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**Economic and Social Commission for Western Asia (ESCWA)**



## **Report**

### **First session of the Committee on Trade Policies in the States Members of the Economic and Social Commission for Western Asia Amman, 8-9 December 2019**

#### **Summary**

The Committee on Trade Policies in the States Members of the Economic and Social Commission for Western Asia (ESCWA) was established pursuant to ESCWA resolution [332 \(XXX\)](#) on developing the work of the Technical Committee on Liberalization of Foreign Trade, Economic Globalization and Financing for Development, which divided the Technical Committee into two committees so as to ensure increased focus on each component, namely trade policies and financing for development. The United Nations Economic and Social Council endorsed the separation in resolution [2019/30](#). The Committee on Trade Policies in the States Members of the Economic and Social Commission for Western Asia held its first session in Amman on 8 and 9 December 2019.

The Committee discussed several topics, including assessing Arab economic integration: trade in services as a driver of growth and development; monitoring and evaluating Arab economic integration; Arab States' exports: trends and patterns; modernizing the Pan-Arab Free Trade Area Agreement; and global trade wars: winners and losers in the Arab region. It also considered a tool to measure the impact of trade policies on selected Sustainable Development Goals, presented by the ESCWA secretariat. The Committee held a round-table discussion on Arab trade integration in a changing global trade landscape, and reviewed activities undertaken by the secretariat in the field of trade policy over the biennium 2018-2019. At the close of its first session, the Committee adopted recommendations on those issues, some addressed to ESCWA member States and other to the ESCWA secretariat. The present report sets out those recommendations, and provides a summary of discussions and information on participants and documentation.

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## **Introduction**

1. The Committee on Trade Policies in the States Members of the Economic and Social Commission for Western Asia (ESCWA) was established pursuant to ESCWA resolution 332 (XXX) on developing the work of the Technical Committee on Liberalization of Foreign Trade, Economic Globalization and Financing for Development, which divided the Technical Committee into two committees so as to ensure increased focus on each component, namely trade policies and financing for development. The United Nations Economic and Social Council endorsed the separation in resolution 2019/30. The Committee on Trade Policies in the States Members of the Economic and Social Commission for Western Asia held its first session in Amman on 8 and 9 December 2019.

2. The Committee discussed several topics, including assessing Arab economic integration: trade in services as a driver of growth and development; monitoring and evaluating Arab economic integration; Arab States' exports: trends and patterns; modernizing the Pan-Arab Free Trade Area Agreement; and global trade wars: winners and losers in the Arab region. It also considered a tool to measure the impact of trade policies on selected Sustainable Development Goals, presented by the ESCWA secretariat. The Committee held a round-table discussion on Arab trade integration in a changing global trade landscape, and reviewed activities undertaken by the secretariat in the field of trade policy over the biennium 2018-2019. The present report provides a summary of discussions and the recommendations adopted by the Committee at its first session.

### **I. Recommendations made by the Committee on Trade Policies in the States Members of the Economic and Social Commission for Western Asia at its first session**

3. At the close of its first session, the Committee welcomed the ESCWA secretariat's efforts to implement activities in the field of trade, and link its studies and reports to technical cooperation and training activities provided to member States. It took note of the level of implementation of previous Committee recommendations in that field, and of positive efforts by member States that had resulted in significant progress in the implementation of broad reforms in the field of economic policies, especially trade policies. The Committee also welcomed the entry into force of the Agreement on the Liberalization of Trade in Services among Arab Countries. The Committee issued a set of recommendations, some addressed to member States and others to the ESCWA secretariat.

#### **A. Recommendations to ESCWA member States**

4. The Committee made the following recommendations to ESCWA member States:

(a) Benefit from regional economic integration agreements in implementing economic transformation programmes based on diversifying productive capacity and integrating into the global economy through the formulation of effective national policies;

(b) Promote the integration of trade in development plans to operationalize the role of trade in implementing the Sustainable Development Goals (SDGs) given its linkages to many SDGs, and strengthen its capacity to provide the necessary financing for their implementation;

(c) Urge Arab States that have not yet joined the Agreement on the Liberalization of Trade in Services among Arab Countries to accede, facilitate the movement of capital, and ensure the removal of non-tariff restrictions on intraregional trade, which have been widely used since the dismantling of customs;

(d) Develop long-term strategies to implement trade policies by reducing disparities in trade obligations under various trade agreements that member States are negotiating with different countries and regions of the world;

(e) Take into account the macroeconomic and sectoral impacts of global trade wars on Arab countries, especially between the European Union and the United States of America, and establish mechanisms to face the resulting challenges and to benefit from opportunities that they may provide to some Arab countries;

(f) Benefit from the system of indices and scoreboards developed by the ESCWA secretariat to monitor and evaluate economic integration, and cooperate with the secretariat to develop and use them as an interactive tool to monitor trade openness; and provide the necessary data to develop and update tools for monitoring and evaluating Arab trade policies;

(g) Take note of changes in exports from the Pan-Arab Free Trade Area Agreement (PAFTA), and ensure that expanding trade integration with other regions is based on a comprehensive development strategy, which remains a major challenge, especially in view of key continental trade initiatives and ongoing trade wars;

(h) Focus on building capacity in the field of combatting fraud and counterfeiting to protect national products;

(i) Highlight the negative effects of unilateral economic measures, as a means of political and economic coercion, on development efforts in countries where they are imposed, and endeavour to eliminate them.

