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The Impacts of GAFTA on Syrian Trade after Its full Implementation

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Chapter 1 -The GAFTA Historical Background and Outlook

1.1. Introduction

Although several attempts have been performed in order to establish regional integration during the last half centaury, this integration is still very limited. Promoting intra-Arab countries trade is one of the main targets that plans and programs of Arab economic integration tried to achieve since Arab league was established. Arab countries conducted some critical initiatives to liberalize intra Arab trade. For example, Arab countries signed several free trade agreements among them; however, in most cases these agreements were just bilateral trade accords, or they were motivated by political reasons. In general, these agreements suffer from their restricted areas (both agriculture and services are important sectors for Arab countries and they are largely exempted), and shallow depth (technical trade barriers are still substantial due to different legislative demands and the need for double check). In addition, they suffer also from the hindering rules of origin which deter the activity of market access. The first agreement to facilitate intra trade by organizing transit trade was signed in 1953 in the framework of Arab League. The decision of Arab Economic Unity Council about establishing Arab Common Market came after in 1964. The agreement of facilitating and promoting intra Arab trade was signed in 1981 as a critical translation of common Arab economic strategy's principles agreed in Amman summit (1980). Hereafter, a list of main economic and commercial cooperation agreements that came before Great Arab Free Trade Agreement (GAFTA) is presented:

- Agreement of facilitating intra trade and crossing boarders in 1953, which included free access for agricultural commodities and 25% tariff reduction for industrialized goods.
- Agreement of shifting investments and stabilising payments in 1953
- Agreement of Arab Economic Unity in 1957
- Agreement of Arab common market in 1964 which aimed to encourage gradual reduction of tariffs for all Arab commodities accompanied with free movement for people, services, products and capitals.
- Agreement of facilitating and promoting Arab intra trade in 1981.

None of the above agreements succeeded despite decades of implementation, there are several reasons for that: the absence of political wills to overcome economic barriers that hamper common Arab market, the negative impact of controversies and political atmosphere in the region on Arab economic cooperation, and the full depending of most Arab countries on custom earnings as a main source to cover their financial and developmental needs. In the 80s, some Arab blocs were established basing on regional approach, Gulf Cooperation Council was launched in 1981, Arab Cooperation Council in 1988, and Arab Maghreb Countries' Union in 1989.

The situation changed in the 90s, most Arab countries liberalized their trade multilaterally, regionally and bilaterally. International economy witnessed substantial developments during the last two decades, which resulted in new phenomenon. Principles of international trade were emphasized and enforced through establishing World Trade organization (WTO) in order to liberalize and promote trade. In fact, many Arab countries joint this organization (or its precursor, the GATT) since 1990 and thereafter, such as Tunisia in 1990, Emirates and Qatar in 1996, Jordan and Oman in 2000, and Saudi Arabia in 2005. At the same time, there was a big increase in bilateral trade agreements, Egypt signed free trade agreement (FTA) with Libya and Syria in 1990, and with Tunisia, Lebanon and Jordan in 1998, and with Iraq in 2001. Jordan also signed FTA with the US in 2002, and Egypt again with Turkey and the US (separately) in 2006. WTO rules exempted economic blocs from applying "most favored nation" (MFN) principle. GAFTA was the first step to formulate such a bloc; all tariff and quantitative barriers were removed, and each member country was allowed to maintain its tariff against third parties.

WTO rules about FTAs: In principle, regional trade agreements (RTAs) are against discrimination rules of the WTO, but article 24 of GATT as well as WTO agreement in 1994 exclude RTAs from applying these rules, under respecting some conditions that ensure the none confliction with multilateral trade liberalization. The needed conditions can be summarized in two points[1]:

1. The RTA target should be facilitating trade among its members, but not hampering third parties' trade. Members are obliged to notify the WTO secretariat about new RTAs, and their consistency with the WTO rules will be discussed in the committee of regional and bilateral agreements, then the committee announces its decision.[2]

2. Enabling clause: It means the possibility to establish preferential agreements among developing countries.

Article 24 of the GATT allows establishing RTAs among WTO members only if agreement would result in total removing of tariff among the RTA members, and only if an agenda for reaching that situation is agreed on. In addition, intra regional trade should be not less than 80% of total region's trade

Such developments made Arab countries hasty to establish a new Arab economic bloc that matches available opportunities and benefit from the dominating trend, either in terms of investment or trade. Therefore, Arab countries focused on establishing free trade area to enhance Arab intra trade and conserve Arab interests in shade of existence of giant economic blocs. Consequently, counting on Cairo decision in 1996, Economic and social council approved GAFTA executive program in 1997. In 1998, a new stage of creating unified Arabic market started, and GAFTA program was put into force simultaneously with globalization spreading and establishing the WTO in 1995. The program aimed to limit negative impacts of globalization on Arab economies, and it was written by the council in a way that adopt gradual liberalization of tariff and similar impact taxes by 10% annually. The program permitted least developing Arab countries to be granted preferential treatment.

