

**Under the Patronage of the Omani Palace of the Sultanate of
Oman**

February 2, 2003

Muscat – Sultanate of Oman

Oman's Ascension to the WTO

**A Speech by
Mr. Talal Abu-Ghazaleh
Chairman of Talal Abu-Ghazaleh Organization**

I'm pleased and honored to have the opportunity today to talk to you about one of the topics most dear to my heart, namely the future of the Arab world and its growth. During the 20th century, the Arab world has witnessed the final collapse of the Islamic empire with the downfall of the Ottomans, and during the rest of that century we weren't able – for reasons we know all too well – to regain our strength. We can also honestly admit that the last few centuries of our history under the rule of the Ottoman empire was not a time throbbing with vitality for Arabs.

When we look at the glory of the Arab Islamic civilization, we can see that it was built on three main foundations, which are: Firstly, business and trade. Second, forgiveness and mutual respect. And thirdly, cooperation and stability. The Arab Islamic civilization has shown during its peak, the greatest degrees of forgiveness and respect for other societies of the world. Similarly, a spirit of cooperation and stability amongst all levels of society in the Islamic empire was prevalent. Finally, and what is most relevant to our topic today, is the fact that free and fair trade was a means of advancement, and provided the financial force necessary to propel the Arab civilization and arts to their supreme levels.

The World Trade Organization (WTO) today is responsible internationally for principles related to open markets, free and fair trade, and the rule of law as opposed to the rule of force in international relations. These principles are completely consistent with what is best in terms of Arab history and aspirations. In some instances, there are complaints from various groups that the "strong (WTO) members" have a vastly disproportionate influence in the WTO. Realistically though, I can tell you that under the umbrella of the WTO, the situation is much better than it would be in the world if those strong entities were predominant without restraint. This is because numerous economic blocs apply protective tariffs, and the major players are interested in taking an aggressive unilateral attitude, whereas those weaker parties cannot adequately express their opinions. While in the end everyone should seek out their own interests, the WTO is the best way of doing so. And although developing countries doubt the intentions of strong advanced nations in regards to the WTO, I can tell you due to the fact that I've worked closely with the WTO and many of its officials, in addition to high-level representatives from numerous developed states, that the prevalent intent is to achieve a situation where the large, small, rich, poor, developed and developing nations are comfortable with. It is just a matter of agreeing on how to get there, and this is the purpose of the WTO: to discuss, negotiate and reach an agreement. While negotiations under the WTO umbrella can be a cause of friction and frustrating at times, they must not be viewed as being hostile, but rather as addressing our needs and trying to achieve the common interest of the entire globe. During the speech of the US Trade Representative Charlene Barshefsky to an audience of current and future American policy-makers at the College for Advanced International Studies in Washington, USA, she reminded them of the following: "One of the most important needs recognized internationally for the stronger and more advanced member states in the WTO, is their need to open their markets further before the products of poorer and less-developed nations. As for the WTO as a whole, the important thing is that these nations are guaranteed that they can get the full benefit from the available opportunity to reach the market, and that they can defend their rights and interests while working within the system's policy." The WTO is concerned with special interests, but is also concerned with justice and granting the opportunity to weaker countries to raise their voices.

The Sultanate of Oman has long realized these points, and on that basis, His Excellency the Minister of Commerce and Industry in Oman Mr. Maqbool Sultan signed the protocol for ascension, in the presence

of the WTO General Manager at the time, Mr. Mike Moore. With that process, the Sultanate of Oman became member # 139 in the WTO, on November 9, 2000. Naturally, various Omani governmental and commercial sectors have legislative concerns relating to the extent of influence that the WTO membership will have on the country and what can be expected in the future.

Firstly, it must be said very clearly that it is premature to present an inductive evaluation on the effects of WTO membership in Oman. This is because information is barely available at the present time to make such an evaluation possible. For example, some commitments such as complete foreign ownership of banks and insurance companies will become effective only now in 2003. What we can do at this stage is to review some of the considerations that played a role in Oman's decision to join the WTO, and some of what Oman does in the WTO to address its requirements, in addition to the necessary changes required not only to abide by the spirit of the WTO membership, but also to increase Oman's competitive ability in the long run. We can also review how some WTO regulations affect particular cases that are significant to Oman, such as the status of developing countries and the relationship with the Gulf Cooperative Council (GCC).

