculture (see Item 6A of the CTE work program). Food security and social factors (such as poverty and employment) are particularly important issues for Arab governments that rely heavily on imported cereal and food aid (which represented nearly 40% of total cereal consumption between 1998 and 2000).¹⁰⁰ Moreover, many Arab Mashriq and Maghrib countries such as Egypt have traditionally relied on agriculture as a source of

⁹⁶ ESCWA and World Bank, *Agricultural Trade and the New Trade Agenda: Options and Strategies to Capture the Benefits for the Middle East, Case Study from Egypt*, United Nations, 2001, p.22.

⁹⁷ ESCWA, *Challenges and Opportunities of the New International Trade Agreements (Uruguay Round) for ESCWA Member Countries in Selected Sectors: Crude Oil, Petroleum Products and Petrochemicals*, New York, 1997, p. 51.

⁹⁸ *Ibid.*, p. 51.

⁹⁹ WTO, “‘Non-trade’ concerns: agriculture can serve many purposes,” *Agricultural Negotiations: Backgrounder* (updated December 2004), http://www.wto.org/english/tratop_e/agric_e/negs_bkgnd17_agri_e.htm.

¹⁰⁰ WRI, “Earth Trends”, op.cit.

employment and income to support non-agriculture sectors of the economy.¹⁰¹ Trade liberalization has also contributed to a gentle shift in Arab policy away from agricultural development, and this has led to social tensions and an increasing dependence on food imports.

Agricultural negotiations before the WTO are considering providing governments with some scope to adopt non-trade-related policies in support of food security and environmental protection. The engagement of Arab countries in the negotiations has been mostly limited to participating in alliances with other developing country groups. For example, Djibouti, Egypt, Morocco, Mauritania, and Tunisia are part of the Africa Group of 41 countries that seeks to coordinate positions for these negotiations. However, Djibouti, Jordan, Egypt and Morocco have also demonstrated their independent positions on the proceedings by issuing their own proposals for consideration during the negotiations.¹⁰² Tunisia articulated the sentiments of many Arab positions when it stated in Cancun:

In the area of agriculture, Members will have to take the particularities of this sector into account, bearing in mind that it is important socially as well as economically, particularly for developing and least-developed countries. This means, first and foremost, a reduction in the support measures which distort agricultural trade and hinder the development of agricultural activities in developing countries, particularly where the agricultural sector is essentially made up of small-scale family units, mostly outside the market. If small-scale agriculture is to be protected from the adverse effects of trade liberalization, flexible modalities suited to supporting agriculture need to be designed and maintained to prevent smallholder activities from dying out, with all the social repercussions that this would entail.¹⁰³

Another pressing issue of concern for Arab countries relates to the general problem of market access due to tariff and non-tariff barriers such as environmental standards.¹⁰⁴ The challenge faced by developing countries in complying with international standards intensifies the difficulty of negotiating issues related to agricultural subsidies. For instance, one study estimates that Egypt's conformity with international standards stands at only 25%.¹⁰⁵ This includes the case of an EU technical regulation notified under the SPS agreement that bans the import of potatoes that have brown rot, although it is perceived in the Arab region that this is simply "a way to keep Egyptian potatoes out of the EU market."¹⁰⁶

There are also strong linkages between agriculture and the environment in the Arab region, which is a water scarce region and with some of the most threatened eco-systems. Arab countries should thus take advantage of negotiations that allow for the exemption of environmental programs from cuts in agricultural subsidies, particularly if technology transfer arrangements that benefit developing countries can be tied to this decision. The need for Arab engagement on this topic is echoed in a report that states, "[c]onsidering the harsh and water scarce environments in which agricultural productivity improvements and poverty alleviation have to be sought, and the strong linkages between agriculture and the natural resource base, [Arab] countries should seek active involvement in the decision-making process of the WTO CTE."¹⁰⁷ Nevertheless, debate exists whether such issues should be raised within the context of negotiations on agriculture or trade and environment, and whether it could invoke problems related to the application of the precautionary principle. For instance, Arab countries could use environmental reasons to justify the limitation on livestock imports (e.g., severe over-grazing and scarce water supplies) or measures to deal with the question of GMO seeds as a potential threat to agricultural biodiversity. Accordingly, Arab countries have a major interest in

¹⁰¹ ESCWA and World Bank, *op. cit.*, p.1.

¹⁰² WTO, "Countries, alliances and proposals," *Agricultural Backgrounder*, *op.cit.*, http://www.wto.org/english/tratop_e/agric_e/negs_bkgnd04_groups_e.htm.

¹⁰³ WTO, "Tunisia: Statement by H.E. Mr. Mohsen Laroui, Secretary of State to the Minister of Tourism, Commerce and Handicrafts, in Charge of Trade", WT/MIN(03)/ST/125, 11 September 2003.

¹⁰⁴ Nabil Chaherli and Moatez El-Said, "Impact of the WTO Agreement on MENA Agriculture", ERF Working Paper 2007, p. 13.

¹⁰⁵ ESCWA and World Bank, *op.cit.*, p. 20.

¹⁰⁶ *Ibid*, p.19.

¹⁰⁷ Nabil Chaherli and Moatez El-Said, *op.cit.*, p. 14.

participating actively in negotiations on agricultural topics to ensure that they take full account of their food security, environmental and rural development concerns.

3.2.6 Fisheries

Fishery products are treated as non-agricultural goods in the WTO. While the fisheries trade is not a mandated topic under negotiation in the Doha Round *per se*, the issue of fishery subsidies has been taken up within the framework of the Agreement on Subsidies and Countervailing Measures (SCM) in the Negotiating Group on Rules as well as within the CTE with a view towards promoting sustainable development in the sector (see para. 28 of the Doha Development Agenda). The fisheries sector is also subject to sectoral analysis within the framework of the regular work program of the CTE (item 6C). Trade and environment challenges encountered by the fisheries sector also offer important lessons related to trade shifting and dispute settlement for the South.