1.2. GAFTA: targets and indicators

14 Arab countries[3] reached GAFTA agreement in 1997 that aimed to create great Arab free trade area by 2007 (at most). Lately, period of implementation was shrunk, and the whole process was

[1] In terms of services' trade, there is third point about respecting GATS agreement.
[2] In fact, the committee is at the beginning of its work, and it's expected to face difficulties in reaching a consensus due to loyal and political complexities.

[3] Jordan, United Arab Emirates, Bahrain, Tunisia, Saudi Arabia, Syria, Iraq, Oman, Qatar, Kuwait, Lebanon, Libya, Egypt, and Morocco. Those who joined GAFTA later are Sudan, Yemen and Palestinian Authority.

finalized in 2005, in which the full implementation started. GAFTA executive program is provided with more parameters and dates than previous agreements. GAFTA main rules are related to how trade and none trade barriers should be removed in terms of none agricultural market access (NAMA). Agricultural commodities enjoyed special treatment; each country was allowed to exclude 10 commodities (at most) from GAFTA rules during harvest period. Rules of origin were defined on the basis of 40% of product value. The last section in the agreement was dedicated to the harmony with the WTO and special legislative for Arab least developing countries.

This new attempt to establish economic cooperation among Arab countries seems as if it was the Arabic answer to the negative impacts of the EU initiative for regional trade cooperation with Arab countries. GAFTA importance springs from securing balance (relatively), achieving Arab economic integration through mutual market access, and the openness towards international economy considering its commercial blocs (especially the EU). Moreover, unifying Arab markets would lead to create industrial and agricultural developmental projects in order to face the challenge of the WTO rules, and the free trade area would enhance confidence among national and foreign investors, which would result in attracting foreign direct investments (FDI). Another expected result can be establishing Arab investing projects, considering the large Arab markets, and catching the attention of technology transfer projects, which would contribute in Arab development and growth progress, and would result at the end in achieving Arab common market.

At 2005, full implementing of GAFTA started when all taxes, fees and similar impact taxes on GAFTA countries' imports were removed, and none trade barriers were partially removed. GAFTA 17 countries were: Jordan, Arab Emirates, Bahrain, Tunisia, Sudan, Saudi Arabia, Syria, Iraq, Oman, Palestinian Authority, Qatar, Kuwait, Lebanon, Libya, Egypt, Morocco and Yemen.

GAFTA created the suitable ground for negotiation in several sectors; current Arab trading negotiations cover services trade, technical cooperation, and intellectual property rights. GAFTA encouraged Arab countries to launch bilateral agreements if the later can speed up full implementation of GAFTA.

Expected benefits from GAFTA are on the long run scale. It's anticipated that GAFTA members will increase their regional trade thanks to elimination of trade barriers. The efficiency of production is also expected to be higher through relying on comparative advantages and scale of economies[4]. On the other hand, it's expected that competitiveness in local markets will increase, accompanied with more various products and lower prices for the consumer. Terms of trade will be in better situation also resulted from lower import prices, and GAFTA will finally help in increasing economic growth through dynamic impacts of regional integration.

1.3. . Targets of this paper

The great bulk of the existing literature related to the economic effects of GAFTA remains very descriptive (Sekouti, 1999 ; Tahir, 1999; Zarrouk, 2000 ; Hadhri, 2001 ; Bayar, 2005. A few ex-ante studies are more analytical, but focus on a small number of countries. For example, Neaime (2005) considers the impact of monetary and financial integration across Arab countries. With regard to GAFTA trade provisions, CATT (2005) assesses the GAFTA welfare effect on specific countries, mainly Morocco and Tunisia. This assessment is achieved through computable general equilibrium (CGE) modelling. Results show positive or negative welfare effects, depending on the terms of trade. Finally, Péridy (2005a) concentrates on the appraisal of the ex-ante effect of trade liberalization between Morocco, Tunisia, Egypt and Jordan (Agadir Agreement). Thanks to a modified gravity model, this author shows limited trade effects, mainly

[4] The decrease in unit cost of a product resulting from large-scale operations, as in mass.

