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Committee on Trade Policies in the States Members of the Economic  
and Social Commission for Western Asia

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**Activities related to trade policies under the ESCWA  
programme of work for the period 2018-2019****Summary**

Since the eleventh session of the Committee on Liberalization of Foreign Trade, Economic Globalization and Financing for Development, which was held in Beirut on 27 and 28 November 2017 and focused on trade issues, the Economic and Social Commission for Western Asia (ESCWA) has implemented a number of trade-related activities under its subprogramme 3 on economic development and integration of the ESCWA programme of work for the biennium 2018-2019. These activities included preparing technical papers and parliamentary documents; organizing expert group meetings and workshops; preparing publications; building databases and country trade performance profiles; and contributing and participating in joint activities with partners. The present document provides an overview of these activities.

The Committee on Trade Policies in ESCWA Member States is invited to take note of implemented activities and provide comments thereon.

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## Introduction

1. Since the eleventh session of the Committee on Liberalization of Foreign Trade, Economic Globalization and Financing for Development, which was held in Beirut on 27 and 28 November 2017 and focused on trade issues, the Economic and Social Commission for Western Asia (ESCWA) has implemented a number of trade-related activities under its subprogramme 3 on economic development and integration of the ESCWA programme of work for the biennium 2018-2019. The objective of subprogramme 3 for the biennium 2018-2019 is to achieve a decent standard of living for all people in Member States through sustained and more inclusive economic development within a more integrated region. It is implemented by the Economic Development and Integration Division (EDID) of ESCWA.

2. The present document reviews the activities related to the trade policies that were implemented by ESCWA in the biennium 2018-2019. They include preparing technical and parliamentary documents, organizing expert group meetings and workshops, preparing recurrent and non-recurrent publications, building databases and toolkits, and contributing to joint activities with partners. Through those activities, ESCWA seeks to cooperate with Member States, according to their priorities, and with regional and international partners, in following up on global trade matters and facing challenges and prospects in the Arab region in the field of trade policies.

### I. TECHNICAL PAPERS

#### *Ex-post trade impact analysis: a methodological note*

3. This paper provides technical details on trade indicators commonly and frequently used in ESCWA studies and assessments of trade performance. The indicators presented in this paper are divided into three groups: (a) region-level indicators; (b) reporter-partner level indicators; and (c) reporter-product level indicators. Most of these indicators are being used by the regional integration section at ESCWA in producing the trade structure and performance profiles for Member states. These profiles, which represent an extension, rather than a replication, of the existing statistics profiles published by ITC, WTO, and ESCWA, introduce a significant added value to the ongoing debate on the benefits and/or costs of trade integration schemes followed by most Arab countries since the conclusion of the Uruguay Round in 2014 and the creation of the WTO in 1995.

#### *Tools for ex-ante trade impact analysis*

4. Trade reform is complex to analyse, as it combines at the same time a variety of economic mechanisms: macro-economic and sectoral effects, both in the short and long runs. Besides, the impact of the reform depends crucially on the initial situation: tax levels, distortions among sectors of activity, and trade, production and consumption patterns. In the real world, theory cannot suffice to identify optimal policies; in depth empirical analysis based on a consistent and detailed picture of the economies concerned is essential. The objective of this technical document is to provide a review of the various tools used to ex-ante assess trade policies with a focus on three major categories: gravity models, partial equilibrium models and computable general equilibrium models.

#### *The 'sophistication' of Arab exports: measurements and main tendencies*

5. Generally, economic transformation occurs when an economy structurally moves over time from a lower fundamental and subsistence level to a higher sophisticated level. This process can be materialized by a technological shift that drives towards modernized and more sophisticated goods and methods of production, entailing diversified production base and an upgrade of goods produced within each industry. The economic transformation can also be realised through the increased production of sophisticated products incorporating the most advanced and complex economies' capabilities. This paper estimates and analyses recent trends in levels of sophistication of Arab economies using appropriate databases and techniques. It also provides a ranking of Arab economies in terms of sophistication of exports both at regional and global levels.