Although the fisheries sector is not significant in terms of production or export on a regional level, there are several Arab countries—such as Mauritania, Morocco, Oman and Yemen—for which the sector is very important. The industry is also growing in other countries, such as Egypt, Kuwait and Saudi Arabia. While artisanal fishing remains important for employment and poverty alleviation, particularly in the least developed countries of the region, Arab countries have also sought to increase the scale of production and encourage fish exports (see Table 10). This has forced governments to reconsider the costs and benefits of supporting the local fish industry and the potential loss of revenue that could be experienced if the number of fishing licenses to foreign vessels (that compete with national producers) were reduced in order to maintain the sustainability of national fish stocks. Such an assessment is complicated by the fact that many of these foreign companies enjoy large subsidies that Arab governments are not able to provide to their own fishermen, which put the local industry at a disadvantage. This policy debate was partially the cause of tensions between Morocco and Spain during the early years of 2000, given the growing scale of the Moroccan fisheries sector and the large number of licenses that the Government issues to Spanish vessels. The cases of Yemen and Oman are also instructive.¹⁰⁸ Although the total contribution of fisheries to GDP in both countries is roughly 2%, the sector supports around 200,000 people in Oman and over 350,000 in Yemen and ranked first in terms of non-oil exports in both countries. It is also a significant earner of foreign exchange and food security, as well as source of protein, for both societies.¹⁰⁹

¹⁰⁸ See unpublished studies prepared under the ESCWA project “Strengthening capacity for sustainable environmental economic policy in ESCWA member countries”.

¹⁰⁹ Information based on the presentation by Mohammed AlMashjary (then Chairman of the Environment Protection Authority in Yemen)—entitled “The Impact of Environmental Regulations on Gulf Exports: The Case of Yemen and Oman’s Fisheries Sector”—at the *METAP-ESCWA High Level Meeting on Economic Tools for Environmental Sustainability* (27 June 2003); as well as on a number of other consultations made by the authors with officials in both Yemen and Oman. Additional information based on presentation by Hamed Al-Oufi, “Background Trade and Environmental Study for Gulf Countries: The Case of Oman’s Fisheries Sector” made at ESCWA’s *Workshop on Trade and Environment and Competitiveness for Gulf Countries* held in Beirut in June 2002.

Table 10: Arab States' fisheries and aquaculture production and trade

	1988	1992	1996	2000
Fisheries production				
Inland production (% of world total)	3.6	3.9	4.1	3.6
Marine production (% of world total)	1.6	1.6	1.7	2.1
Aquaculture production				
Inland production (% of world total)	0.9	0.8	0.5	1.5
Marine production (% of world total)	0.0	0.1	0.1	0.4
Fisheries and aquaculture production				
Percentage of world total	1.6	1.6	1.5	1.9
Trade in fishery commodities				
Total imports (<i>US\$ millions</i>)	248	259	395	473
Percentage of world total	0.8	0.6	0.7	0.9
Total exports (<i>US\$ millions</i>)	754	841	1 102	1 323
Percentage of world total	2.4	2.1	2.1	2.4

Source: FAO, State of Fisheries and Aquaculture 2002

Arab countries are also struggling to comply with increasingly stringent environment and health regulations imposed in fish and fish-based products by the European Commission (EC). For instance, in 1998, the EC banned fish imports from Yemen and Oman (as well as a number of other developing countries) for non-compliance with EC environment and health regulations. At the core of this was the failure to comply with Hazard Analysis and Critical Control Point (HAACP) measures, which are process and production requirements that have become increasingly accepted as an international standard to ensure food safety. The EC requires fish producers to secure an import license in order to enter the European market. These licenses were withheld when compliance with HAACP was found to be deficient and exporters from both countries lost market share and profit overnight. This constrained growth opportunities in the sector and particularly impacted artisanal and small scale fisheries that were unable to comply with the standard on their own. Fortunately, the EC subsequently committed itself to support an extensive technical assistance program to assist the fishery sector both countries. The import ban was subsequently lifted, first in Oman (in 1999) and then in Yemen (2002) when the EC certified a handful of companies in both countries as fully compliant with HAACP.

A similar experience to that of Oman and Yemen was faced by Egypt, although technical assistance and the resumption of licensing for Egyptian companies exporting to Europe have been more limited.¹¹⁰ However, the importance of Egyptian compliance with environment and health standards can not be underestimated. The Malaysia-based World Fish Center (WFC), estimates that domestic fish demand in Egypt is expected to increase by more than 20% by 2010, requiring an additional 200,000 tons of fish per annum simply to maintain the current level of consumption. However, the devaluation of the Egyptian pound in recent years has led to a drop in fish imports and a resulting expansion of aquaculture.¹¹¹ Aquaculture in the Nile Delta, however, is facing problems associated with the agricultural run-off and pesticides contaminating fish farms, and with waste generated by fish farms impacting downstream users. This has made it difficult for some fish producers to comply with EC standards. As explained by a representative of the Cairo office of the WFC, "If it does indeed turn out that it is technically difficult for the producers to meet the stringent demands they [Europe and the US] have in place, they may have to look for other markets...They may be able to offer different products in Asian and African markets that are easier and cheaper to produce."¹¹² The situation follows that while stringent environmental regulations in the North may be designed to protect their citizens, peoples in the South should not become the alternative consumers of products rejected by the North. Accordingly, without technical assistance and resources to adopt cleaner and safer technologies and

¹¹⁰ For more information see, ESCWA, *Environmental standards and competitiveness of key economic sectors*, forthcoming in late 2005.

¹¹¹ David Snipes, "Fish Stories," *Business Monthly*, 30 September 2004.