because of the lack of trade complementarity between these countries.[5] Concerning Syria, studies about GAFTA's impact on Syria are still few, especially those about its impacts on the agricultural sector. National Agricultural Policy Centre (NAPC) published working paper named "Implementation of the Great Arab Free Trade Area Agreement: The Case of Syria" in 2004. The paper covered the issue of tracing GAFTA implementation's impact on the agricultural sector definitely. Similarly, Arabic Centre for Strategic Studies published a book named "GAFTA-opportunities, barriers and horizontals" in 2007. However, NAPC paper became old and it needs to be updated, especially considering that GAFTA full implementation started in 2005, which propose launching new study to show impacts of GAFTA full implementation on Syrian agricultural economy (especially agricultural trade). Arabic Centre for Strategic Studies' paper is not specialized in agricultural sector, and it studies political sides of GAFTA rather than commercials. NAPC paper aimed at following GAFTA implementation's process according to the planed path, and measuring the level of success in terms of increasing intra-GAFTA trade. The paper also tried to study main factors and barriers that influenced GAFTA implementation process. The Arabic center's book, however, aimed at presenting general idea about GAFTA and its starting, in addition to the difficulties that faced its implementation. The book also attempted to introduce an outlook for the needed steps in the future. In fact, concerned researchers are in urgent need to know recent developments in GAFTA implementation and to review its updated impacts on Syrian agricultural sector. Therefore, we, NAPC, suggested producing a working paper about GAFTA, including revision for its current situation, its implementation's impact on Syrian agricultural trade, and economic regression for Syrian- GAFTA members trade comparing with Syrian- third parties trade (especially the EU). In addition to the general introduction, the paper also includes an evaluation to the Syrian position on the scale of GAFTA targets' achievement. The paper checks commercial developments resulted from GAFTA implementation through comparative study for one years before and one after the agreement (1995 and 2005) and evaluate these developments numerically by various trade indicators. After then, an economic study is performed for analysing GAFTA impacts on GAFTA intra trade, and then lastly comes paper's conclusions. Moreover, (Abedini and Péridy, 2006) paper was considered as a reference paper; Data from the mentioned paper and from various sources, such as international monetary fund (IMF) database, National Agricultural Policy Centre (NAPC) database and Central Bureau of Statistics in Syria, beside other sources was benefited. Although the regression model results of analysis in this paper were not significant, the paper concluded some substantial results and recommendations, which are listed and detailed at the end.

1.4. GAFTA and its basis

Economic and Social Council of the Arab League adopted a decision in 1997 to establish GAFTA ithrough 10 years as a transition period starting from January 1998. The decision implies gradual decreasing of tariffs and similar impacts' taxes that are imposed on Arab-origin commodities by 10% annually so that they will be totally eliminated in ten years. All members ratified the agreement and agreed to implement it. In 2002, the council launched decree 1431 that included finishing the transitional period in 1-1-2005 instead of 1-1-2007. Consequently, the annual reduction became 20% in 2003 and 2004, so the aggregate reduction became 100% in 2005.

Countries that started implementing gradual tariff reduction in 1998 and thereafter are: Syria, Arab Emirates, Jordan, Lebanon, Tunisia, Iraq, Bahrain, Saudi Arabia, Qatar, Oman, Kuwait, Egypt, Morocco and Libya. Countries that joint the agreement later are Yemen, Sudan and Palestinian Authority. However, according to the LDCs conditions, the transitional period for Yemen and Sudan is extended to 2010. Palestinian Authority was not asked to reduce its tariffs, considering the situation it has been suffering from.

[5] Based on Abedini and Péridy, 2006.

Commodities that are freed from tariffs and similar impact taxes are:

- Agricultural and animal production
- Minerals and metals
- Simi-manufactured products that are mentioned in the approved list of the council, in case they are to be considered manufactured products.
- Products of multilateral Arabic projects (consortiums), either the projects were working under direct patronage of Arab League or other Arabic organizations that are branched from it.

1.5. Legal framework of GAFTA

Establishing GAFTA counted on several legal documents and committees that organize activities in the region. Here they are:

- Agreement of trade facilitation among Arab countries
- Executive program of the trade facilitation agreement
- Executive committees
- Arabic rules of origins