Why the WTO?

As a matter of fact, I think I have just clarified, as far as principle is concerned, that the main reasons that made WTO membership appropriate for Oman, on a philosophical basis. From a practical point of view, we can take a look at the familiar picture throughout all Arab countries which is represented in rapid population growth, slow economic development, limited and small investment, high unemployment and enormous social and economic pressures that either exist or are on the horizon.

Most GCC states are somewhat isolated because of their petroleum resources, yet these resources are limited. The large population growth in the Kingdom of Saudi Arabia (KSA) has led to a diminishing effect of the large petroleum reserve on each individual. Therefore, the social safety network is no longer economically feasible there. Oman is relatively lucky due to its relatively small population and its recognized stability, yet it is expected that the Omani petroleum reserve will face a practical drain during the life-term of today's generation of graduates. In the meantime and despite opposing political stances, President Bush may have done a huge favor for Arab countries with an energy policy that is clearly characterized as being short-sighted and

unsustainable (from his country's point of view). As I told the employees at the R&D department. at the Saudi Aramco company about a year ago, the big effect that we witness from global R&D directives are the lessons learned from the Bush administration mistakes. With the existence of a more sophisticated administration in Washington, the era of petrol may be on its last leg and we cannot count on their mistakes forever, but that is a different subject altogether.

The Omani leadership is one of the best in the Arab world. I think I can make such a statement not for flattery, but on a completely objective basis. The Omani leadership was keenly aware of what it was doing when it joined the WTO. The ascension process was conducted very efficiently, whereby no other Arab country could deal with this issue in a better manner. Oman was also a pioneer in executing numerous WTO conventions. It was the first Arab state to execute the WTO agreement on tariffs evaluation when it joined the organization in 2000. The General Secretariat of the WTO expects Oman to remain a pioneer in the Arab world, since it was the first Arab country that certified the numerous WTO agreements. Oman was at the forefront of Arab and developing countries in exerting efforts to be more effective and decisive in WTO negotiations. Discussions took place between Mr. Subachi Banichbakdi, the WTO General Manager, and Mr. Maqbool Sultan, the Omani Minister of Commerce and Industry, at the summit of the Confederation of Indian Industry (CII) for 2003, which took place during the WTO meeting in January in India. There, the Omani Minister suggested that developing countries form a group to present their positions at the upcoming round of negotiations. Oman, which is quite a small country, is demonstrating an increasingly leading role in the WTO as it demands more flexibility from developing nations that have common interests with it, and advanced nations with which it has maintained good relations. Both developed and developing nations have accepted this type of leadership well, and it has advanced Oman's status internationally much more than one would expect from a country with such a small population.

Many things are working for the benefit of Oman, but the main way to understand Oman is to realize that the success of a country usually lies in it overcoming its weakness and is dependent on its inner strength. Some international commerce analysis and indications clarify that some of the challenges faced by Oman, which include:

- Small population
- Limited market as a result

- Unavailability of a modern consumer market outside the capital
- Ongoing problems with bureaucracy and its inefficiencies (although it is not as bad as it is in other countries).
- Tough competition with Dubai which provides (according to one report) "more efficient aviation and maritime services, banking facilities and telecommunications, a large free trade zone at Jabal Ali, expedient approval for visas for both visitors and resident aliens, and effective conflicts resolution and a wide variety in products".

We can see that Oman has faced numerous challenges, including direct competition from one of the most aggressive parties of trade liberalization and economy in the Arab world. It is a topic of relative interest that we can elaborate on in terms of the Arab stance on this issue, per what was written in the daily Riyadh newspaper which said: "The 22 nations of The League of Arab States attracted only 2.9% of the 204 billion dollar foreign investment that flooded into developing nations during 2001." In other words, the entire Arab world suffers from problems. The policies of the past are no longer useful, and only a strong leadership can guide us towards a brighter future.