## **B. Recommendations to the ESCWA secretariat**

5. The Committee made the following recommendations to the ESCWA secretariat:

(a) Continue supporting Arab countries in their trade negotiations within the framework of new free trade agreements, while coordinating with international and regional organizations working in this field;

(b) Continue following up on, monitoring and evaluating international trade developments and their impact on Arab countries;

(c) Build the capacity of member States in the field of trade policy at their request, and develop necessary training activities, particularly in using economic modelling to analyse the effects of various trade policies;

(d) Strengthen communication with those involved in trade policy, communicate information to stakeholders in member States to participate in relevant activities, and inform them of the results of workshops and studies;

(e) Develop quantitative tools to assess the economic impact of trade negotiation scenarios, and make them available to authorities in member States involved in trade negotiations with trade partners;

(f) Continue establishing platforms that provide information and tools to help decision makers in assessing the various tracks of Arab regional integration;

(g) Continue collaborating with relevant organizations to provide technical assistance to member States, especially on the following issues:

(i) The Aid for Trade Initiative for Arab States, in collaboration with the International Islamic Trade Finance Corporation;

(ii) Negotiations related to the Arab Customs Union and trade in services, in collaboration with the League of Arab States;

(iii) Integrating Arab countries in the Trade in Value Added database, in collaboration with the Organization for Economic Cooperation and Development;

(iv) Monitoring and evaluating the effects of non-tariff measures on trade and rules of origin.

## II. Topics for discussion

### A. Follow-up issues

1. *Activities related to trade policies under the ESCWA programme of work for the period 2018-2019*  
(Agenda item 4)

6. With reference to document [E/ESCWA/C.6/2019/3](#), the representative of the secretariat made a presentation on activities related to trade policies under the ESCWA programme of work for the biennium 2018-2019. He said that those activities included drafting technical and parliamentary documents, organizing meetings and workshops for expert groups, preparing recurrent and non-recurrent publications, building databases, providing an overview of country trade performance, and contributing to and participating in activities with partners. He added that ESCWA was carrying out those activities within the framework of cooperation with member States, in accordance with their priorities, and with regional and international partners to follow up on issues related to global trade, face the challenges that it might pose to some Arab economies and maximize benefits that could be achieved by others.

7. In the ensuing discussion, the representative of Egypt said that the activities undertaken by ESCWA over the past two years were varied, but the negative impact of that variety was countries' failure to know the findings of ESCWA studies. She suggested organizing periodic workshops to present the results of studies, to discuss their recommendations, and to consider the feasibility of their implementation to optimize their benefit. She noted the importance of statistical models applied by ESCWA in the economic analysis of negotiators, and indicated that they should be trained to use those models. With regard to the model linking trade policies with sustainable development indicators, she said that trade liberalization could be linked to the SDGs, which would be vital for all countries. She stressed the importance of disseminating to member States a paper on the performance and structure of trade, which assessed gaps in trade performance so as to bridge those gaps. She emphasized the importance of Arab countries agreeing to a basic set of domestic laws and legislation on trade in services in order to liberalize the sector at the regional level. The representative of Tunisia added that training experts in economic modelling would enable them to conduct modelling themselves. Participants requested that ESCWA appoint focal points with member States to establish continual communication, and ensure that all countries receive data and meeting invitations through those focal points.

8. In response, the representative of the secretariat said that ESCWA, in collaboration with the League of Arab States, was working to train negotiators to use statistical models in all issues related to the Arab Customs Union and PAFTA. When a country requested such training, ESCWA would consider available resources and organized training accordingly. He added that training activities were part of the ESCWA mandate. ESCWA generated knowledge and issued recommendations, which would be transformed into practical or remote training sessions. ESCWA was developing remote training using modern technologies. He said that over the period 2018-2019, ESCWA had organized many regional and national training workshops, in collaboration with the League of Arab States and the Arab Maghreb Union, and that those workshops had been attended by representatives of ministries of trade and customs departments from most Arab countries. He added that ESCWA was willing to hold more of those workshops, in line with country requests and available financial resources. As for publishing studies and meeting reports, he noted that ESCWA published all its reports, except national studies that required the approval of the country concerned. It also published the proceedings and reports of expert group meetings on its website. He reviewed mechanisms adopted to communicate with member States, stressing that ESCWA did not send invitations to people but to institutions. He noted that each country had a national focal point for the ESCWA ministerial session.

*2. Technical cooperation activities*  
(Agenda item 5)

9. The Chair noted that items 5 and 6 would be reviewed consecutively before opening the floor for discussions and interventions. With reference to document [E/ESCWA/C.6/2019/4](#), the representative of the Executive Secretariat made a presentation on trade-related technical cooperation activities implemented by ESCWA since the eleventh session of the Technical Committee on Liberalization of Foreign Trade, Economic Globalization and Financing for Development (Beirut, 27-28 November 2017). Activities included conducting studies, preparing publications, organizing meetings and workshops for expert groups, building the capacity of member States to negotiate bilateral, subregional and multilateral trade agreements to encourage trade flows, forging partnerships, and providing advisory services to member States upon request. He reviewed a project on facilitating the implementation of the Arab Customs Union, and projects funded by the Development Account, including a system for measuring, monitoring and evaluating economic integration, aimed at building countries' capacity to measure, monitor and improve their performance in regional integration. He concluded the presentation by referring to the Regular Programme of Technical Cooperation (RPTC) and its activities and technical papers.

*3. Implementation of the recommendations made by the Technical Committee on Liberalization of Foreign Trade, Economic Globalization and Financing for Development at its eleventh session (focus on trade)*  
(Agenda item 6)

10. With reference to document [E/ESCWA/C.6/2019/5](#), the representative of the secretariat made a presentation on efforts by ESCWA and its member States to implement the recommendations of the Technical Committee on Liberalization of Foreign Trade, Economic Globalization and Financing for Development at its eleventh session. He listed the recommendations and reviewed the activities carried out under each of them.

11. In the ensuing discussion, the representative of Egypt said that there were various challenges facing cooperation and technical support programmes in all Arab and international financial institutions, which arose the moment priorities were set. She suggested that ESCWA present to member States its criteria for determining those priorities, noting the importance of measuring country performance in implementing recommendations within the framework of training programmes and of aligning technical cooperation with the situation in member States. The representative of Tunisia requested more research into protectionist measures and their compatibility with mechanisms stipulated in international agreements, stressing the need to develop country knowledge in that field. He highlighted the need to develop the industrial sector in member States through multiple productive sectors to face external competition in the framework of regional integration, and the importance of State adherence to legal texts when taking measures at the PAFTA level. He noted the issue of mutual recognition, stating that a specific framework had not been developed at the regional level. He enquired about the extent of commitment to the Arab integration project, and suggested developing mechanisms to achieve it.