1.6. General purposes of the agreement

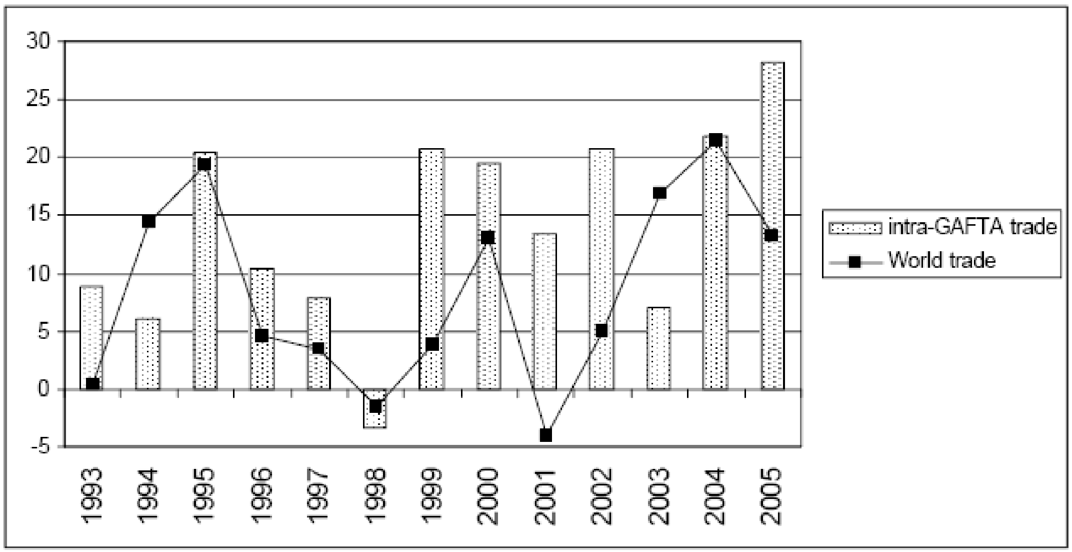
GAFTA text specified the following targets to be met in 2007, which is the year of full trade liberalization:

- Increasing trade volume among members
- Integrated production according to the comparative advantages
- Modifying investment's structure in order to promote exports to Arab markets and enhance investment's infrastructure
- Taking care of quality standards to achieve price competition and to increase market shares
- Creating integrated economic region (agreement of trade facilitation and promotion among Arab countries)

1.7. Reviewing intra-GAFTA trade

Looking at available statistics, it's worth to mention that intra-export of GAFTA has grew faster than international exports, especially during the final period of implementation. In fact, GAFTA intra-exports' annual growth was 15.1% between 1997 and 2005, while international exports grew annually by 7.9% only[6]. It's also noticeable that GAFTA intra-export grew slightly more than its extra-exports (the later was 14% at the same period). It is easy to attribute these results to GAFTA implementation that started in 1998, but actually, it would be too early to conclude that GAFTA achieved positive commercial impacts. Actually, these mentioned figures are resulted from several factors, such GDP growth, prices levels and structures of traded merchandises.

Figure 1- intra-GAFTA trade and world trade developments.



Source: Javad Abedini et Nicolas Péridy (2006), based on UNcomtrade.

GAFTA included two kinds of exemptions in terms of trade liberalization: the first is related to ex-exempted goods that are prohibited due to religious, healthy, environmental and security reasons; the second kind is about temporary exemptions, which can't cover more than 15% of total imports in one GAFTA member country. Six GAFTA member countries; Tunisia, Jordan, Syria, Lebanon, Egypt and Morocco; applied these temporary barriers till 2002; total number of exempted products ranged between 35 for Egypt to 898 for morocco; equal to 0.3% and 6.7% of total tariff lines respectively.

Table 1 presents important details about intra-GAFTA trade. Noticeably, most intra-GAFTA trade is allocated to intra-GAFTA(15) countries. (US$25 billion for GAFTA(15) and 3.2 for GAFTA(+6)).

[6] Same previous source

Table 1- Intra-GAFTA trade by countries, 2005.

Country	Exports (million $)	%	Imports (million $)	%	Export - Import
Algeria	928.1	3.34	671.1	2.42	257
Bahrain	780.4	2.81	2486.8	8.96	-1706.4
Comoros	0.05	0	3.3	0.01	-3.25
Djibouti	4.69	0.02	350.2	1.26	-345.51
Egypt	1511.5	5.44	1915.6	6.9	-404.1
Iraq	غ/م	0	1951	7.03	
Jordan	1815.8	6.54	1725.3	6.22	90.5
Kuwait	514.8	1.85	1614.6	5.82	-1099.8
Lebanon	925.1	3.33	975.6	3.52	-50.5
Libya	4.27	0.02	980	3.53	-975.73
Mauritania	8.4	0.03	71.3	0.26	-62.9
Morocco	374.3	1.35	1085.3	3.91	-711
Oman	2130.7	7.67	1204.9	4.34	925.8
Qatar	1730.1	6.23	889.6	3.21	840.5
Saudi Arabia	10170.2	36.63	2919.7	10.52	7250.5
Somalia	غ/م	0	159	0.57	
Sudan	332	1.2	581.8	2.1	-249.8
Syria	1611	5.8	922	3.32	689
Tunisia	933.7	3.36	336.7	1.21	597
Emirates	3438.8	12.39	6192.7	22.31	-2753.9
Yemen	548	1.97	716.4	2.58	-168.4
Total	27761.91	100	27752.9	100	0

Source: Javad Abedini et Nicolas Péridy (2006), based on UNcomtrade.