¹¹² Dr. Simon Heck, Cairo-based office of the WFC as quoted in David Snipes, "Fish Stories," *Business Monthly*, 30 September 2004.

production methods, producers will end up shifting their lower quality (and possibly dangerous) products from the North to domestic consumers or other developing countries that most likely do not have adequate food safety regulations or enforcement mechanisms in place to protect themselves. This is because the private sector's first response to the inability to comply with stringent regulations in the North is to shift their trade flows to alternative markets for their products in the South.¹¹³ Compliance will then only be sought when equally lucrative markets are not found, or when equally stringent regulations are enforced. It is thus perceived that the North should have a moral responsibility to assist the countries of the South increase the capacity of their environmental institutions and the ability of enterprises to comply with environment and health-related standards. Unfortunately, however, mechanisms to facilitate technology transfer to the South are slow-going within the WTO, and the provision of resources to the South in support of these objectives has been limited.

The fisheries sector also offers another important lesson for the Arab region and countries of the South. In April 2004, the EU banned the import of tuna and swordfish products from countries whose fishing activities undermine international efforts to conserve and manage fish stocks in a sustainable manner.¹¹⁴ Although no Arab countries are involved in this particular ban, it illustrates once more the vulnerability of countries who do not have capacity to deal effectively and quickly with such issues. Developing countries often do not have the financial or human resources to raise disputes before the WTO on regulations, including those that might be contested under the argument that they seek to enforce compliance with product and production methods that are unrelated to the characteristics of the final product such as the new EU ban. This is exacerbated by the fact that private sector exporters do not usually have regular access to government decision-makers to inform them about emerging barriers to trade and threats to their competitiveness in export markets. Should information on a particular barrier be recognized in official government circles and among negotiators, non-related issues on the international political agenda often make it difficult for smaller countries to raise issues before the WTO Dispute Settlement Understanding that may alienate an ally on another matter of international relations. Accordingly, the absence of effective institutions and mechanisms for public-private dialogue and the limited political clout of the South in the absence of a collective agenda make developing countries vulnerable to regulatory supremacy by the North.

3.2.7 Environmental goods and services

The Doha Development Agenda mandate on environmental goods and services [see para. 31(iii)] has emerged as a complicated issue for Arab negotiators, particularly since they were initially posited for negotiation within the CTE. This has created three areas of concern for Arab countries.

First, how to classify environmental services and how energy services fall in the mix. Several proposals have been submitted on what comprises an environmental service and several of these continue to be discussed. Given the heavy importance of the oil and gas sector for Arab oil-exporting economies, most Arab countries were initially concerned about whether and to what extent energy services might be incorporated under the classification of environmental services. Kuwait, for instance, has called for the WTO to “find a just classification for the energy-services sector.”¹¹⁵ Qatar, which has been a leading voice in “promoting efficient, low carbon and low pollutant-emitting fuels (such as natural gas),” has insisted that “NGOs and environmental groups share Qatar’s point of view that cleaner energies add value to the global environment. Therefore, we ask the WTO to define and classify environment-friendly goods and services

¹¹³ For instance, trade shifting was witnessed in the Jordanian phosphate sector in the late 1990s when phosphate-based fertilizer exports shifted from Europe to Ethiopia and India when national regulations on maximum cadmium thresholds in fertilizers started emerging in Europe and were later adopted in EU directives. After a period of transition, adjustments in production processes were instituted that allowed for conformity with the regulation for certain products in order to access the EU market. See METAP MedPolicies Initiative, “The Effect of Environmental Legislation on Fertilizer Exports: The Case of Jordan,” *Trade and Environment and International Competitiveness in the Mediterranean Region: Selected Case Studies*, Harvard Institute for International Development: Beirut, 2000.

¹¹⁴ EU, http://europa.eu.int/comm/trade/issues/sectoral/agri_fish/pr290404_en.htm, Accessed on 30 April 2004.

¹¹⁵ WTO, Ministerial Conference, Fifth Session, Cancun (10-14 September 2003), “Statement by H.E. Mr. Abdallah A. Al-Tawil, Minister of Commerce and Industry”, WT/MIN(03)/ST/21.

including energy sources.”¹¹⁶ As explained by Murray Gibbs, who has made several contributions in this area:

the evolving classification of energy services includes the sub-category of environmental-related services for the energy industry, encompassing such services as decommissioning of energy facilities and networks, remediation of contaminated areas and facilities, handling, treatment and disposal of waste from energy facilities, and pollution control and monitoring services. Furthermore, some of the non-core services, such as construction, may be the same for both sectors. It is worth noting that there are also proposals to reclassify the environmental services sector in the GATS, certain categories of services in the proposed new classifications deal directly with energy management, such as reduction of energy and heat losses.¹¹⁷

Accordingly, the way in which energy and environmental services are defined and classified will influence how they are negotiated under GATS and within the CTE.

Secondly, how to position the negotiations in a way to attract trade and investment in environmental technologies is of interest to Arab countries, namely water supply, wastewater treatment, waste management, desalination and energy services. Clean production technologies and goods for heavy industries and manufacturing sectors are also receiving increasing attention in view of private sector efforts to come into compliance with voluntary standards being imposed by importers, which are sometimes more stringent than those required in national regulations. Burgeoning Arab interest is emerging in this area and is apparent by the fact that some countries have agreed not to impose restrictions on environmental services in certain modes of supply. For example, Morocco has agreed not to impose any restriction on the commercial representation of environmental service providers or expert staff and has notified the WTO to this effect.¹¹⁸ This is important since Morocco is taking significant steps to strengthen its industrial wastewater effluent standards and regulations and is looking towards European and American environmental technology providers to assist large and small manufacturers come into compliance with these new environmental standards.¹¹⁹ Kuwait and the UAE have made similarly liberal notifications on environmental services to the WTO in the areas of sewage services, refuse disposal services and sanitation and similar services.¹²⁰

Third and finally, there is interest in the Arab region as to how negotiations on environmental services might include and relate to other services, such as electricity, water, tourism and transport.