### *Trade performance and structure profiles*

6. Trade performance and structure profiles are new and innovative toolboxes for ESCWA experts and policymakers around the region alike to assess performance and policy gaps in trade and investment on a range of distinct issues pertinent to trade and investment for ten Arab countries (Bahrain, Egypt, Jordan, Kuwait, Morocco, Oman, Qatar, Saudi Arabia, Sudan and Tunisia). In addition to presenting aggregate trends in trade and foreign direct investment, the profiles feature a broad range of trade indicators that are calculated specially for these profiles using highly detailed product level data, making them a novel set of trade indicators with very high information content for individual Arab countries as well as for the Arab region as a whole.

## **II. PARLIAMENTARY DOCUMENTS**

### *Assessing Arab economic integration: trade in services as a driver of growth and development*

7. This document is a synopsis of the original report, retaining important findings and arguments. The first edition came out in 2015 and aimed at assessing the performance of Arab countries in global and regional economic integration, with a view to identifying challenges to, and opportunities and strategies for fostering intra-regional and global economic linkages. In addition to providing an assessment of economic integration of performance of Arab countries as a regular component, the current report focuses on a distinct theme, offering a more in-depth analysis of key issues faced by the Arab region in its pursuit of closer regional economic integration. The second edition also reviews the status of the service sector in the Arab region and issues related to the liberalisation of trade in services.

### *Trends and structures of Arab exports*

8. This document explores what drives change in the exports of the Arab region in terms of existing markets and products or new ones, as well as discontinued products or markets. The document decomposes the change in merchandise exports of the Arab region as a whole and its subregions vis-à-vis different partners, between different time periods, and across different product categories based on the stage of processing (raw material, intermediate goods, capital goods and consumer goods).

### *Maritime transport in the Arab region: does liberalization matter?*

9. Maritime transport is the most important mode of international transport of goods. However, it remains the most restricted sector due to its economic, political and security importance. While the General Agreement on Trade in Services (GATS) has led to liberalization in many other sectors, maritime transport has not seen much benefit under it. This may change with a new generation of regional trade agreements that focus on trade in services and could induce some changes in the sector's regulatory frameworks, including significant moves towards liberalization. The maritime transport sector is more restricted in the Arab region than in others. Further liberalization and deregulation at the regional level could bring some gains on various fronts, including boosting regional integration and improving maritime transport and trade networks.

### *Logistics performance in the Arab region*

10. Importance of logistics has grown sharply in recent years, owing to intensified competition and increased demand for faster and better services to meet global market requirements. Developed and developing countries are investing heavily in improving logistics, and the Arab region is no exception. Over the years, many Arab countries have improved their logistics performance and other related matters, such as connectivity to global maritime networks, but many still have a long way to go to meet the challenges of today's markets in terms of parts, components and final goods. Various investments in hard and soft infrastructure are taking place across the region to improve future capacity. The present document considers the various pillars of logistics in the Arab region according to the latest data in major global databases. It also provides recommendations to enhance logistics performance in Arab countries.

*Impediments to the full implementation of the Pan-Arab Free Trade Area, 2018*

11. Negotiated under the aegis of the League of Arab States, the Great Arab Free Trade Agreement (GAFTA) came into existence in 1997 and was fully implemented in 2005. As any other regional trade agreement (RTA), the goal is to create a large intra-regional market, boost competition to strengthen domestic firm's capacity to compete outside the region, achieve greater specialization building on existing comparative advantages and by developing new ones, and benefit from economies of scale. However, a large body of research shows that the impact of the GAFTA remains below expectations as it did not lead to any significant growth of intra-trade flows, which remained below the growth rates of extra-regional trade flows. The technical paper investigates remaining barriers and obstacles to further economic integration within the Arab region, particularly those pertaining to trade facilitation and trade in services.

*Monitoring and evaluating Arab economic integration*

12. In order to assist Member States in harnessing potential of Arab economic integration, the Economic and Social Commission for Western Asia (ESCWA) has developed a system of indices and scoreboards to monitor and assess economic integration in the Arab region, dubbed "Arab Economic Integration System of Indices (AEISI)". The system can be used to highlight the costs and benefits of integration policy, as well as the bearing of existing structural features and unexpected events, and thus inform necessary complementary reforms. The present document introduces the AEISI, describing its scope and methodology. It also provides examples of findings and suggests ways forward for the further adaptation of the AEISI to Member States' needs.