On the other hand, there is huge centralization for exports and imports around these GAFTA(15) countries; Saudi Arabia and Emirates together monopolize 50% of total intra-GAFTA exports. If Oman, Qatar, Syria, Jordan (each of them contribute by 6%-7%) are to be considered, the six countries would monopolize 80% of total intra-GAFTA exports (see table a in the annexes to review detailed exports' values for each country). Imports are less concentration ; Emirates ranks first with 22.3% followed by Saudi Arabia (10.5%), Bahrain (9%), Iraq (7%), then comes Egypt, Jordan and Kuwait by 6% with each (see table b in the annexes to review detailed imports' values for each country).

Notably, GAFTA members have different trade balances regarding intra-GAFTA trade; Saudi Arabia showed hugely positive trade balance (excess of US$ 7.3 million). Some other countries are winners but not so far, such as Oman (US$ 0.9 million), Qatar (US$ 0.8 million), Syria (US$ 0.7 million), Tunisia (US$ 0.6 million) and Algeria (US$ 0.7million). Other countries have been suffering from long deficit, especially Bahrain, Kuwait, Libya and Morocco.

Gulf countries account for 70% of total intra-GAFTA trade, Middle East Arab countries account for 20% and Maghreb countries account for 10%. There are 210 bilateral trade flows in GAFTA, but the main five flows are related to the Gulf countries (Saudi Arabia- Arab Emirates 10.4% of total intra-GAFTA trade), (Saudi Arabia-Bahrain 8.7%), (Oman-Arab Emirates 5.6%), (Qatar-Arab Emirates 4.7%) and (Saudi Arabia-Kuwait 4.2%).

There are four sets of commodities that are mainly traded within GAFTA, The most important one among them is oil, which account for 26% of total intra-GAFTA trade. The second is manufactured products, including multi-manufactured products, which account for 23% of total intra trade. Food products (including beverages, oils and fat) are the third item, with percentage of 15.8%. Saudi Arabia, Syria, Arab Emirates and Jordan dominate exports of these products, and they altogether monopolize two third of total food products traded within GAFTA. Moreover, if Egypt and Oman were included, the percentage would increase 15%. Regarding food intra-imports, Iraq is a major importer (13% of total food imports within GAFTA), beside Saudi Arabia (12%) and each of Emirates and Oman (11%). Again, Gulf countries have the largest share here. The fourth category is chemicals and machineries, which represents 12.5% of total intra-GAFTA trade. Jordan and Saudi Arabia are the main exporters, while imports are distributed amongst member countries. Followingly, a table of main 20 bilateral trade flows in 2005, which valued more than US$ 10 million, and represented 38% of total intra-GAFTA trade

Table 2- Main 20 bilateral trade flows in intra-GAFTA trade by countries, 2005.

rank	**exsport**	**import**	**Product**	**Million $**
1	Saudi	Bahrain	Mineral fuels	1693
2	Qatar	Emirates	Non classified articles	933
3	Saudi	Emirates	UAE Mineral fuels	858
4	Saudi	Egypt	Mineral fuels	707
5	Oman	Emirates	Non classified articles	676
6	Saudi	Emirates	Chemicals	642
7	Saudi	Jordan	Mineral fuels	615
8	Saudi	Morocco	Mineral fuels	519
9	Algeria	Egypt	Mineral fuels	447
10	Saudi	Emirates	Manufact. goods	422
11	Emirates	Oman	Beverages and tobacco	369
12	Saudi	Emirates	Machinery and transport equip.	350
13	Syria	Iraq	Mineral fuels	343
14	Saudi	Kwuait	Manufact. goods	302
15	Bahrain	Saudi	Manufact. goods	266
16	Saudi	Djebouti	Mineral fuels	257
17	Syria	Saudi	Food and live animals	247
18	Emirates	Saudi	Machinery and transport equip.	240
19	Saudi	Lebanon	Mineral fuels	224
20	Emirates	Oman	Manufact. goods	201
Total 20 countries				10312

Source: Javad Abedini et Nicolas Péridy (2006), based on UNcomtrade.

1.8. Specifications of intra-GAFTA trade

The contribution of agricultural GDP in total GDP in GAFTA countries shrank from 10.7% in 2000 to 5.6% in 2005, confirming the continuous decreasing trend of this contribution in Arab countries. It is worth mentioning that highest figure of this contribution was registered in 2001 with 12%. It could be noticed also in the following table that intra-GAFTA agricultural trade slumped down slightly from 6.9% in 2000 to 5.1% in 2005 (table 3).

Table 3- Total intra-GAFTA trade, GAFTA GDP and GAFTA agri-GDP (current prices), million US$.