For instance, an electricity interconnection between Egypt, Syria, Iraq, Jordan and Turkey has been established. The grid will serve to improve the efficiency of electricity generation in the region. While improvements in electricity services will help to improve access and reliability of energy services in urban, rural and remote areas, it will also increase demand for energy resources and great electricity consumption. Ensuring the efficient management of these networks should thus be a priority, as well as the appropriate use of energy resources that feed these networks. Liberalization of trade and investment regimes governing environmental and energy goods and services could then contribute to attracting the best available technologies for the region. Additionally, while electricity generation and transmission in the Arab region has primarily been state-controlled and monopolistic in nature, there have been important advancements in the Maghrib and Gulf countries to privatize segments of the sector. In the Gulf, this has been primarily

¹¹⁶ WTO, Ministerial Conference, Fifth Session, Cancun (10-14 September 2003), “Statement by H.E. Sheikh Hamad Bin Faisal Al-Thani, Minister of Economy and Commerce”, WT/MIN(03)/ST/4.

¹¹⁷ Murray Gibbs, *op.cit.*

¹¹⁸ WTO Trade Policy Review of the Kingdom of Morocco, 2003, WT/TPR/S/116, pg. 126.

¹¹⁹ See ESCWA/METAP, *Etude sur le commerce, l’environnement et la compétitivité des PME dans les industries du textile et de la confection en Afrique du Nord: cas de la pollution des eaux au Maroc*, Study sponsored by the Bank-Netherlands Partnership Program and implemented under the METAP MedPolicies Initiative by ESCWA. Annex IV provides a review of industrial wastewater effluent standards currently being enforced in and around Casablanca by a private sector company (LYDEC) contracted by the Government of Morocco.

¹²⁰ WTO Services Database, 16 July 2004, <http://tsdb.wto.org/wto/wtohomepublic.htm>

linked with private sector partnerships in the development of joint desalinization and power generation facilities. In the Maghrib, private sector management of water and wastewater management is increasing, particularly in Morocco. If properly regulated and managed, new investment opportunities created by liberalizing these sectors may thus lead to more efficient and cleaner public services in the region.

With regards to transport services, some headway has been achieved in the area of regional integration. ESCWA Member States signed a regional agreement on transport and the GCC is in the final stages of approving a regional railway network. Liberalization of trade and investment in this sector will facilitate the movement of people, goods and services throughout the region; albeit this may have varied implications for environmental sustainability in terms of land resources, land degradation and urban encroachment into wildland and desert frontiers.

Accordingly, liberalization of trade and investment in environmental services needs to be appropriately studied to ensure that any environmental impacts associated with its application are appropriately monitored and managed in the spirit of advancing sustainable development.

4. PRIORITIES AND NEEDS: TOWARDS A REGIONAL PROGRAM ON TRADE & ENVIRONMENT IN THE ARAB REGION

The previous analysis exposes a series of issues and concerns for the Arab region regarding the relationship between trade and the environment. While some differentiation exists between the priorities of countries of the Maghrib, Mashriq, Gulf and Arab LDCs, the major challenges faced relate to issues of market access, competitiveness and dispute resolution. Examination and negotiation on these topics occurs within the framework of the WTO and the Doha Development Agenda, as well as through regional and multilateral forums that follow-up on the recommendations of the World Summit for Sustainable Development (WSSD). Indeed, the *Sustainable Development Initiative in the Arab Region*, which was agreed to by the Council of Arab Ministers Responsible for the Environment (CAMRE) and presented to the WSSD, specifically establishes as regional priorities the need:

- To call upon the international community to support the efforts of Arab countries to avoid the negative effects resulting from globalization on the economic, technical, environmental and social levels; and
- To strengthen the competitiveness of Arab commodities and to endeavor to abolish all forms of subsidies, assistance and barriers imposed by the industrial countries to impede the access of Arab commodities in international markets.¹²¹

This mandate led to the formulation of a Regional Program for Trade and Environment Capacity Building in the Arab Region that focuses on helping Arab countries better address the two priority areas listed above.

Regional Program on Trade and Environment Capacity Building in the Arab Region

The Regional Program for Trade and Environment Capacity Building in the Arab Region is the outcome of a series of national and regional consultations conducted by regional organizations that engaged public officials, private sector representatives and civil society in discussions and analysis about trade and environment issues in the region. The program was adopted by resolution of the Executive Bureau of CAMRE during its meeting in June 2003, and support was subsequently reaffirmed during the 15th Meeting of CAMRE in December 2003.

¹²¹ CAMRE, *Sustainable Development Initiative in the Arab Region*, adopted July 2002, p. 4.

The objective of the program is to strengthen the capacity of Arab countries to address the challenges and take advantage of the opportunities presented by trade and environment in an increasingly global economy. It does so by seeking to:

- Build capacity in trade and environment policy formulation, policy implementation and negotiation;
- Strengthen understanding of trade and environment issues affecting the competitiveness and market access of Arab commodities; and
- Increase the ability of producers and consumers in the Arab region to examine and respond to trade and environment issues in a proactive manner.

The regional program is coordinated by a Joint Secretariat consisting of the CAMRE Technical Secretariat, ESCWA and the Regional Office for Western Asia of the United Nations Environment Program (UNEP/ROWA). A working group comprised of other United Nations organization, regional organizations and members of civil society contribute to the work of the Joint Secretariat.