12. The representative of the Arab Federation for Food Industries stressed the need to organize workshops on the food industry field, especially with regard to fraud related to rules of origin, considering it a serious phenomenon threatening many industries in most Arab countries. The representative of the Agadir Technical Unit emphasized the importance of mutual recognition and its role in combating fraud and facilitating trade. He noted Agadir's experience in the field, and indicated that the Unit was developing a preliminary plan on electronic issuance and recognition of electronic certificates of origin at the regional level.

13. In response, the representative of the secretariat said that technical cooperation was agreed upon in advance with countries through specialized committees. The Executive Committee approved the work programme after merging all data from the various subsidiary bodies. Technical cooperation mainly focused on regional issues and on integration and sustainable development in all its dimensions, rather than on one issue. Consequently, ESCWA prepared studies and generated knowledge on various issues, which were then

translated into practical efforts. He added that since technical cooperation had limited resources, priorities were determined based on a written request from a country delivered through its focal point. ESCWA considered such requests in accordance with several criteria: if the request related to ESCWA specializations, if ESCWA had the ability to implement it effectively, and if it was possible to apply the work at the regional level so that several countries could benefit. Regarding evaluation, he said that it was essential for the service provider and evaluator to be independent of one another. ESCWA could communicate with countries to agree on the format of the evaluation.

## **B. Arab trade monitoring and evaluation tools**

### *1. Assessing Arab economic integration: trade in services as a driver of growth and development (Agenda item 7)*

14. With reference to document [E/ESCWA/C.6/2019/6](#), the representative of the secretariat made a presentation on a report entitled “Assessing Arab economic integration”. He said that it was a periodic report published by ESCWA, and that the 2017 edition reviewed the service sector in the Arab region and issues related to the liberalization of trade in services, highlighting the weakness of the Arab region in that field. He added that special attention should be given to services because liberalizing trade in services was an essential mechanism for expanding the scope of regional economic integration, since the services sector constituted large and growing shares of production, employment and foreign direct investment, formed an integral part of economic activity, had strong links to other economic activities, and contributed to the production of other goods and services.

15. He noted the barriers that could hinder trade in services, stating that according to the Service Trade Restrictions Index, the Arab region remained more restrictive compared with other major regions and trade blocs globally, with the exception of countries of the Association of Southeast Asian Nations. Financial services, telecommunications services and transportation services were more restrictive in the Arab region compared with economically developed regions and groups, despite the importance of those sectors in all production operations, on the one hand, and in trade logistics, on the other. He said that professional services were usually subject to restrictions in all regions and blocs, and that the Arab region was no exception. Liberalizing trade in services could yield substantial dividends, especially in gross domestic product (GDP), and strengthen structural changes in sectoral productive capacity thus reducing unemployment and poverty. Despite those dividends, the facilitation of trade in services might lead to increases in greenhouse gas emissions and toxic gases, and thus reduce the productivity of the agricultural sector and exacerbate the population’s health problems. He added that reducing the Service Trade Restrictions Index in some services to half the current rate would lead to a significant increase in foreign direct investment flows to the services and industrial sectors in some Arab countries that were the focus of the report.

16. In the ensuing discussion, the representative of Egypt said that the role of services in economic development was undisputed. She requested further information on the Service Trade Restrictions Index and whether it relied only on restrictions such as taxes and international obligations, or also included barriers in domestic legislation. She added that the second stage of the study could explore the status of negotiations with the European Union, which was now assessing the compatibility of domestic legislation. The representative of Tunisia said that, despite the importance of liberalizing trade in services in PAFTA and the important role of services in trade, only four countries had entered the field of liberalizing trade in services. He added that the reason might be fear of industrial trade challenges, and that it was necessary to address the matter to make the Agreement on the Liberalization of Trade in Services a success. The representative of Mauritania asked whether liberalization of trade in services overshadowed trade liberalization in other areas, and requested full liberalization of all commodities.

17. The representative of Oman said that his country had submitted its commitment tables under the Agreement on the Liberalization of Trade in Services, and that Oman was awaiting its ratification. He asked



whether the Agreement was binding for all States or only those that had signed and ratified it. The representative of the State of Palestine said that her country had a special status because of the occupation, and that trade in the services sector was easier than trade in other sectors on which the occupation had imposed permanent restrictions. She added that the main problem in the State of Palestine was a lack of statistics related to trade in services, and requested that ESCWA conduct a study on the issue.

18. In response, the representative of the secretariat said that the Agreement obligated only States that had signed and ratified it. In response to the representative of Mauritania, he said that trade in services was facing challenges globally and not only in the Arab region. The liberalization of trade in services and the development of an international agreement regulating it was a recent issue compared with the liberalization of trade in goods. He noted that the global agreement to liberalize trade in services attempted to cover all types of services in one agreement, which was highly complicated since each sector required specific arrangements for liberalization. He added that international indicators being discussed might not reflect reality because they adopted the position set out in official reports issued by government bodies, but the level of liberalization was greater than that in many cases. He explained that ESCWA relied on statistics issued by international organizations when conducting analyses related to trade in services, stressing that producing those statistics was difficult, owing to the multiplicity of trade aspects therein. ESCWA sought to produce such data by monitoring and evaluating regional integration, through monitoring indicators that incorporate trade in services in Jordan and Morocco. As for indicators on restrictions in trade in services and how to measure them, he said that they were subject to precise scientific methodologies adopted by specialized international organizations such as the Organization for Economic Cooperation and Development and the World Bank, stating that it was possible to provide countries with a guide to those methodologies.