Item	2000	2001	2002	2003	2004	2005
GDP GAFTA	651309	577372	589528	645243	744603	902706
Agri-GDP GAFTA	68743	69356	44812	47094	47050	50315
Agri-GDP/GDP	10.6	12.0	7.6	7.3	6.3	5.6
Total intra-GAFTA trade	374696	366514	NA	NA	598779.1	780947.1
Intra-GAFTA trade/GDP	57.5	63.5			80.4	86.5
Intra-GAFTA agri-trade	25751.91	26136.5	NA	NA	39236.7	40052.92
Intra-GAFTA agri-trade/GDP	37.4	37.7			83.3	79.6
Intra-GAFTA agri-trade/ total intra-GAFTA trade	6.9	7.1			6.6	5.1

Source: IMF database

Regarding countries contribution in intra-GAFTA trade, Saudi Arabia is still possessing the largest share, which increased from 28.5% in 2004 to 31% in 2005, followed by United Arab Emirates, whose share was 24.1% in 2004 but decreased slightly to 22% in 2005. Other Arab countries' contributions range between 1% and 8% of total intra-GAFTA trade. (table 4)

Table 4- intra-GAFTA trade, total and agricultural, in 2004 and 2005, US$ million**.**

	years					
	2005			**2004**		
country	**Total intra-trade**	**Agri-intra-trade**	**(Agri-trade/total trade)%**	**Total intra-trade**	**Agri-intra-trade**	**(Agri-trade/total trade)%**
Jordan	14119.4	2032.8	14.4	11432.5	2542.5	22.2
Emirates	170555.5	3769.5	2.2	144289.7	3690.2	2.6
Bahrain	18077.4	701.7	3.9	14105.3	584.4	4.1
Tunisia	25555.9	2994.2	11.7	21700.8	3041.8	14.0
Saudi Arabia	240034.4	10876.0	4.5	170910.8	9216.8	5.4
Syria	15799.3	2236.1	14.2	12460.2	1958.9	15.7
Iraq	53211.6	1888.9	3.5	38089.8	1727.0	4.5
Oman	28083.0	1367.0	4.9	22246.6	3468.7	15.6
Qatar	32743.2	419.5	1.3	26980.8	350.7	1.3
Kuwait	64361.0	1699.6	2.6	42718.8	1462.5	3.4
Lebanon	11219.7	2029.1	18.1	11144.0	1905.1	17.1
Libya	39218.2	1739.3	4.4	27620.8	1693.5	6.1
Egypt	36934.1	4832.1	13.1	27350.0	4115.8	15.0
Morocco	31034.4	3467.2	11.2	27729.0	3478.8	12.5
total	780947.1	40052.9	5.1	598779.1	39237	6.6

Source: AOAD Database.

Intra-exports of GAFTA represented 25.4% of total GAFTA member countries exports in 2005 9compare table 4 with table 5), which is a humble portion, with value of US$141299 million. Intra-imports comparing with total imports were 8.1%, equals to US$ 26498 million. Consequently, intra-GAFTA trade of total GAFTA member countries trade was 18%, and its value was US$ 166779 million. (Compare table 4 with table 5)

Table 5- extra-GAFTA trade, US$ billion.

Item	السنوات						
	1999	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**
Extra-GAFTA exports	171.00	252.00	237.70	241.00	301.60	301.50	552.70
Extra-GAFTA imports	164.70	155.90	162.70	172.70	193.60	246.70	328.40
International exports	5,712.00	6,449.00	6,183.00	6,482.00	7,551.00	9,153.00	10,121.00
International imports	5,911.00	6,715.00	6,474.00	6,724.00	7,832.00	9,495.00	10,481.00
(Extra-GAFTA exports/ international exports)%	3.0	3.9	3.8	3.7	4.0	3.3	5.5
(Extra-GAFTA imports/ international imports)%	2.8	2.3	2.5	2.6	2.5	2.6	3.1

Source: WTO statistics.

Chapter 2 -The impact of full implementation of GAFTA between Syria and Member Countries

The advent of 2005 witnessed full and actual implementation of the Great Arab Free Trade Area Agreement with full liberalization of manufactured and agricultural commodities from custom duties and fees of the same effects among member countries in the Area.

The Arab countries achieved the first step with the full liberalization toward Arab Economic integration

In this chapter, we will highlight on Syrian trade in general and intra Syrian trade with the member countries, through transition period and actual agreement implementation 2000-2005, and compare the Syrian trade exchange with member countries in the agreement. In addition to show the most important partner by concentrating on total trade changes (exports & imports) and agricultural and non agricultural trade.

2.1. Syrian Trade Features after the first year of full implementation

Table 6 and 7 present the most important features of Syrian foreign trade during the GAFTA implementation and after the first year of full of trade market commodities.

