

WTO at the Crossroads

The Talal Abu-Ghazaleh University in Amman, Jordan, was host to the World Trade Organization–Arab Consultation Forum, where recommendations for the future of world trade were discussed



Host Talal Abu-Ghazaleh (far left) presents the WTO director-general, Pascal Lamy, with an award in Amman.

By Robert Terpstra

The World Trade Organization–Arab Consultation Forum in Amman, Jordan on February 11, aimed to answer some very important questions. Talking points included investigating the main drivers of world trade today, trade's role

within the Arab region, in particular, how it contributes to development and obstacles that prevent Arab countries from integrating into multilateral trade.

Hosted by the Talal Abu-Ghazaleh Organization (TAG-Org) and held at the Talal Abu-Ghazaleh University under the patronage of Jordan's King Abdullah II, the congress attracted hundreds of academics, businessmen, civil servants, investors and a host of journalists from across the Middle East and North Africa (MENA) and Gulf Cooperation Council. The chief of state was in town during the conference and later met with Abu-Ghazaleh and World Trade Organization (WTO) director-general (DG) Pascal

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Lamy, the guest of honor and roundtable speaker. On February 12, Lamy sat down with *Business Today* (see inset, page 41) for an extended one-on-one interview to examine the 65-year-old’s thoughts on Egypt’s place in regional and world trade.

Abu-Ghazaleh opened the day’s discussion posing a challenge to decision makers, “We have to understand how current world trade works — the mission is very serious. To underscore the multitude of opportunities [...] we have to have the will to improve development.”

Abu-Ghazaleh is understandably qualified to play host to the congress and offer frank and borderline controversial assessments, having been selected as a member of a panel of WTO experts (see *Business Today*, February 2013) composed in order to determine the course for reform at the Geneva-based international organization. His paper entitled, “WTO at the Crossroads: A Report on the Imperative of a WTO Reform Agenda” was made available at the Amman congress. It will form part of the WTO’s final report, its commission chaired by Lamy, whose term ends in less than a year, a new DG being selected in late 2013.

You come highly recommended

Abu-Ghazaleh’s 23 recommendations for the WTO are excerpted in part, but a larger message is issued. “Political decision makers must find the political will to renew the institution, just in the same way that their predecessors had the foresight to create the GATT in the

aftermath of war and destruction,” says Abu-Ghazaleh. [The General Agreement on Tariffs and Trade (GATT) regulated trade between 1947–1994.] “Otherwise, I fear the WTO will drift and become less and less relevant to global citizens and business leaders alike.”

The chairman of TAG-Org makes a point of saying that he published his recommendations in order to advance ideas in the sphere of the WTO and enable solutions to come to the fore. “[...] I offer the ideas captured in my report in the hopes that they will be part of a broader and committed discourse,” says Abu-Ghazaleh. “I do not pretend to be a trade policy expert and this is not an exhaustive review of the WTO. As such, I do not purport to provide all the solutions.” Inevitably, this task for policing change for both the Arab region and globally will fall to Lamy or his chosen successor.

The DG, as such, recognizes the importance of the Arab Spring. “Certainly these are challenging times for the Arab region and the world,” says Lamy. “We are in the midst of an international financial crisis and the Arab world is seeing unprecedented changes.”

Speaking rhetorically, Lamy asked how the WTO can best adapt to satisfy changes in the region, to facilitate Arab integration as well as harness the trade

organization’s ability to harmonize globalization. Put simply, a challenge that is close to becoming realized, is enacting multilateral agreements that involve Arab countries, taking place in the arena of world trade.

Lamy notes that the problems Egypt faces are rooted deep, and before it begins to integrate regionally with respect to trade — an action plan to which it has not yet subscribed — it must address its domestic issues.

“Egypt is a country whose tradition is paper heavy and at the end of the day, has bearing on cost of living, notably if you import a lot of food,” says Lamy. “At a time when countries are looking at cheap sources of stimulating growth, reducing red tape is one method [...]. This decreases the cost of living, which we all know is a major problem.”

He begs the obvious question of why this doesn’t happen more forcefully, which can be easily answered by all Egyptians — political transformation at the top in concert with a bureaucratic administration — a problem that requires special attention alongside the flailing economy.

To trade or not to trade

Egypt is just a modicum of the larger picture in MENA, with less than half of the 23 Arab countries not yet a part of the WTO. Slightly alarming, is that a third



of the countries have been in accession talks for several years such as the Sudan, Algeria and Yemen.

"[I]f you look at the map of the world, this is where the proportion of membership in the WTO is the lowest," says Lamy. "[...] Many of these countries were trading oil and energy. Subscribing to insurance policies against protectionism is less appetizing if you sell oil. Oil is what economists call a fatal trade. If you have oil, you have to sell it and if you don't, you have to buy it. There's not too much of a trade opening for the WTO."

Where Abu-Ghazaleh believes the WTO can intervene in Egypt and the greater Arab world proper, are in the areas of promoting trade, streamlining decision making and enhancing governance. Finally, his recommendations for comprehensive WTO reform are noteworthy in their scope, should those enacting future policy heed the call.

He calls for a sustainable trade policy, but one where reform begins with the country's citizens who in the process become actively reengaged. "They need to fully appreciate how trade — or no trade — directly impacts their families, their communities and their country,"

Abu-Ghazaleh outlines in his preliminary report. Furthermore, globalization must be embraced, whether the 'world is flat' as popularized in the mainstream by Thomas Friedman or the competing thought that there is little interdependency, as posited by Pankaj Ghemawat, author of *World 3.0* and professor at Spain's IESE Business School.