4.1 Regional priorities

The program focused on the three priority areas as they are elaborated below:

- **Market access** – namely matters related to conformity with discriminatory regulatory and voluntary non-tariff barriers to trade, particularly those that deal with product standards, process requirements and conformity assessment procedures.
- **Competitiveness** – namely matters related to technology transfer, intellectual property rights, efficiency, eco-labeling schemes, the special needs of small and medium-sized enterprises, as well as specific issues of concern for the competitiveness of the following sectors: agriculture, agro-food, fisheries, textiles, tourism, environmental services and chemicals, among others.
- **Dispute resolution** - namely matters related to improving understanding of trade-related provisions of MEAs, strengthening understanding about dispute resolution mechanisms, and reconciling differences in interpretation and implementation of environmental provisions in bilateral, regional and global trade agreements ratified, signed or being negotiated by Arab Member States.¹²²

4.2 Regional needs

Needs for technical assistance and skills development with respect to the priority areas focus on the following:

- **Governance** – as it relates to proposing institutional arrangements for regional coordination of trade and environment related policies and standards, strengthening inter-ministerial policy coordination and coherence, and facilitating public-private partnerships.
- **Policy analysis** – by assisting in the identification of data needs and the collection of relevant statistics to support trade and environment policy analysis, as well as by providing training and technical assistance in empirical analysis, strategic assessments, policy formulation and policy recommendation.
- **Enabling institutions** – by strengthening institutions responsible for overseeing and/or establishing recognized accreditation schemes and certification bodies in the Arab region, as well as customs authorities.
- **Negotiation** – by providing training in negotiation skills on trade and environmental issues, the development of international standards, agenda setting, coalition building and the use of analysis to support negotiation positions.

¹²² As quoted from the “Regional Program on Trade and Environment Capacity Building in the Arab Region”, reaffirmed in Resolution 190Q, Article 3 of the 15th Meeting of CAMRE, 9 December 2003, pp. 3-4.

- **Information dissemination** – by providing increased access to information on relevant standards and requirements in major destination markets (globally and within the region), increasing awareness among Arab consumer groups about sustainable consumption, and strengthening regional information networks through the use of information technologies and other media.
- **Private sector development** – by facilitating the identification of priority investments in environmental infrastructure to support greater competitiveness; by strengthening business networks and knowledge-sharing mechanisms, and by providing information and advisory services on eco-efficiency and cleaner production.¹²³

The program is implemented by the partner agencies through a variety of activities including policy advisory services, technical assistance, the organization of national roundtables and regional training seminars, as well as regional expert group meetings. The program has been successful in raising resources in support of the regional program during its first year of implementation; however more assistance is required to be able to address needs and formulate priorities and positions for negotiation at the global, regional, sub-regional and national levels.

¹²³ Ibid., p. 4.

APPENDIX

ECONOMIC INDICATORS

Table 1: Key exports and imports from selected countries in the Arab regions¹²⁴

Country	Key export sectors	Key import sectors
Egypt	Textile, Leather, Furniture, Raw Cotton	Chemical, Wood and Cork, Paper
Jordan	Phosphate, Potash, Medical and Pharmaceuticals, Cement	Textile, Steel, Paper and Cardboard
Morocco	Textile and Hosiery; Leather Shoes; Phosphate	Transport Materials; Sugar industry
Syria	Raw cotton; Yarn Production	Textile Sectors; Sugar sectors
Tunisia	Phosphatic Fertilizers; Spinning and weaving; Oils and fatty Products; Paper and Carton	Metal and Steel Work; Plastic
Bahrain	Aluminum, Steel, manufactured products	
Kuwait	Petroleum products, petrochemicals, other chemicals	
Yemen	Fish, agricultural goods, petroleum products	

Sources: Based on METAP MedPolicies Initiative *Rapid Assessments*, ESCWA and personal interviews

Table 2: Intra- and Inter-Regional Merchandise Trade, 2003 (Billions of Dollars)

Origin	Destination							
	North America	Latin America	Western Europe	C./E. Europe/Baltic States/CIS	Africa	Middle East	Asia	World
North America	404	153	180	8	12	21	219	997
Latin America	218	59	51	4	5	4	29	378
Western Europe	298	57	2130	214	80	83	248	3145
C./E. Europe/Baltic States/CIS	19	7	228	98	4	9	30	401
Africa	33	4	84	1	18	3	31	173
Middle East	46	3	48	2	10	22	145	299
Asia	428	41	319	32	31	56	949	1901
World	1446	324	3041	360	161	198	1651	7294

Source: WTO International Trade Statistics 2004: http://www.wto.org/english/res_e/statis_e/its2004_e/its04_byregion_e.htm

Table 3: Share of inter-regional trade flows in each region's total merchandise exports

Origin	Destination							
	North America	Latin America	Western Europe	C./E. Europe/Baltic States/CIS	Africa	Middle East	Asia	World
North America	40.5	15.4	18.1	0.8	1.2	2.1	22.0	100.0
Latin America	57.8	15.6	13.6	1.2	1.4	1.2	7.6	100.0
Western Europe	9.5	1.8	67.7	6.8	2.5	2.6	7.9	100.0
C./E. Europe/Baltic States/CIS	4.6	1.7	56.8	24.5	1.1	2.3	7.6	100.0
Africa	18.9	2.5	48.4	0.6	10.2	1.5	17.7	100.0
Middle East	15.5	0.9	16.0	0.8	3.5	7.3	48.6	100.0
Asia	22.5	2.2	16.8	1.7	1.7	3.0	49.9	100.0
World	19.8	4.4	41.7	4.9	2.2	2.7	22.6	100.0

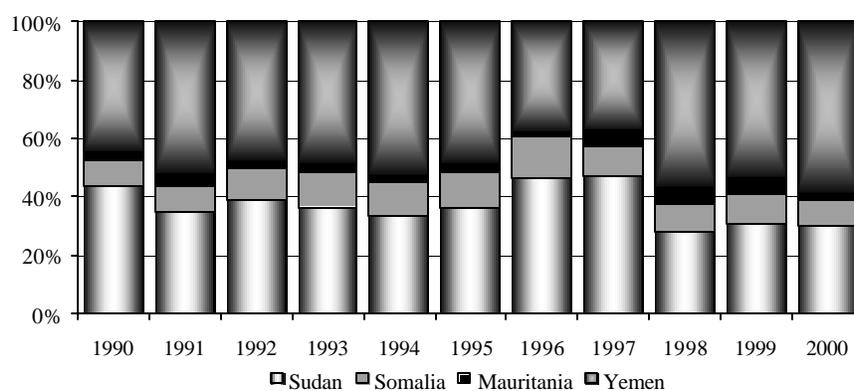
Source: WTO International Trade Statistics 2004: http://www.wto.org/english/res_e/statis_e/its2004_e/its04_byregion_e.htm

¹²⁴ Based on consultations with governments and stakeholders during preparation of the METAP MedPolicies Initiative Rapid Assessments for selected METAP countries (completed in 2000/2001). Summary table of these findings contained in the SIA/EMFTA *Phase I Final Report*, pg. A56.