## *2. Monitoring and evaluating Arab economic integration* (Agenda item 8)

19. With reference to document [E/ESCWA/C.6/2019/7](#), the representative of the secretariat made a presentation on a system of composite indicators and scoreboards developed by ESCWA to monitor and evaluate economic integration in the Arab region. She said that the system highlighted the costs and benefits of integration policy, and the impact of existing structural features and unexpected events, to guide necessary reforms. She reviewed the system's goals, including supporting and improving the formulation of economic integration policies, strengthening the governance and implementation of economic integration measures, and facilitating public policy debate and consensus, so as to enhance integration in the long run. She said that the system captured with great accuracy and comprehensiveness the status and features of Arab countries' economic integration at various levels (bilateral, regional and international), and that it measured real economic integration, covered a set of enabling factors, policies and outputs, assessed country performance in economic integration, contributed to enhancing regional integration, and focused on practical aspects rather than legal aspects. She indicated that the system consisted of three composite indicators of real economic integration that were calculated using three to six individual indicators in the areas of trade, foreign investment and remittance flows. She said that three scoreboards were used, in addition to the composite indicators, to show Arab countries' capacity to integrate (the capacity scoreboard), the policies developed to harness that capacity (the policy scoreboard), and the real integration achieved (the outcome scoreboard).

20. In the ensuing discussion, the representative of the Agadir Technical Unit said that he was interested to see the impact of countries' accession to both an agreement on trade and regional communities, such as Egypt which had joined both the Agadir Agreement and PAFTA. He expressed his hope that more Arab countries, such as Lebanon and the State of Palestine, would join the Agadir Agreement. He noted the achievements of the Agadir Agreement, such as its contribution to intraregional trade flows between States parties and the European Union, the work of States parties in many areas that contributed positively to trade facilitation, and the signing of several memorandums of understanding and customs cooperation agreements between States parties.

21. In response, the representative of the secretariat said that the system differed from others because it comprised 139 entities, including the Agadir Agreement. She added that not all entities could be mentioned in



the presentation to keep it brief, and to focus on the main objectives of the indicator system. She said that the system included all Arab countries, on the one hand, and all trading partners worldwide, on the other, to enable users to collect the required information. She noted that the main goal of the Development Account project was to build national capacity to use and update indicators, and that work would continue on the project in 2020, with a focus on Jordan and Morocco.

*3. Arab States' exports: trends and patterns*  
(Agenda item 9)

22. With reference to document [E/ESCWA/C.6/2019/8](#), the representative of the secretariat made a presentation on export trends and patterns and on related drivers of change in Arab countries, whether under PAFTA or under country groups in or outside PAFTA, in terms of markets, exported products and type of commodities, according to their status in the various stages of transformation. He said that, in addition to merely calculating export growth rates in terms of value or volume vis-à-vis different partners, evaluating a country's export performance involved several other dimensions, notably exploring drivers of change in a country's exports in terms of export direction (markets and the quality of the products being exported). He added that analysing exports in that highlighted past performance and the impact of related trade policies on performance, which could guide policymakers in identifying areas or measures that might enhance export growth. He briefly described the methodology and data used to analyse the change in bilateral export flows between several selected blocs.

23. He reviewed the results of an analysis of developments in exports of Arab countries and groups of countries vis-à-vis selected blocs and areas in the Arab region over two time periods: between 1995 and 2016, and between 2005 and 2016. He said that the analysis indicated that new products and markets represented the greatest share of exports of Arab goods to markets from outside the region than within it; and that new products and markets, in terms of the change in exports of Gulf Cooperation Council (GCC) countries directed to non-Arab partners, were greater compared with other Arab countries. He noted the increasing importance of consumer goods in new products in intraregional trade. Coupled with the finding that discontinued products in intra-regional trade were predominantly and increasingly intermediate goods, he concluded that consumer goods had replaced intermediate goods in intra-PAFTA trade.

24. In the ensuing discussion, the representative of Mauritania said that the Arab economy appeared more integrated with foreign economies than other Arab economies, because Arab countries limited themselves in that regard while developing their trade with European countries. The representative of Oman indicated the difficulties faced by private sector companies and factories in Oman in exporting their products to some Arab countries, because of customs duties and illegal restrictions imposed on some products, which violated what countries had agreed under PAFTA. He added that it was necessary to involve the private sector as well as the public sector in regional and international strategies and plans, because it played a key role in liberalizing trade, especially in third-world countries.

25. The representative of the Syrian Arab Republic said that a PAFTA judicial body existed to resolve issues related to agreement violations. The representative of Egypt added that the dispute settlement mechanism of the League of Arab States was still being negotiated. The representative of Tunisia said that trade flows in the Arab region were impeded by poor investment integration, weak partnerships between Arab countries, and disparate consumption habits, which hindered the exchange of certain products.

26. The representative of the Arab Federation for Food Industries said that the whole world focused on brands rather than the quality of commodities. Although the food industry in the Arab region was characterized by quality, Arab commodities were still unknown abroad. He suggested organizing a workshop or conference to open up traditional Arab food industries to the world.

27. In response, the representative of the secretariat noted the debate in the Economic and Social Council on a dispute settlement mechanism, a review of the issue within the framework of PAFTA, and the support provided by ESCWA to seven member States in developing their technical capacity to use anti-dumping mechanisms.

Regarding organizing a workshop to open up traditional Arab food industries to the world, he said that there were other institutions with broader experience that enabled them to deal with that issue, with the possibility of collaborating with ESCWA on how to deal with non-customs measures imposed on Arab food commodities in global markets, which significantly limited the growth of Arab food exports globally. He added that the issue was vital to promoting small and medium enterprises, which ESCWA was trying to support to the greatest extent possible. He said that ESCWA had developed its first initiative with the private sector to establish an electronic platform aimed at supporting small and medium enterprises in the Arab region, and strengthening their activities and capacity.

#### *4. Towards modernization of the Pan-Arab Free Trade Area Agreement* (Agenda item 10)

28. With reference to document [E/ESCWA/C.9/2019/9](#), the representative of the secretariat made a presentation on the modernization of PAFTA Agreement. She noted changes in Arab economic integration, stating that the impact of the PAFTA Agreement was limited. In the past, successful development strategies had consisted of building a complete value chain domestically and selling final goods abroad. Today, it was possible to exchange ideas or functions internationally, which had led to the fragmentation of the production process and the emergence of global value chains. She considered the reasons for the inadequate performance of PAFTA Agreement by examining obstacles to its full implementation and its inherent constraints. She compared the provisions and content of key sections of the PAFTA Agreement with other relevant trade agreements, to identify necessary changes and possible ways to move forward towards its modernization. She noted the importance of modernizing the Agreement to enhance the freedom of movement of goods, services, capital and people across the region, in a world completely different from the one where it had first been established. She stressed the importance of focusing on several factors, such as rules of origin, non-tariff barriers, dispute settlement mechanisms, service integration, capital and labour movement, intellectual property rights, and competition policy. She added that what had been accomplished to date on those issues was insufficient to provide the necessary regulations to transfer goods, services, ideas, capital and technology quickly, safely and affordably, especially since relevant legislation remained weak and inadequate.