While there are still real challenges, Oman in general is doing an excellent job in facing those challenges, and its WTO membership and leadership role are both playing a large part of this.

What is Oman doing to fulfill the WTO requirements?

One of the first things that should be done is making intellectual property laws consistent with the TRIPS agreement (Trade-Related Aspects of Intellectual Property Rights). This is a task that represents a huge challenge and many countries are working towards its completion. You may know, ladies and gentlemen, that my company, Abu-Ghazaleh Intellectual Property (AGIP), is the pioneering company in intellectual property (IP) in the Arab world. Yet I do not mention IP for this reason alone. The TRIPS Agreement has a special significance within the WTO structure, because all WTO members must abide by a minimum set of basic standards relating to IP protection. At the time negotiations were conducted, most developing nations were far from applying the TRIPS agreement standards, and the Arab countries were no exception, including Oman which didn't have any IP protection. The speed and efficiency with which Oman applied the legal IP framework in the country, was a major reason for the success and smoothness of it joining the WTO.

The TRIPS agreement is of course only one part of the whole deal. Oman opened up its laws in the field of investment such that it allows complete foreign ownership, and has been transparent in its trade and legal system. The services sectors in Oman have opened their doors to international service providers, and has abided itself with the WTO principles such as the national treatment principle (which is the treatment of foreign companies on bases that are no worse than the domestic providers) and the most-favored-nation principle (which is granting the same benefits to all trading partners regardless of country) in its relations with its trading partners.

Oman has demonstrated its important leadership role in the multilateral system by presenting suggestions related to trade liberalization specific to it. At the WTO meeting for the negotiating group on market access, which convened on November 4, 2002, the Omani delegation presented a proposal to drop fees on non-agricultural goods, as well as extensive efforts to limit tariffs on non-agricultural goods and replacing all limited averages with averages according to value. One of the special features of this suggestion was that there should be privileges for developing countries that are different to those for developed countries, as long as all members were willing to offer genuine compromises.

Special interests for Arab and Developing Nations

The interest shown by the Omani delegation to the negotiating group for market access in relation to the special needs of developing states is considered an important issue. It is one of the subjects that business leaders and policy makers wonder about when it comes to WTO ascension. In reality, WTO agreements explicitly prevent members from conducting different procedures for developing nations: What is known as granting the right (the decisions of 1979 on preferential and reciprocal treatment and the full participation of developing countries), points to preferential trade procedures for trade in goods between developing-nation members. And although the TRIPS is binding on all members, it also recognizes the status of developing states and provides them more time to implement it. The General Agreement on Trade in Services (GATS) points to the needs and special condition of developing countries, and article 2-19 of the GATS specifically states that "there should be an appropriate amount of flexibility for developing nation members to open fewer sectors, liberalize less patterns of transaction, and to continuously expand market access in a fashion consistent with its developmental status. When opening the doors for foreign service providers to access their

markets, they should provide conditions with this that aim to achieve objectives in Article 4.”

The WTO as a whole is concerned with supporting developing nations by granting it special treatment when it comes to their WTO commitments, and providing help in negotiations and execution. The International Trade Center is a common secretariat between the WTO and the UNCTAD. It was created solely to assist developing countries, and provides a wide range of efforts to offer assistance. An important point to mention among these efforts is that the International Trade Center issues excellent informative guides, such as the Business Guide to the WTO Conventions, and the Business Departments Guide to the Global Trade System. There is one problem, which is related to language. The official languages of the WTO are English, French and Spanish, and this represents a particular problem for countries whose official languages are different (than the aforementioned), and especially in the Arab world. Most of us of course speak some English, but the majority of us cannot adequately deal with complex legal agreements in a foreign language. Even people whose mother tongue is English have a hard time fully understanding the WTO and its multifaceted agreements. My company TAGO has addressed this problem by translating these excellent guides into Arabic. You can obtain a copy of them from any TAGO office. They are also available in English at the main offices of the International Trade Center.