Table 4: Total Inter-Arab Trade (Billions of US Dollars)

Country	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Jordan	1.06	0.85	1.01	1.13	1.23	1.50	1.71	0.85	0.86	0.88	1.08
Emirates	2.24	2.23	2.66	2.93	3.06	3.29	3.49	3.61	4.09	4.87	6.68
Bahrain	2.20	2.08	2.15	1.99	1.93	2.17	2.44	2.45	0.89	0.86	1.97
Tunisia	0.78	0.67	0.77	0.67	0.73	0.99	1.00	0.90	0.80	0.94	1.15
Algeria	0.47	0.41	0.56	0.48	0.64	0.56	0.48	0.59	0.38	0.37	0.55
Saudi Arabia	5.77	5.75	5.34	5.16	5.17	6.47	7.84	8.29	6.75	7.24	9.25
Sudan	0.53	0.35	0.48	0.50	0.46	0.54	0.60	0.69	0.37	0.42	0.53
Syria	0.94	0.93	0.91	1.00	1.27	1.30	0.95	0.93	1.11	1.04	1.36
Somalia	0.11	0.09	0.13	0.16	0.16	0.19	0.18	0.15	0.13	0.14	0.15
Iraq	1.58	0.42	0.49	0.53	0.55	0.71	0.62	0.18	0.07	0.12	1.05
Oman	3.58	1.06	1.90	2.12	2.01	2.14	2.09	2.46	2.79	2.65	3.36
Qatar	0.39	0.44	0.51	0.53	0.54	0.57	0.62	0.62	0.69	0.73	1.27
Kuwait	0.53	0.16	0.12	0.80	0.99	1.26	1.27	1.37	1.33	1.16	1.44
Lebanon	0.64	0.76	0.89	0.86	0.95	0.73	1.29	1.03	0.94	0.77	1.06
Libya	0.79	0.89	0.97	0.84	0.91	1.14	1.15	1.12	0.95	0.89	1.04
Egypt	0.48	0.71	0.79	0.75	0.85	0.92	1.00	1.17	1.44	1.46	1.92
Morocco	1.40	1.35	1.33	1.11	1.13	1.14	1.16	1.22	0.66	0.79	1.01
Mauritania	0.03	0.04	0.03	0.04	0.03	0.04	0.02	0.08	0.07	0.07	0.04
Yemen	0.55	0.53	0.59	0.67	0.73	0.74	0.49	0.55	0.76	0.74	1.04
TOTAL	24.07	19.70	21.63	22.28	23.36	26.40	28.39	28.26	25.11	26.16	34.11

Source: Arab Monetary Fund

<http://www.amf.org.ae/vEnglish/showPage.asp?objectID={3032E3DE-C693-48DB-AE60-99D677A11B81}&IID=1>**Figure 1: Share of Inter-Arab Trade for Selected Least Developing Arab Countries**

Source: Arab Monetary Fund and Author's Calculations

<http://www.amf.org.ae/vEnglish/showPage.asp?objectID={3032E3DE-C693-48DB-AE60-99D677A11B81}&IID=1>

Table 5: Ratio of Total Inter-Arab Trade to Total External Trade (Percentage)

Country	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Jordan	30.13	22.41	23.68	24.27	27.11	27.37	28.05	14.29	15.36	15.83	16.65
Emirates	6.70	5.97	6.39	6.80	6.12	6.28	5.87	5.95	6.65	6.98	8.06
Bahrain	29.19	26.79	26.77	24.70	26.20	27.70	27.19	28.65	13.01	10.93	19.08
Tunisia	8.00	7.00	7.29	6.69	6.53	7.25	7.59	6.57	5.68	6.15	8.09
Algeria	2.27	2.08	2.83	2.53	3.51	2.66	2.14	2.62	1.83	1.68	1.89
Saudi Arabia	8.43	7.48	6.39	7.31	7.84	8.29	8.88	9.27	9.81	9.19	8.48
Sudan	29.41	19.74	30.55	33.17	29.12	30.02	28.03	31.87	14.88	18.61	15.93
Syria	14.19	15.03	13.87	13.78	14.84	15.10	9.98	11.54	15.80	13.57	14.96
Somalia	20.37	33.22	37.19	39.28	35.83	41.38	37.93	30.45	25.46	25.06	25.39
Iraq	9.37	46.30	40.30	53.16	62.29	65.56	57.60	5.40	1.21	1.13	6.23
Oman	43.49	13.11	20.39	22.41	21.20	20.77	17.43	19.40	24.90	22.27	20.12
Qatar	7.75	8.81	9.10	10.21	10.97	10.19	7.84	7.39	7.92	7.30	8.59
Kuwait	4.37	3.77	1.05	5.00	6.08	6.12	5.43	6.06	7.29	5.84	5.30
Lebanon	21.62	17.77	19.00	16.44	15.73	9.94	14.86	12.56	12.10	11.83	15.24
Libya	4.06	5.35	6.40	6.39	7.60	8.29	7.55	7.43	7.90	7.27	6.46
Egypt	4.07	6.13	6.98	6.60	6.61	6.09	6.02	6.83	7.33	7.51	10.39
Morocco	11.57	11.41	11.07	10.55	9.37	8.64	8.92	9.73	3.77	4.33	4.95
Mauritania	3.15	4.40	2.74	4.45	2.99	3.05	1.77	6.68	6.67	6.34	3.22
Yemen	13.99	20.77	20.01	20.66	24.23	20.97	11.50	12.79	20.76	14.48	16.28
TOTAL	9.79	8.60	8.60	9.26	9.48	9.39	9.05	8.92	8.55	8.04	8.32