29. In the ensuing discussion, the representative of Egypt said that PAFTA was currently working on all the issues mentioned in the presentation. Rules of origin had been agreed upon and entered into force in October 2019, and the committee responsible for negotiations had become a permanent PAFTA committee. The representative of Tunisia called on participants to rethink the relationship between rules of origin in trade and regional integration, stating that the view dominating the analysis of rules of origin was not adequate for efficient trade. He said that it was possible to alter that view on the basis that rules of origin were an essential component of regional support. He stressed the need to examine the level of added value in trade, given that added value in global value chains was very weak.

#### *5. A tool to measure the impact of trade policies on selected Sustainable Development Goals* (Agenda item 11)

30. The representative of the secretariat made a presentation on a tool developed by ESCWA to measure the impact of trade policies on selected SDGs that depended on the key role of international trade in building global partnerships for sustainable development, as emphasized by SDG 17. He said that although trade was not a major focus in the SDGs, it was an incentive to achieve most of them. The tool aimed to assist member States in formulating and evaluating the best strategies to facilitate the achievement of the SDGs, with a focus on the role of trade policies and trade performance. He noted the differences between tools used to measure the impact of trade policies on selected SDGs, such as external shocks that could take the form of policies which the United States might impose on trade or national policies, and their effects on wages, exports, imports, fiscal revenue, labour and other factors. He said that the tool constituted a dynamic simulation model. He presented the five scenarios that had been evaluated by the quantitative tool to assess their respective impacts on progress in achieving selected SDGs, which focused on the Arab Customs Union

negotiations through alternative scenarios on adopting a unified external tariff at the detailed commodity level. He said that the model could be used to project future trends with regard to all trade policies.

31. In the ensuing discussion, the representative of Tunisia said that the aim of the tool was to obtain, by 2030, a model for assessing the effects of new policies. He noted that the inclusion of many policies within the tool would strengthen countries' capacity to achieve the SDGs. He requested clarification about the percentages set out in the table on the impact on poverty. The representative of Egypt asked whether the tool covered economic indicators as well as social indicators, and requested further clarification on how to use them. The representative of Mauritania reported a problem with regard to the scenarios, and wanted to know the criteria for applying them to countries since Arab countries differed economically and made disparate products. The representative of the State of Palestine said that her country had used modelling techniques to study specific sectors, and had found that the results differed according to the data entered in the model. She asked whether the indicators used by ESCWA when creating the model were abstract or reflected reality. The representative of the Arab Federation asked about the status of food security in the presented scenarios, to ascertain whether it had been included.

32. In response, the representative of the secretariat said that the percentages provided for a unified external tariff were based on technical discussions held at several workshops organized by ESCWA in collaboration with the League of Arab States, or on national technical support projects for a panel of Arab countries involved in the negotiations of the Arab Customs Union. A sample of Arab countries, including Lebanon, the Sudan and Tunisia, showed that the scenarios reflected the positions of most Arab countries in negotiations, especially vis-à-vis tariff segments and goods. In response to the representative of Egypt, he said that the model could be applied effectively whenever the need arose. The tool could conduct a comprehensive assessment of the extent to which Arab countries were affected by changes in their trade policy with any commercial partner from the region or outside it, and the resulting impact on their economies or on a sample of SDG indicators. He said that ESCWA had modelled many indicators related to social, economic and environmental SDGs, which could be supported by additional indicators when necessary. He added that investing in the tool would be achieved by developing databases for Arab countries and adapting the tool according to the characteristics and needs of each country. In response to the representative of the State of Palestine, he said that each economic instrument had specific characteristics, and therefore the tool had advantages and disadvantages. He noted that it was difficult to enter all SDG indicators in one model, but ESCWA was striving to align the model more closely to reality alongside other quantitative models, which would form an integrated toolkit to support economic decision makers in member States.

### **C. Trade policies, economic integration and the 2030 Agenda for Sustainable Development**

#### *1. Global trade wars: winners and losers in the Arab region* (Agenda item 12)

33. With reference to document [E/ESCWA/C.6/2019/10](#), the representative of the secretariat made a presentation on global trade wars and the implications of the new United States trade policy, especially new trade rules with China and the European Union, with regard to protectionist policies and tax incentives for American companies operating abroad, and a sharp rise in tariffs and their implications for the global economy, in general, and for the economies of Arab countries, in particular. He said that trade wars threatened world economic growth, disrupted global value chains, and led to a second round of secondary effects that impacted countries not participating in those wars, especially Arab countries. Using a global dynamic general equilibrium model, he reviewed the macroeconomic and sectoral effects of four scenarios of trade tensions between the United States, on the one hand, and the European Union and China, on the other. The results indicated overall losses in terms of real growth and trade volume globally. The trade war would cause losses in the real GDP of many Arab countries, even if some achieved a marginal increase in exports. He noted that a trade war between the United States and the European Union would exacerbate such challenges for Arab countries, thus requiring preventive policies to benefit from new trade opportunities and reduce losses, in line

with the economic structure of each of the 10 Arab countries included in the model, namely the six GCC countries, Egypt, Jordan, Morocco and Tunisia.

34. In the ensuing discussion, the representative of the Syrian Arab Republic said that the United States, by imposing restrictions on Chinese exports, had also imposed restrictions on itself given the presence of many American companies producing their products in China, noting the close connection between the American and Chinese economies. The representative of Egypt proposed developing a mediator scenario: reaching an agreement between the warring parties and resolving the crisis through mutual concessions. She said that Egypt had taken measures regarding the two sides to not lose those markets, and noted the Chinese deficit in its balance of services with the United States.