*Global trade wars: winners and losers in the Arab region*

13. Using a simulation model, this paper analyses the impacts of alternative scenarios of the US foreign trade policy on the economies of ten Arab countries (all GCC countries, Egypt, Jordan, Morocco and Tunisia). The tested scenarios include different stages of US trade policy changes, mainly with China, as well as successive retaliation policies from both sides. It identifies winners and losers in the region and formulates policy recommendations on accompanying policies to mitigate the negative effects and increase potential benefits.

*A tool to measure the impact of trade policies on selected Sustainable Development Goals*

14. This tool is a prototype model developed for the specific purpose of linking trade policies and performance to selected Sustainable Development Goals (SDGs). It goes well beyond classical models in terms of extension of the core mathematical specification of the model as well as its database. It includes features related to income distribution among households (distribution versus areas), gender (male and female), various trade partners, renewable and fossil fuel energy (emissions of GHGs...). The tool could be applied to specific countries for a more policy-oriented analysis on how to mainstream trade policies in relation to the SDGs.

**III. RECURRENT PUBLICATIONS***Second edition of Assessing Arab Economic Integration Report*

15. Economic integration is an important means for generating income and employment, boosting investment and spurring structural transformation towards more diversified and broad-based economic models. In addition to taking stock of the economic integration performance of Arab countries at the individual, sub-regional, and global levels, the current edition of *Assessing Arab Economic Integration Report* looks into the role and importance of services in Arab economies, in terms of output, export and employment shares of the services sectors. It also explores the restrictiveness of policies and regulations affecting trade in services in the region. The report culminates in a discussion of the priorities and challenges for Arab countries in negotiating services-trade agreements in light of the analysis presented.

#### IV. NON-RECURRENT PUBLICATIONS

##### *Transport and Connectivity to Global Value Chains: Illustrations from the Arab Region*

16. The increasing importance of global value chains (GVCs) alters the traditional relationship between exchange rate movements and competitiveness. As imports of intermediate goods and components constitute a valuable input in global production networks, exchange rate interventions to boost exports become ineffective. Higher prices of imported inputs negate the favourable effects of exchange rate depreciation regarding price competitiveness. The effectiveness of such interventions, therefore, depends largely on the extent of an economy's GVC integration. The report focuses on the role of transport as far as international production sharing is concerned. This report represents only a first step towards a better understanding of the components for boosting export performance and foreign direct investment (FDI) inflows.

##### *Measuring and Decomposing Trade Costs in the Arab Region*

17. The study aims to provide an estimate of the trade and transport costs of the region for the first time at the product level and determine the different components of these costs, in order to contribute to assessing their impact on competitiveness and on the external and regional trade of the region. The study tackles also several issues related to transportation, the most important of which are technological developments, women's issues and transport, as well as addressing developments related to the objectives of sustainable development in relation to transport.

#### V. MEETINGS AND WORKSHOPS

##### *Non-Tariff Measures: Economic Assessment and Policy Options for Development* Beirut, 7-8 November 2018

18. Non-Tariff Measures (NTMs) have become a key factor influencing international trade, despite its implications on the economic development, particularly for countries pursuing a development strategy based on integrating themselves into global markets. The event covered the UNCTAD book "Non-Tariff Measures: economic assessment and policy options for development" focusing primarily on the implications of NTMs over market access and economic integration. The area is very relevant and is generating great interest among trade economists, in addition to being clearly linked to current trade negotiations and policy concerns in the region.