Source: Arab Monetary Fund

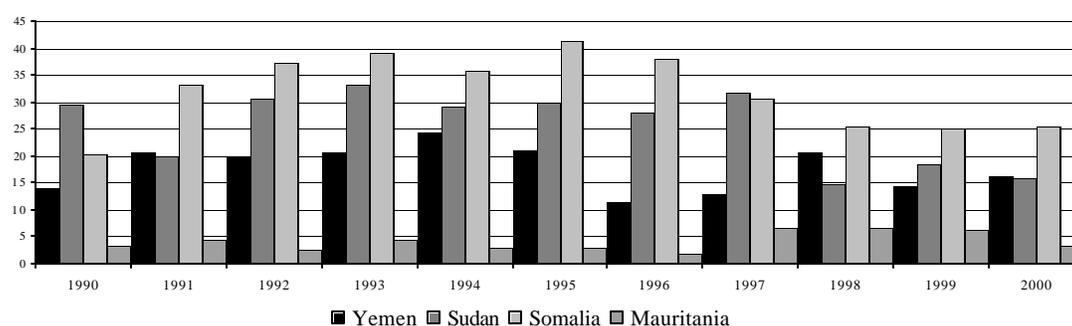
<http://www.amf.org.ae/vEnglish/showPage.asp?objectID={3032E3DE-C693-48DB-AE60-99D677A11B81}&IID=1>**Figure 2: Ratio of Total Inter Arab Trade to Total External Trade for Selected Arab LDCs (Percentages)**

Table 6: Net inflow of FDI into Arab region (millions of US dollars)¹²⁵

Region	1980	1990	2000	2001	2002	2003
World	54986	208646	1387953	817574	678751	559576
Developing	8421	36897	252459	219721	157612	172033
Arab States	-3174	2988	2629	7712	5378	8618
GCC	-3402	1834	-1751	1517	1097	1810
Mashreq	572	849	2649	983	1073	1124
Maghreb	-405	454	1290	4406	2271	4197
Arab LDCs	61	-149	441	806	937	1487

Source: Authors' calculations based on UNCTAD, *World Investment Report 2003*

SOCIAL INDICATORS

Table 7: Inequality and Poverty Measures for Selected Countries

Country	Survey Year	Average Income Per-Capita (PPP)	Headcount: Percentage of Households with Income below Poverty Line of \$1 a day	Gini (%)
Algeria	1995	157.93	1.16	35.33
Brazil	2001	300.43	8.17	59.25
Chile	2000	404.24	0.97	57.61
Croatia	2001	308.08	0.08	31.1
Egypt	2000	91.67	3.08	34.41
Jordan	1997	183.89	0.36	36.42
Mauritania	2000	67.98	25.93	39.03
Morocco	1999	176.76	0.56	39.46
Slovenia	1998	502.25	0.02	28.41
Tunisia	2000	245.98	0.32	40.81
Turkey	2000	210.86	0.87	40.03
Yemen	1998	84.24	10.21	33.44

Source: World Bank Group-PovcalNet: <http://iresearch.worldbank.org/PovcalNet/jsp/index.jsp>

¹²⁵ UNCTAD, *World Investment Report 2003*,

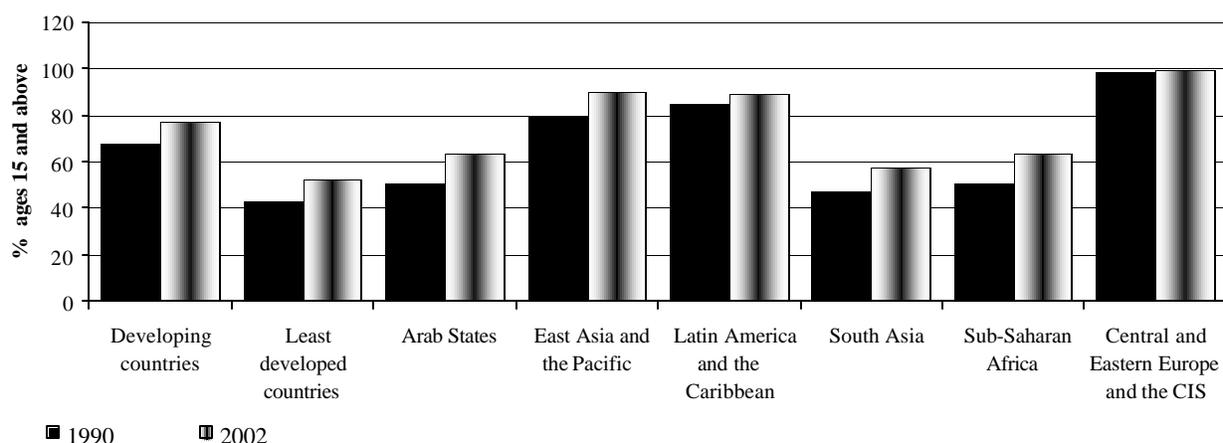
<http://www.unctad.org/Templates/Page.asp?intItemID=3277&lang=1> (accessed October 2004)