In his second recommendation for the WTO, Abu-Ghazaleh identifies trade obstacles that he has faced in Egypt and through his global network. He mentions his priorities, "identifying markets; tariff and non-tariff barriers, rules of origins; exporting financing; domestic standards; corruption; transportation costs; etc." Going a step further, Abu-Ghazaleh believes that these concerns should be at the top of the agenda in ongoing trade negotiations.

"Without undercutting the importance of trade policy in any way," Abu-Ghazaleh writes, "like me, my fellow business colleagues are more interested in trade promotion. At the end of the day, it's about sales and bottom lines, right?"

BRICs by bricks

Directly addressing the framework of

the WTO, the Palestinian national recognizes the emergence of a new world order with accelerating reforms in business models, like the BRICs, the Next Eleven (N-11), which includes Egypt. In the end, the WTO succeeds because of strength in numbers, or the sum of its parts. Still the DG offers up a cautionary tale.

"A club [like the WTO] has its rules, whether you want to play by the rules of the club or not, is decisive," says Lamy. "Members of the club will only accept people who are ready to play by the rules, sign the necessary commitments, that the people, the present members are convinced that they will implement their applications."

How the WTO's pseudo-successful institutional framework, with a compartmentalized infrastructure impacts businesses, including TAG-Org, is something Abu-Ghazaleh understands. "The seemingly endless time taken by the WTO decision making process becomes a question of institutional relevancy, with the WTO on the losing end. This fallout undermines the pivotal relationship between trade policy makers and the actual trade practitioners. This presents us with a difficult conundrum."

For Egypt and the remaining N-11, maximizing global trade and enhancing trade rules by giving legitimacy to the WTO, UN Conference on Trade and Development (UNCTAD) and the International Trade Centre (ITC) in order to effect change is necessary, as Abu-Ghazaleh concludes in one of his recommendations, "emerging economies are currently the locomotive for our global economy" under the umbrella of these three organizations.

The DG lends credence to Abu-Ghazaleh's multifaceted report, "I think that the sort of attention to non-tariff barriers and measures, which [Talal Abu-Ghazaleh] also insists on, is important," says Lamy, "because sometimes this is not in the mind of trade negotiators."

Still, the final airing of conclusions made by Lamy and the WTO will require a roadmap in order to initiate effectual change at home, regionally and abroad. For this, trailblazers like Talal Abu-Ghazaleh can only add to the remedy. **bt**

Courtesy, Talal Abu-Ghazaleh Organization (2)





Lamy feels the size of Egypt's internal market is one of its many advantages for trade.

Q&A with Pascal Lamy, director-general, World Trade Organization (WTO)

Q: In the Middle East and North Africa, energy – crude oil and gas is a major economic windfall for a lot of the countries. Looking at Egypt, who is a net importer of crude, do you think that they are somewhat handicapped by this, and do you think there could be a solution that would allow them to be on even par with a net exporter, like Libya or Algeria?

Lamy: There are dozens of countries who are net crude importers who are doing extremely well, so it's one of many elements of a properly developing economy. [If] there are natural resources that can be better exploited, then countries should do it and find the necessary investors in the market. If you look at the history of development for the last 50 years, very few countries that have abundant oil resources have done well and many countries that do not have abundant energy resources have done well. So I think the jury is still out whether this is a big problem. Egypt has a number of comparative advantages, not least the size of its internal market which allows for economies of scale which would not be available on smaller economies. I think it has to leverage its comparative advantage including its geo-economic organization.

Q: Do you think with the possible accession of Sudan to the WTO and a viable port in Port Sudan, will this allow trade to proliferate between Egypt and Sudan, therefore benefiting both countries?

Lamy: I think joining the WTO normally is step number one and moving to deeper trade integration regionally is step number two. We haven't seen many examples of countries who have accepted deep trade and economic trade integration without going first to the WTO 'X-ray machine', which is where you get your label, sort of a doctor's certificate, that you are apt for the running. [...] If you look at the region, the nearest to accession is Yemen, then probably Ethiopia, although we're not there yet. Ethiopia is a big chunk, it has a huge population. Ethiopia today is the largest country by population outside the WTO, and then Sudan [...]. The truth is that for the last 10 years, Egypt has not been a sort of active promoter of regional integration. The reason was we have other fish to fry, so be it, but there is a paradox – if you look at the map, the size and the position of [Egypt] and its relatively low level of engagement in trade and economic integration, in many ways, it is a paradox.

Q: You've been the WTO's director-general for over seven years, what is something that both you and your staff are most proud of having accomplished?

Lamy: I think in a nutshell, we've delivered during the crisis, our business is open trade – I think we've [done] reasonably well in keeping trade open in this difficult economic weather. Second, I think overall we've made the system more [development] friendly. The ownership of developing countries in the organization [is] important because we have more than two-thirds of our members in developing countries. I think the ownership is more important [given the] things we did like the modernization of technical assistance. This is something which they benefitted from or has stemmed from other developments, which is a tendency to go bilateral by a number of rich countries. Many poor developing countries know that they can't perform like that, that they are not very good at this game, that the multilateral negotiating table, which is the WTO table, is better for them. Part of this stems from what we've been doing. Part of this stems from an evolution which we didn't trigger but which has resulted in different environments for developing countries.