35. The representative of Mauritania said that given the expansion and progress of China in trade, Arab countries, especially GCC and Maghreb countries that had strong economic connections with the United States, should benefit from the study, which considered the fundamental dimensions of the future of such trade. Those countries must change or diversify their commercial sources and develop relationships that did not depend on a single product that was subject to change. The representative of Tunisia said that big countries would not reach the stage of launching an attack on one other, because they would reach a solution that suited all parties, especially since some countries had other mechanisms that allowed them to influence the policies of their economic partners. The representative of Oman discussed his country's experience with regard to the American administration's decision to impose customs duties on some products, and the measures Oman had taken in that regard.

36. In response, the representative of the secretariat said that the trade war between the United States and China had already begun, noting that the American President had stated his desire to retrieve American companies operating abroad. The American President's aim was not to cut ties with China, but rather to promote the economic benefits to his country from trade with China, and to reduce the attractiveness of China to American companies. He added that the ESCWA model was a global model that had included 10 Arab countries in its database. Regarding the balance of services, he said that the issue had not yet been addressed because the focus was still on policies imposed on products themselves. He noted the Global Trade Analysis Project, which included data for nearly 80 countries globally, including 10 Arab countries, and reviewed ESCWA efforts to support and train countries in the use of quantitative tools.

*2. Round-table discussion: Arab trade integration in a changing global trade landscape:  
what priorities for the Arab region?  
(Agenda item 13)*

37. At its first session, the Committee held a round-table discussion on the Arab region's priorities with regard to Arab trade integration, in the light of global trade changes and available options at the regional and multilateral levels. The representative of the secretariat stressed the importance of addressing country priorities to strengthen regional integration, in addition to regional issues that represented priorities for joint action between ESCWA member States, and thus reflected the support that ESCWA could provide within the resources available to it. He emphasized the importance of such a dialogue during the regional reform of the United Nations system, especially since the main principles of reform were to avoid duplication and provide integrated services.

38. The representative of the Syrian Arab Republic said that his country's top priority was to attract investment for reconstruction, especially to erect infrastructure and residential and non-residential buildings to help citizens secure basic needs; and to join regional and non-regional economic and trade blocs. He said that ESCWA could assist by organizing more sessions and seminars to discuss those issues. He also raised the issue of economic sanctions imposed on his country, which contradicted the principles of free trade and constituted a violation of basic human rights, including the right to life. He suggested that ESCWA participate in efforts to liberalize intraregional trade in the Arab region, and eliminate all customs barriers between Arab countries. Regarding the similarity of products in the West Asian region, he said that it would

be useful to organize seminars to ensure specialization in production, and focus on the comparative advantage of each country.

39. The representative of the Sudan said that the transitional Government's priorities included reopening markets that were closed to Sudanese products and promoting access to new global markets. He confirmed that his country was seeking to join the World Trade Organization (WTO). He noted that sanctions had caused widespread poverty in his country, and requested that ESCWA cooperate in those matters.

40. The representative of Iraq reviewed the status of his country's economy prior to 2003, stating that it was socialist and heavily regulated, with a limited private sector. He said that it had transformed into a free economy after 2003, but had faced major challenges in the electricity sector that had affected many industries. He said that the Iraqi market had become consumerist, and that successive crises had forced Iraq to request that it be exempt from applying PAFTA provisions. When the Arab League rejected the request, a sovereign decision was taken by the Council of Ministers to impose customs duties on Arab countries, except Jordan which had a bilateral agreement with Iraq. He noted recent efforts by Iraq to integrate into Arab markets by encouraging imports from neighbouring Arab markets, and opening up the country to land ports with Jordan and the Syrian Arab Republic. He also said that Iraq wanted to attract investment, especially in the field of electricity, to sign a contract to completely overhaul the electrical system, and to cooperate with China in multiple sectors.

41. The representative of Oman said that his country's priorities regarding negotiations between Arab countries included addressing non-tariff barriers, and completing the PAFTA Agreement by adopting the four legal annexes that Arab countries were negotiating through the League of Arab States. He stressed the importance of those annexes in highlighting disparate economic levels in Arab countries. He said that Oman was actively following WTO developments, and that it stressed the need to maintain WTO principles while protecting the rights of developing countries. He requested that ESCWA conduct a survey of current obstacles, to benefit from the expertise of the League of Arab States and Arab organizations specializing in such issues, and to advance trade policy by simulating the WTO to identify the strengths and weaknesses of each Arab country's policies.

42. The representative of the State of Palestine said that her country's priorities included ensuring preferential treatment in agreements with Arab countries, and facilitating access for Palestinian products in Arab markets. She noted her country's difficulty in dealing with countries globally because of a lack of clarity on the parties that must be contacted in the State of Palestine, so as to avoid the application of preferential treatment to existing settlements therein. It was therefore vital to clarify the definition of the State of Palestine in bilateral agreements. Regarding ESCWA support, she said that there was no separate trading system for the State of Palestine to set a specific tariff system. She requested assistance in that matter, in joining WTO as an observer, and in helping her country benefit from trade facilitation agreements. She said that the State of Palestine was interested in using the ESCWA model to document the costs of the occupation and its impact on the Palestinian economy. She requested ESCWA support in developing the model and training cadres, which would assist the country in obtaining data.

43. The representative of Egypt said that her country's priorities under PAFTA related to trade, trade negotiations, and joint Arab action. Regarding trade and completing trade negotiations, she said that Egypt wanted to complete customs union negotiations and address unresolved problems to finalize the trade negotiations. She said that a required study related to a mechanism for compensating countries for customs losses. She expressed interest in developing rules of origin to achieve regional industrial integration in the region. She indicated her country's request that the food safety team be a permanent team at the regional level to avoid surprises, especially those related to controlling the exports of agricultural countries, stressing that the team would set specific standards for food control so that no country could manipulate those issues and impose its own conditions. She said that Egypt was facing difficulties in reconciling the requirements of a customs union under the League of Arab States with a customs union in the context of Africa. She requested assistance

in such matters, and that countries share their experiences in that area. She also requested that ESCWA launch a platform for trade at the regional level, and add an investment component to it.