TAGO has also taken the initiative to develop the first WTO website in the Arabic language after obtaining approval from it. This website is not an official one, where it is not written in the official language of the WTO; however, we are working to develop it with the approval and blessings of the Organization. The WTO wants greater participation from the Arab countries in its operations, and my institution is trying to help in this since the formation of the WTO. We have done more than that; we established a special unit for the conduct of international trade to assist the Arab countries in the issues of implementation and joining the WTO. This unit can even provide assistance for the members of the organization such as the Sultanate of Oman, which succeeded to join the WTO has not faced any problems with the basics of the membership of the Organization. But one of the most important areas which we seek while supporting the Arab countries that are members of WTO, is the advanced analysis of their policies and development issues. This refers in fact to the work which includes offering comprehensive business proposals that are structured to achieve profit for developing and developed countries, while providing

self dynamic power to overcome the political resistance by various member states.

Regionalism and the Gulf Cooperation Council (GCC) - Free Trade Agreements under the World Trade Organization:

While the leading role that the Sultanate of Oman enjoys in the group of developing countries is important to it and its own interest as a developing country, its relationship with the neighboring Gulf countries is equally pressing, especially its membership of the GCC. How can the WTO affect this relationship? In fact, the relationship between Oman and its GCC neighbors is not threatened at all because of its membership in the WTO; on the contrary, the Organization supports this relationship. According to the results of a study conducted by the WTO in 1995: "To a much further extent than what is already known, the multilateral regional integration initiatives are not the alternative in the pursuit of more open trade."

Regional associations such as the GCC are allowed to exist under the WTO rules. Article (24) of the GATT and Article (5) of the GATS clearly reveal the establishment of regional trade agreements. Thus, the short answer to the question is that the relationship between the GCC member states would not to be affected if they were to be members in the WTO.

What usually happens in regional trade agreements is that regions or groups of countries go too far in their efforts towards liberalization in a way that might be greater than possible on the wider multilateral scale; they also go into matters relating to labor standards, custom unions, environment, etc. For some complex issues, it might be easier for them to be addressed in a multilateral approach after achieving harmonization at the regional levels. Furthermore, when countries begin to formulate regional trade agreements such as the GCC, the North American Free Trade Agreement (NAFTA) and the European Union (EU) amongst others, this will build both a spirit of confidence and enthusiasm which in turn can make the urgent matter, in political terms, go beyond the multilateral level.

I personally urge wider and firmer liberalization within the GCC, in addition to future expansion of the Council to include major Arab countries such as Egypt, Jordan, Syria, Iraq and other countries to become, for example, an Arab league, maintaining the economic integration of the GCC.

The GCC derives much of its strength from similarities between its members, as the European Union is doing to a lesser degree (at least they are all European countries and are considered developed countries).

But let us take a look at a powerful country such as the United States of America, which consists of 50 individual states that could have formed their own countries and not be the United States of America that exists now. Differences between the areas of the United States are even greater than those in the Arab world; the Central West and the Northeastern region or even Texas are areas that are completely different in economic terms and sometimes in social ones; however, the economic diversity of its interests as a whole makes it stronger. This is what I see as the past and the present of the Arab world, and by this, I do not intend to suggest violating the sovereignty of any Arab nation, but rather a kind of social, economic and legal cooperation that knows no borders, like the one that makes the importance of Europe as an entity grow, but at the same time, even Germany, France and the UK retain their identity when it comes to non-economic policies.

The future of the Arab world is its economic and social integration. Globalization is also the future, but we have not been able to successfully face the challenge of globalization so far. I think that we can meet the challenge in a more satisfactory way as an Arab community and region more than we can meet it as individual countries, and I believe that we can overcome the challenges facing all Arab countries whether they are large, small, rich or poor, by undertaking business initiatives between ourselves than are bolder than what we have seen so far. In fact, I would suggest that the Arab states simply abolish all custom duties between them, and implement the custom exemption policy. Such bold and unexpected action may bring great benefits for the entire region and promote, through action, the principle which states that the future will be the best it could be when we follow the rule that says: "In unity lies power, and in disparity lies weakness." As President Bill Clinton recalled at Davos in 2000: "In the period between the 70s and the early 90s, developing countries that have chosen the path of growth through trade have grown at least twice as fast as those countries that have chosen not to open up to the world. Countries which were most open have achieved growth six times faster than those that refused to do so."