Table 8: Literacy and Enrollment

HDI Rank		Adult literacy rate		Youth literacy rate		Net primary enrolment ratio		Net secondary enrolment ratio		Tertiary students in science, math and engineering
		(% ages 15 and above)		(% ages 15-24)		(%)		(%)		(% of all tertiary students)
		1990	2002	1990	2002	1990-91	2001/02	1990/91	2001/02	1994-97
40	Bahrain	82.1	88.5	95.6	98.6	99	91	85	81	..
44	Kuwait	76.7	82.9	87.5	93.1	49	85	..	77	23
47	Qatar	77	84.2	90.3	94.8	89	94	70	78	..
49	UAE	71	77.3	84.7	91.4	100	81	58	72	27
58	Libya	68.1	81.7	91	97	96	..	..	..	..
74	Oman	54.7	74.4	85.6	98.5	69	75	..	68	31
77	Saudi Arabia	66.2	77.9	85.4	93.5	59	59	31	53	18
80	Lebanon	80.3	..	92.1	..	78	90	..	..	17
90	Jordan	81.5	90.9	96.7	99.4	94	91	..	80	27
92	Tunisia	59.1	73.2	84.1	94.3	94	97	..	68	27
102	OPT	..	..	..	..	..	95	..	81	10
106	Syria	64.8	82.9	79.9	95.2	92	98	43	39	31
108	Algeria	52.9	68.9	77.3	89.9	93	95	54	62	50
120	Egypt	47.1	55.6	61.3	73.2	84	90	..	81	15
125	Morocco	38.7	50.7	55.3	69.5	57	88	..	31	29
136	Comoros	53.8	56.2	56.7	59	57	55	..	..	..
139	Sudan	45.8	59.9	65	79.1	43	46	..	..	..
149	Yemen	32.7	49	50	67.9	52	67	..	35	6
152	Mauritania	34.8	41.2	45.8	49.6	35	67	..	15	..
154	Djibouti	53	..	73.2	..	31	34	..	17	..

Source: UNDP, *Human Development Report 2004*

Figure 3: Adult Literacy rate Across Regions and Over Time



Source: UNDP, *Human Development Report 2004*

Table 9: Rate of Expenditure as a Percentage of GDP and Sources of R&D Funding; Arab States Compared with Selected Countries, 1990-1995

Region or Group of Countries	Average Expenditure (% of GDP)	Percentage Shares of Funding Sources		
		Government	Industry	Other
Unites States, Japan, and Sweden	3.1	20-30	55-70	4-10
Germany, France, UK, Italy, Australia, and Canada	2.4	38	52	10
Greece, Portugal, and Spain	0.7	54	35	11
Turkey and Mexico	0.4	65-73	14-31	5
Arab States	0.2	89	3	8

Source: Subhi Al Qasim, 1999 - Arab Human Development Report 2003

WTO COMMITTEES : TRADE & ENVIRONMENT**Table 10: Delegates-List of Members' Representatives in the SPS Committee; Size of Delegation and Participation in Meetings**

Name of Country	Date of Committee Meeting	Number of Representatives	Total Number of Participation in Committee Meetings (1998-2000)
Bahrain	None	None	None
Egypt	8th and 9th of November, 2000	Two	Four (4)
	11th of March, 1999	Two	
	10th of November 1999	Two	
Djibouti	15th of September 1998	One	Two (2-Including the Workshop)
	10th of November 1999	One	
	Workshop on SPS Agreement and Risk Analysis-19th of June 2000	One	
Jordan	8th and 9th of November, 2000	Three	One (1)
Kuwait	None	None	None
Morocco	8th and 9th of November, 2000	One	Three (3-Including the Workshop)
	Workshop on SPS Agreement and Risk Analysis-19th of June 2000	One	
	11th of March, 1999	One	
Oman	Workshop on SPS Agreement and Risk Analysis-19th of June 2000	Three	One (1- The Workshop)
	Qatar	None		None
Saudi Arabia	8th and 9th of November, 2000	Three	Five (5- Including the Workshop)
	11th of March, 1999	Two	
	10th of November 1999	Three	
	15th of September 1998	One	
	Workshop on SPS Agreement and Risk Analysis-19th of June 2000	Two	
Sudan	Workshop on SPS Agreement and Risk Analysis-19th of June 2000	One	Two (2-Including the Workshop)
	15th of September 1998	One	
Tunisia	Workshop on SPS Agreement and Risk Analysis-19th of June 2000	Three	One (1- The Workshop)
UAE	None	None	None

Source: WTO website: http://www.wto.org/english/tratop_e/sps_e/sps_e.htm

Table 10: SPS: Notifications on SPS: Monthly list of Notifications Received - The Actual Notification

Name of Country	Date of Notification*	Subject Matter	Total number of Notifications per country (1994-2002)
Bahrain	May 13th, 2002	Beef, beef Products and processed beef	Five
	October 15th, 2001	Beef, beef Products and processed beef	
	September 17th, 2001	Beef, beef Products and processed beef, animal waste	
	September 10th, 2001	Flour and Bakery Products	
	September 10th, 2001	Virgin Olive Oil	
Egypt	None	None	Zero
Jordan	May 31st, 2002	Cattle and Cattle Products	One
Kuwait	None	None	Zero
Morocco	December 21st, 2001	Poultry Farming and Poultry Products	Nineteen
	December 21st, 2001	Aquatic Animals	
	December 21st, 2001	Live Bovine animals, Bovine Embryos...	
	July 31st, 2001	Plants and Parts of Plants	
	November 6th, 2000	Poultry, One-day old Chicks	
	November 6th, 2000	Certain Animals and Animal Products/ products of animal origin	
	November 3rd, 2000	Milk and Dairy Products	
	January 24th, 2000	Substances containing arsenic, antimony or oestrogen for feeding and breeding certain animals	
	August 30th, 1999	Animal Feeding Stuffs	
	August 24th, 1999	Perishable Foodstuffs	
	August 5th, 1999	Live Poultry and Poultry Products	
	July 30th, 1999	Perishable animal products and products of animal origin, frozen products of vegetable origin	
	July 29th, 1999	Prepared meat products	
	July 14th, 1999	Perishable animal products and products of animal origin, frozen products of vegetable origin	
	July 13th, 1999	Prepared meat products	
	June 11th, 1999	Live poultry, poultry products, foods containing products [...] try and pigmeat-based	
	April 21st, 1999	Live animals, animal feeding stuffs, products of animal origin, animal reproducti[...] sea and fresh water products	
May 26th, 1997	N/A		
September 14th, 1995	N/A		
Oman	None	None	Zero
Qatar	None	None	Zero
Saudi Arabia	None	None	Zero
Tunisia	None	None	Zero
UAE	None	None	Zero

Source: WTO website: http://www.wto.org/english/tratop_e/sps_e/sps_e.htm

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