44. The representative of Mauritania reviewed his country's experience in the partnership agreement with the European Union, which had required the formation of follow-up committees, including a unified customs tariff committee with the Economic Community of West African States. He said that it was necessary to conduct a new study on the partnership between Mauritania and West African countries and the common market between the two parties, which would benefit ESCWA and Arab countries. With regard to technical issues that might require ESCWA support, he said that it was important to prepare studies on the Mauritanian economy, especially in the light of new trend towards the above-mentioned agreements. He added that it was vital to conduct studies that identified the priorities of countries, their economies, and their trade exchanges; and detailed studies on the economic indicators of countries and of the most competitive economies, to examine obstacles hindering country growth and propose appropriate solutions to them.

45. The representative of Yemen said that her country had presented a plan for post-war rebuilding, which set out the urgent State priorities, including reforms in foreign trade and restoring what the war had destroyed. The 2019 Beirut Arab Summit supported Yemeni efforts in that framework. The Economic Council of the League of Arab States had identified the mechanism through which Yemen would be supported towards economic recovery. She indicated a questionnaire on technical support and its beneficiaries in the foreign trade sector, and suggested that ESCWA benefit from that questionnaire.

46. The representative of Tunisia said that his country had always worked to enhance economic integration in the region, and avoid any measures that might hinder trade and investment. He addressed the issue of strengthening mutual recognition in the field of specifications, considering it an important issue to facilitate the flow of trade between member States, to ensure access of their commodities to markets, and to meet international specifications and consumer protection requirements. He reviewed Tunisian efforts in that regard. He indicated that the most important factor for the advancement of trade in the region was the cumulation of rules of origin, which might push foreign producers and key international companies to invest in the region by setting conditions on the origin of materials and the manufacturing process. He noted his country's endeavours to globalize Tunisian enterprises and encourage them to invest in the Arab region. He added that ESCWA could contribute to supporting trade logistics (transport, communications, and regional value chains), and to creating Arab productive and service hubs in sectors with proven competitive advantages. He also stressed the importance of establishing an investment fund to finance private sector infrastructure projects, and of ensuring inclusive trade and food security in the Arab region to achieve the SDGs.

47. The representative of the Agadir Technical Unit noted the added value of ESCWA activities, stating that the Agadir Agreement brought together southern Mediterranean countries, and invited Arab States not parties to accede so as to unify the positions of southern Mediterranean countries in negotiations with the European Union. He said that ESCWA intervention in agreements could be to unify country positions to optimize results in favour of Arab countries. He added that ESCWA could focus on many cross-border issues in the field of intraregional Arab trade, which was limited as a result of similar productive structures in the Arab region. He noted the potential role of ESCWA in conducting a study on the importance of developing a regional agreement, and ensuring mutual recognition of conformity certificates and the standardization of various specifications. He said that the issue of rules of origin was linked to procedures, and that it was necessary to raise awareness of customs officials on mutual recognition.

48. The representative of the Arab Federation for Food Industries said that accurate statistics and data were essential for assessing current situations and projecting future trends. He requested that ESCWA, given a lack of accurate statistics in the Arab region, provide training to member States on statistics production.

#### **D. Date and venue of the second session of the Committee**

(Agenda item 14)

49. Representatives of member States agreed to hold the second session of the Committee on Trade Policies in the States Members of the Economic and Social Commission for Western Asia at the United Nations House in Beirut in 2021, provided that no member States officially requests to host it, in accordance with established United Nations procedures and regulations.

#### **E. Other matters**

(Agenda item 13)

50. No issues were discussed under this item.

#### **F. Adoption of the recommendations made by the Committee at its first session**

(Agenda item 16)

51. The recommendations emanating from the discussions were presented to representatives of member States for discussion and adoption. The present report sets out the recommendations as adopted.

### **III. Organization of work**

#### **A. Date and venue**

52. The Committee on Trade Policies in the States Members of the Economic and Social Commission for Western Asia held its first session in Amman, on 8 and 9 December 2019.

#### **B. Opening**

53. The first session of the Committee on Trade Policies in the States Members of the Economic and Social Commission for Western Asia opened at 10 a.m. on Sunday, 8 December 2019. The Secretary of the Commission informed representatives of member States of the reasons and objectives for establishing the Committee on Trade Policies in the States Members of the Economic and Social Commission for Western Asia, including ensuring increased focus on trade and guaranteeing the participation of specialists and relevant stakeholders from member States in the discussions.

54. Mr. Mohamed El Moctar Mohamed El Hacene, Director of the ESCWA Economic Development and Integration Division, made a statement on behalf of the secretariat. He welcomed representatives of member States, stressing the importance of the session's topics, including assessing Arab economic integration at a time when the region faced great challenges and opportunities for human development, and achieving the SDGs. He said that the trade sector was key to economic growth, and that establishing a committee concerned with that matter reflected recognition of the importance of international trade as a driver of economic growth and sustainable development. He reviewed the increasing challenges faced by member States, stating that resolving them required intensive regional efforts in the light of globalization and competition, and the tendency of most countries globally to join strong economic blocs. He said that tangible progress at the regional level, including in ongoing negotiations between Arab countries to liberalize trade, would undoubtedly constitute a lever that would contribute to advancing regional human development. He stressed the importance of advancing the Arab Customs Union to enhance Arab economic integration, and enable the region to face increasing competition from abroad, stressing the importance of benefiting from the session to discuss modernizing the PAFTA Agreement with regard to the origin of goods, expediting the implementation of an agreement on trade in services, and taking measures to establish regional value chains and enable coordination in negotiating with partners.



55. Mr. Mohamed Jamal Al-Aifa, Director of the Department of Cooperation with Regional and International Organizations in the Ministry of Trade of Tunisia, made a statement in which he welcomed participants. He said that trade-related technical cooperation activities included 13 events, technical workshops and meetings moderated by ESCWA experts, and 15 papers on integration and development issues. He added that dedicating a technical committee to trade policies highlighted the importance of trade and economic integration issues in the region, and the need to do more to enhance regional integration. He noted that the current meeting was an occasion for dialogue and discussion on assessing and following up regional integration, establishing mechanisms to develop existing projects such as PAFTA, and benefiting from tools for measuring integration and the effects of trade policies.