What must the WTO do?

The Secretariat of the WTO bears enormous responsibility and a very broad range of duties. In spite of the heavy workload, there are extensive suggestions that the WTO will make efforts to achieve greater transparency in its operations. This can be achieved by involving all parties involved; one example is the settlement of disputes where hearing sessions take place behind closed doors. It has been proposed that this practice is derived from old methods practiced under the old GATT agreement. But according to the new model offered by the WTO, the judicial proceedings should be in public, to instill confidence about the fairness of the procedures.

I have already discussed what was done by the WTO to help the developing countries, and what my institution is doing to support the relationship between the WTO and the Arab countries. However, there still are many voices calling for the duplication of efforts, particularly if we take into account the limited participation achieved by the Arab member states of the WTO. Much of the activity of the Arab states in the Organization is directed towards the basic work of complying to WTO laws, and little is directed towards the vital work concerning the analysis of policies and business offers.

There are many encouraging signs, the top of which is the full-bodied interest shown by the Secretary-General of the WTO, where he stated in a recent meeting convened for the development agenda of the Doha conference: "I would like to assure the ministers that the Secretariat of the World Trade Organization will continue to support the efforts of the Arab countries by providing technical assistance and capacity-building with high concentration, with the aim of achieving them (efforts) in the correct way. In addition, I will work closely and in collaboration with other major multilateral agencies to ensure that the advice, support and assistance which we provide will be consistent and cohesive, and can contribute to your national development goals. I am confident that by working together, we will continue to improve the meaningful integration of the Arab countries in the multilateral trading system and the world economy."

This support is very encouraging, as stated by Berri McKinley and Stephen Brown in the report of the United Nations Development program that they had prepared: "If the expansion of trade is about to begin to be of benefit to the poorer developing countries, the international rules of the game have to become more just, and the elimination of biased protection against developing countries must be at the top of priorities."

The WTO's method of functioning, which relies on transparency and justice, is something to be referred back to the WTO for discussion, and I think we have to acknowledge that the selection of a secretary from the developing countries is an important point to recognize, and that the WTO's commitment to supporting developing countries in general and Arab countries in particular, is very encouraging. We must recognize and address the fact that we stand at a particular barrier due to the lack of human and technical resources available to us to be allocated to the trade functions and negotiations.

What should we do?

The first problem of getting what you want is to know what you want, a subject that we must do better in. Moreover, when one realizes that he/she is weak, this might prevent him/her from being bold as the situation requires. The Arab world needs to be stronger in the following two stances: The concessions it requests from the developed world; and the concessions and changes that it is ready to undergo.

I dwelled a little bit on the subject of regional integration, and I can not end this talk without raising the subject again, we cannot underestimate the value of the benefits we will get as a region and as individuals from greater Arab cooperation and integration. Even in matters relating to our commercial resources, the establishment of a unified negotiating Arab group to use our resources to the fullest seem to be more logical. But to do so, we should abandon the status of defense and banish borders between us and start thinking mainly in the economic and social integration of the Arab world as a strategy which we take in order to be on the level of globalization and overcome our marginalization at the global level.

With regards to the local level, I urge Arab companies and business leaders to make greater effort in developing joint strategies of cooperation. We cannot achieve something while we are in isolation, and I insist on further cooperation through chambers of commerce and greater participation and effort on behalf of non-governmental organizations that are associated with business, in addition to professional societies such as the Arab Society for Certified Accountants (ASCA) and the Arab Knowledge and Management Society (AKMS). Through efforts and commitment we can together transform the Arab world into a great and prosperous society that can compete, interact and play a role in world affairs on an equal footing with all other nations.