Table – 6 Syrian agricultural and non- agricultural Trade Features -2000-2005, SP.million

Type	Years						
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**A.V**
Agricultural Trade	74989	78686	109429	102819	116544	127938	11
Non- Agricultural Trade	328736	385237	427878	399339	537852	798731	19
Total Trade	403725	463923	537307	502158	654396	926669	18
Agricultural Trade/ Total Trade%	19	17	20	20	18	14	
Non Agricultural trade/total Trade	81	83	80	80	82	86	

Source: Central Bureau of Statistics (CBS) and National Agricultural Policy Centre (NAPC) database.[7]

Through the table 6 we observe the Syrian total trade (exports & imports) increased by an average annual rate of 18%, from SP 403725 million to 926669 million during the elaborated period. The increase in foreign trade was mostly due to expanding in non- agricultural trade with an average annual rate 19% comparing with agricultural trade which raised by annual growth rate 11% with a decrease in the contribution of agricultural trade in total trade from 19% to 14% in 2005, while the share of non- agriculture trade in total trade improved from 81% in 2002 to 86% in 2005.

[7]The value of trade is calculated on the basis of the exchange rate before 2000

2.2. Syrian Trade Flow to the World, Agricultural and non- Agricultural, Exports and Imports (sp million)

The next table (7) shows agricultural and non- agricultural (exports and imports) distribution. The value of Syrian agricultural exports increased through the considering period from SP 36177 to 55764 million, by an average annual rate of 9%. However the share of agricultural exports in total exports decreased from 17% in 2000 to 13% in 2005, with regards to non- agricultural exports in total exports it has increased noticeably from 83% to 87%.

Concerning to imports, the value of agricultural imports increased from SP 38813 million to SP 72174 million by an average annual rate 13%, while non- agricultural imports achieved 24% average annual rate from SP 148722 billion to 430195 million.

The total trade balance shows a big fluctuation in the same period when it recorded a noticeable surplus by SP 65799 billion in 2002 and reversed to be deficient in 2004 and 2005 due to the noticeable increase in the imports specially non- agricultural

Table -7 Syrian Trade Flows: agricultural. and non agricultural.(exports & imports) SP.billion

المادة		2000	2001	2002	2003	2004	2005	Annual growth rate
Exports	Agricultural exports	36177	37876	61331	52314	51861	55764	9
	Non-Agriculture exports	180013	205303	240222	213076	213529	368536	15
	Agricultural exports/Total exports%	17	16	20	20	20	13	
	Non Agr.exports/Total exports	83	84	80	80	80	87	
Imports	Agricultural imports	38813	40810	48098	50505	64683	72174	13
	Non- agri. Imports	148722	179934	187656	186263	324323	430195	24
	Agri.imports/total imports	21	18	20	21	17	14	
	Non- Agri .imports /Total imports	79	82	80	79	83	86	
Total Trade	Total exports	216190	243179	301553	265390	265390	424300	14
	Total imports	187535	220744	235754	236768	389006	502369	22
	Total Trade	403725	463923	537307	502158	654396	926669	18
	Trade balance	28655	22435	65799	28622	-123616	-78069	
	Total exports/ total trade	54	52	56	53	41	46	

Source: (CBS) and (NAPC) database

2.3. Evolution of Syrian intra trade with GAFTs member countries

Table (8) shows the Syrian trade with GAFTA members. It indicates the ups and downs of the agricultural exports that had an annual growth rate of 12%. In 2002 the value of intra agricultural exports reached their highest level of SP 35,906 million to decrease again to SP 33,755 million in 2005. On the other side, intra agricultural imports improved considerably in terms of annual growth rate (27%) and value that went up from SP 4,380 million in 2000 to a maximum of SP 14,209 million in 2005.

Table -8- Syrian Trade with GAFTA ,2000-2005, (SP million)

Items	Trade	Years						
		2000	2001	2002	2003	2004	2005	Annual growth rate
Exports to GAFTA's Countries	Agricultural exports	19167	20642	35906	29196	33659	33,755	12
	Non agricultural exports	13266	14214	21489	20009	36910	32743	20
Imports from GAFTA's Countries	Agricultural Imports	4380	4034	4974	8630	13111	14209	27
	Non Agricultural imports	14767	15483	21612	22438	24709	34666	19
Total Trade with GAFTA's Countries	Total exports	32434	34856	57395	49205	70,569	66,498	15
	Total imports	19,147	19517	26586	31069	53,058	61970	26
	total trade	51581	54,373	83,981	80,274	123,627	128468	20
	Trade balance	13287	15339	30810	18136	17,511	4528	
	Agri.trade balance	14787	16608	30932	20566	20547	19546	

Source: (CBS) and (NAPC) database

Total intra trade achieved a significant increase in the last two years as it reached SP 128,468 million in 2005, illustrating a growth of non-agricultural trade between Syria and the GAFTA member countries.