##### *Nineteenth session of the Committee on Transport and Logistics and Regional workshop on road safety management in Arab countries* Beirut, 26-28 November 2018

19. The nineteenth session of the Committee on Transport and Logistics is a continuation of the efforts made by ESCWA in the field of transport and logistics, given the sector's effective role in achieving regional integration. At this session, the Committee reviewed progress in the transport and logistics sector since its eighteenth session and focused on progress in implementation of activities and in the project on geographic information systems (GIS) for transport networks among Arab countries. The session also addressed assessing Arab economic integration: trade in services, as a driver of growth and development, logistics performance in the Arab region, the technological revolution and its impact on the future of the transport sector in the Arab region.

20. The regional workshop on road safety management in Arab countries, organized in collaboration with the Secretary General's Special Envoy for Road Safety and the World Bank, which was held alongside the session, focused on raising awareness of road safety management principles promoted by the United Nations and on reviewing international best practices in the field. The results of an ESCWA survey on the status of road safety management in Arab countries was presented, building upon an ESCWA manual on road safety management systems that was adopted at the sixteenth session of the Committee on Transport. Participants include high-level officials from transport and interior ministries in Arab countries, who reviewed the status of road safety management and data, and agreed on a unified road map for improving road safety in the Arab region.

## VI. PARTICIPATION AND CONTRIBUTION TO JOINT ACTIVITIES WITH PARTNERS

### *Contribution to UNCTAD's World Investment Report*

21. *The World Investment Report* supports policymakers by monitoring global and regional foreign direct investment trends and documenting national and international investment policy developments. The policy chapter of this year's report takes stock of efforts being made towards reform of international investment agreements and surveys new measures. The 2019's edition of the *World Investment Report* provides also an overview of the global special economic zones (SEZ) landscape and offers advice on how to respond to fundamental challenges for zones posed by the sustainable development imperative, the new industrial revolution and changing patterns of international production. ESCWA, for the first time, contributed to this report on sections on regional trends in chapter II.

### *Contribution to the Global Survey on Digital and Sustainable Trade Facilitation Implementation*

22. Since 2015, ESCWA is cooperating with the other four regional commissions to undertake *Global Survey on Digital and Sustainable Trade Facilitation* and to contribute to the *Global Report on Trade Facilitation*. In 2019, ESCWA administered the 2019 Global Survey on Digital and Sustainable Trade Facilitation in the Arab region and prepared the *Digital and sustainable Trade Facilitation Implementation in the Arab Region* report. The report assesses the level of implementation of trade facilitation measures that fall within the framework of the WTO Trade Facilitation Agreement.

### *Initiative on Trade in Value Added (TiVA) Database*

23. Since 2014, ESCWA is cooperating with the OECD and WTO in the updating and development of the Trade in Value Added (TiVA) Database. Goods and services are composed of inputs from various countries around the world. However, flows within global production chains are not always reflected in the conventional measures of international trade (trade volumes). The development of the TiVA database addresses this issue by considering the value added by each country in the production of goods and services that are consumed worldwide. This new database and its various indicators are designed to better inform policy makers by providing new insights into the commercial relations between nations. ESCWA is a member of the technical committee in charge of revising and updating the database. Currently, only three Arab countries are included in the database, namely Morocco, Saudi Arabia and Tunisia. ESCWA is working on a joint project to extend coverage of the database to more Arab countries. In addition, ESCWA is performing a periodical assessment of Arab countries' performance in connecting to GVCs, using every new release of the database.

### *Contribution and participation to the Annual Conference of the Global Trade Analysis Project*

24. The Global Trade Analysis Project (GTAP) is a global network of researchers and policy makers conducting quantitative analysis of international policy issues. GTAP's goal is to improve the quality of quantitative analysis of global economic issues within an economy-wide framework. Since its inception in 1993, GTAP has rapidly become a common "language" for many of those conducting global economic analysis. GTAP offers a variety of products, including: data, models, and resources for multi-region applied general equilibrium analysis of global economic issues. ESCWA contributed and participated to the 22nd Annual Conference on Global Economic Analysis by presenting the draft on an ongoing work on estimating the impacts of trade instruments, mainly on services and foreign direct investment (FDI) inflows, which represents an original piece of research that will be used to strength the available global simulation models in their capacities to undertake policy analysis on best scenarios to integrated services in trade agreements, with a specific focus on making these trade agreements work for FDI attraction.

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