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ARAB COMMON MARKET

Statement by Dr. Abdel Moneim El-Banna, Secretary General of the Council of Arab Economic Unity, in the Working Party on the Arab Common Market on 17 November 1965

I should like to thank the distinguished representatives of the CONTRACTING PARTIES for their keen interest in the arrangements for economic co-operation between the Arab countries. In addition, the answers to their various questions as well as the statement of the distinguished representative of the United Arab Republic, have amply familiarized the distinguished representatives with these arrangements and clarified the different stipulations of the Agreement on the Arab Economic Unity and the decision to form an Arab Common Market.

It remains for me to highlight certain economic aspects which may be of particular importance to the CONTRACTING PARTIES:

1. We consider that the problems of trade and development are inseparable. This is why the Agreement for Economic Unity and the Arab Common Market decision should be viewed and appraised together, since they are closely linked to each other. The first is an agreement for economic development, the second is a "trade" agreement. While the first stipulates the targets and the broad principles for the economic unity, the second designed the stages and steps which are to be taken to realize this unity. This aspect has been recognized by the Arab States because of the experience either in the Arab area or in the other areas of the world. It is noteworthy that as early as 1953 the Arab countries started an attempt toward forming a common market by the treaty for the facilitation of trade and organization of transit trade. Yet in spite of the increase in the volume of trade between members, they fell short of the aspirations of the Arab people. And this has been due mainly to lack of co-ordination of the different sectors of the Arab economy. It was this consideration which prompted the Arab States to have a new factual approach, and after a thorough study and considerable discussion, the Agreement for Economic Unity was formulated in such a way as to take into account this co-ordination aspect without which attempts to foster economic co-operation could be greatly hampered especially if this co-operation takes a powerful form such as a

customs union. Similarly in other areas of the world it has become clear that closer economic ties can be effected in a smooth manner only if co-ordination takes place. The United Nations regional economic commissions have for years studied this problem and have all come to the same conclusion. If a powerful customs union like that of the European Economic Community has found it imperative to co-ordinate policies and even unify certain sectors of the economy, there is more reason for the developing countries embarking on a regional grouping to take this aspect into account.

So the Agreement for Economic Unity, in line with the experience of both the developing and industrialized areas of the world stipulated the unification or co-ordination of the policies of trade, transport, agriculture, industry, economic legislation, taxation and financial and monetary policies.

I should like to stress in this respect that harmonization of production policies is indispensable for foreign trade. We cannot hope to foster trade relations and to have a common market if there are great differences in the cost structure. If it is not given due consideration as part and parcel of the Agreement, lengthy lists of exceptions will continue to be annexed to the Agreement. In adopting this new approach then, the Arab countries are effectively and squarely tackling the problem.

2. The Arab Common Market is closely linked to the economic and social development in the area. On the one hand, planning on a regional basis will increase the degree of complementarity and decrease the degree of competitiveness between the member countries with more chance of enhancing trade among them. On the other hand, the Common Market will provide the industries of these countries with wider markets and with greater economies of scale. It has almost become axiomatic that the developing countries should adapt or design their plans on a regional basis. It may even be impossible for some developing countries to take off for development without economic co-operation with other developing countries. This aspect of harmonization of economic plans could hardly be over-estimated in the Arab area. If industrialization is synonymous to development, and since it requires markets, so even countries richly endowed with a natural resource will be enabled to implement their industrialization plans within the framework of a common market in the area.

3. An aspect which I should like to stress is that the Arab Common Market will lead not to trade diversion but to trade promotion. In a dynamic growing Arab economy resulting, as we have seen, from fully employed resources, industrialization, higher incomes and higher standards of life;

enhancing trade relations between the Arab countries should not lead to dislocation of trade or economic relations with third countries. On the contrary, the spurt in economic development which will take place will make the Arab countries better buyers and better sellers in the world markets. In their determination to consolidate their economies, to remove elements of disequilibrium in their foreign trade relations and to improve their terms of trade, the Arab countries firmly believe in international co-operation if it is conducted on a basis of mutual benefit and respect of economic sovereignty rights of nations.

The economic arrangements between the member countries do not prevent arrangements with other developing countries or their groupings. As a matter of fact enhancing trade relations between all the developing countries of the world may be realized sooner if customs unions are formed among them on a regional or sub-regional basis. As regards the industrialized countries the wave of economic development which will take place in the Arab area will increase its demand for equipment and machinery necessary to implement the plans.

4. The arrangements have taken into account the special circumstances of member countries and allowed for exceptions from liberalization measures, to protect an infant industry or to safeguard an important source of income. With more co-ordination we hope that the list of exceptions will come to the necessary minimum. The problem is under current study by the Secretariat of the Council as well as the problem of the distribution of benefits among member States. Some committees and expert groups are also studying different aspects covered by the Agreement, chief among them, co-ordination in the agricultural, industrial and trade sectors.

Article XXIV of the GATT allows for interim agreements on free-trade areas and customs unions. I should like to point out that the economic arrangements among the Arab countries have the cardinal target of a customs union. Of course in the transition period continuous liberalization of trade between member countries will pave the way for realizing this target. In the meantime necessary harmonization of their economies will enable them to have a customs union based on sound economic grounds. I should like to draw your kind attention to the Decision No. 19 taken by the Council of Arab Economic Unity that a special Customs Committee shall be entrusted with the study of both the unification of customs legislations, and the unification of customs tariffs to be effected in gradual stages in the span of five years starting 1970. Studies conducted and deliberations among members will further concretize these stages. We thought this is a better approach than designing stages as regards the unification of customs before thoroughly studying all implications. But there is no question about the target itself as clearly stipulated in the Agreement on Arab Economic Unity, and in the above-mentioned decision of the Council. There is no doubt that the interim arrangements will lead to the formation of the Arab Customs Union.

The Ministers of the GATT, a few years ago recommended that "there are important possibilities for encouraging sound economic development in the less-developed countries through increased trade among themselves and that these countries should keep this in mind in formulating their tariff, commercial and economic policy measures". It is in this spirit that we are seeking international co-operation and forming economic unity. We hope that the GATT, in giving due consideration to the special problems of the developing countries can contribute to enhancing world trade and world economic activity.