### **C. Participants**

56. The first session of the Committee was attended by representatives from 12 ESCWA member States. Representatives of regional bodies working in the field of trade policies also participated as observers. The list of participants is set out in annex I to the present report.

### **D. Election of officers**

57. Pursuant to rule 18 of the rules of procedure of ESCWA, “member countries shall assume the chairmanship of the sessions of the subsidiary bodies of the Commission on a rotating basis, in the Arabic alphabetical order employed by the United Nations”. The representative of Jordan was appointed Chair of the first session of the Committee. The Committee elected the representative of Tunisia as First Vice-Chair and the representative of the Sudan as Second Vice-Chair. The representative of the Syrian Arab Republic was elected Rapporteur.

### **E. Agenda and organization of work**

58. At its opening meeting, the Committee adopted the agenda as set out in document [E/ESCWA/C.6/2019/L.1](#).

59. The Committee also adopted the organization of work set out in document [E/ESCWA/C.6/2019/L.2](#).

### **F. Documents**

60. The documents considered by the Committee at its first session are listed in annex II to the present report and also set out in document [E/ESCWA/C.6/2019/INF.2](#).

## Annex I

### List of participants

#### A. ESCWA member States

##### Egypt

Ms. Dina Mahmoud  
Head of the Central Department for Trade  
Agreements  
Ministry of Trade and Industry - Agreements and  
Foreign Trade Sector

Ms. Mona Wahba  
Commercial Consultant  
Head of the Commercial Office  
Embassy of Egypt to Lebanon

##### Iraq

Mr. Abdul Amir Aziz Zain  
Commercial Attache  
Embassy of Iraq to Jordan

##### Jordan

Mr. Zaher Al-Qatarneh  
Assistant Secretary-General for Technical Affairs  
Ministry of Industry, Trade and Supply

Ms. Nour Salah El-Din Shqair  
Assistant Director of Foreign Trade Policy for  
Foreign Affairs  
Head of the Department of Trade Policy  
Ministry of Industry, Trade and Supply

Mr. Suhaib Al-Raoud  
Economic Researcher  
Ministry of Industry, Trade and Supply

##### Lebanon

Mr. Simon Jabbour  
Department Head  
Ministry of Economy and Trade

##### Mauritania

Mr. Mohammed Al-Mustafa Aleyh  
Assistant Director of Competition and Consumer  
Protection  
Ministry of Trade and Tourism

##### Oman

Mr. Yousef bin Ahmed bin Ali Al-Ghassini  
Head of the Arab and Islamic Organizations  
Department

##### State of Palestine

Ms. Soha Abdul Rahman Awad Allah  
Ministry of National Economy  
Chief of Cabinet of the Minister

##### Qatar

Mr. Shaheen Ali Al-Kaabi  
Minister Plenipotentiary and Assistant Director  
Department of International Cooperation  
Ministry of Foreign Affairs

Ms. Asma Al-Bakr  
First Secretary  
Department of International Cooperation  
Ministry of Foreign Affairs

##### Sudan

Mr. Issam Saad Allah Mirsal Hassan  
Deputy Director of the International Organizations  
Department  
Ministry of Industry and Trade

##### Syrian Arab Republic

Mr. Yousef Masoud Al-Shoum  
Minister-Counselor  
Embassy of the Syrian Arab Republic to Jordan  
Amman

##### Tunisia

Mr. Mohamed Jamal Al-Aifa  
Public Interest Adviser  
Director  
Department of Cooperation with Regional and  
International Organizations

##### Yemen

Ms. Gharam Ali Abdullah Aman  
Director-General of the Department of  
International Trade Relations  
Ministry of Industry and Trade

## **B. Regional and international organizations**

### League of Arab States

Mr. Sameh Mahrous Mohamed Abdel Karim  
Department of Arab Economic Integration

### Saudi Fund for Development

Mr. Ibrahim bin Saleh Al-Hammad  
Statistical Researcher  
Department of Economic Research and Studies

Mr. Ahmed bin Ali al-Misfer  
Civil Engineer  
Operations Management

### Arab Federation for Food Industries

Mr. Fadi Falah Jabr  
Secretary-General

### Agadir Technical Unit

Mr. Yusuf Trifa  
Chief Executive Officer

Mr. Muhammad Tolba  
Senior Adviser

Mr. Atallah Al-Ayed  
Promotion and Investment Manager

## Annex II

### List of documents

| Title   | Item | Symbol  |
|---|------|---|
| Information for participants  |      | E/ESCWA/C.6/2019/INF.1                          |
| Provisional agenda and annotations  | 3    | E/ESCWA/C.6/2019/L.1                            |
| Organization of work  | 3    | E/ESCWA/C.6/2019/L.2                            |
| Activities related to trade policies under the ESCWA programme of work for the period 2018-2019   | 4    | E/ESCWA/C.6/2019/3                              |
| Technical cooperation activities  | 5    | E/ESCWA/C.6/2019/4                              |
| Implementation of the recommendations made by the Technical Committee on Liberalization of Foreign trade, Economic Globalization and Financing for Development at its eleventh session (focus on trade) | 6    | E/ESCWA/C.6/2019/5                              |
| Assessing Arab economic integration: trade in services as a driver of growth and development  | 7    | E/ESCWA/EC.6/2019/6<br>E/ESCWA/C.6/2019/6       |
| Monitoring and evaluating Arab economic integration   | 8    | E/ESCWA/EC.6/2019/7/Rev.1<br>E/ESCWA/C.6/2019/7 |
| Arab States' exports: trends and patterns   | 9    | E/ESCWA/C.6/2019/8                              |
| Towards modernization of the Pan-Arab Free Trade Area Agreement   | 10   | E/ESCWA/C.6/2019/9                              |
| Global trade wars: winners and losers in the Arab region  | 12   | E/ESCWA/C.6/2019/10                             |