The trade balance remained positive despite the evident imports increase that exceeded exports. During the reference period the annual growth rate of total intra imports was 26%, while that of exports was 15%.

The agricultural trade balance was positive during the period 2000-2005 and registered its highest value in 2002 to, then, fall down in the two subsequent years

Table (9) shows Syrian Trade with GAFTA Compared to Total Trade

It shows that the total trade with the GAFTA members increased by 20% on average, while the total trade registered an increase of 18% resulting in an increase of the intra trade share of the total trade from 13% to 14%. It also indicates that the maximum share (19%) was reached in 2004.

Table -9 The Evolution of Syrian Trade with GAFTA Compared to Total Trade 2000-2005, (SP millions)

Type	years						
	2000	2001	2002	2003	2004	2005	Annual growth rate
Syrian total trade (imports & exports)	403725	463923	537307	502158	654396	926669	18.1
Total trade (imports & exports) with GAFTA	51581	54373	83981	80274	123627	128468	20.0
Trade with GAFTA /Total trade %	13	12	16	16	19	14	
Total Agr. Trade (imports & exports)	74989	78686	109429	102819	116544	127938	11.3
Total Agr. Trade with GAFTA	23548	24676	40880	37826	37826	47198	14.9
Agri. Trade with GAFTA/total Agri. Trade%	31	31	37	37	32	37	
total non Agri. (exports & imports)	328736	385237	427878	399339	537852	798731	19.4
Non-Agri. Trade with GAFTA	28033	29697	43101	42447	61619	67409	19.2
Non agri. Trade with GAFTA / total non agri %	8.5	7.7	10.1	10.6	11.5	8.4	

Source: (CBS) and (NAPC) database

The table also highlights that the non-agricultural trade with GAFTA members increased by 19.2% on average showing an increase less than that of the total non-agricultural trade that recorded an annual growth rate of 19.4% consequently, this indicates a decrease in the non-agricultural intra trade share of the total non-agricultural trade from 8.5% in 2000 to 8.4% in 2005.

Table (10) compares the Syrian trade with GAFTA members and the trade with other countries. It indicates a considerable increase in the value of the Syrian exports to the other countries during 2005 when the value of these exports reached SP 357,802 million compared to SP 194,821 million in 2004. The annual growth rate of the reference period was 14.3%. Exports to GAFTA countries, on the other hand, fluctuated considerably with the highest level of SP 70,569 million reached in 2004. The export annual growth rate was 15.4%. The share of Syrian Exports to GAFTA members of the total exports decreased from 27% in 2004 to 16% in 2005. This can be the result of the low competitiveness of the Syrian exports in terms of price and quality compared to similar imports of other countries. Another reason can be that several GAFTA members are also members in international trade agreements, particularly WTO, which results in a considerable flow of products from foreign countries leading to decrease in the Arab intra trade.

Table – 10- Syrian Imports and Exports with GAFTA Compared with the Rest of the World (SP million

Items	Years						
	2000	2001	2002	2003	2004	2005	Annual growth rate
Imports from GAFTA countries	19,147	19,517	26,586	31,069	53,058	61,970	26
Imports from the rest of world	168,388	201,227	209,168	205,699	335,948	440,399	21
Total imports	187,535	220,744	235,754	236,768	389,006	502,369	22
Imports from GAFTA/Total imports	10	9	11	13	14	12	
Exports to GAFTA countries	32,434	34,856	57,395	49,205	70,569	66,498	15.4
Exports to the rest of world	183,756	208,323	244,158	216,185	194,821	357,802	14.3
Total exports	216,190	243,179	301,553	265,390	265,390	424,300	14.4
Exports to GAFTA countries/ Total exports	15	14	19	19	27	16	

Source: (CBS) and (NAPC) database

On the other hand, imports from GAFTA members witnessed significant improvement compared to total imports with a value of SP 61,970 million in 2005 and an annual growth rate of 26%. The total imports had an annual growth rate of 22% resulting in an increase of the share of imports from GAFTA countries from 10% to 12%.

In this respect , it is possible to mention that the full liberalization that took place on 1/1/2005 and the removal of the import ban and restriction lists had a positive impact on trade flow into the Syrian markets.

Agricultural trade with GAFTA member countries recorded a noticeable increase during the last three years of the reference period to reach its peak in 2005 with three times the value of 2000 and an annual growth rate of 25%. The agricultural imports from other countries grew at a lower rate (11%). Undoubtedly, the liberalization of Arab intra trade within GAFTA had a significant impact on the structure of the Syrian agricultural trade with the Arab countries.

The value of the Syrian agricultural exports to the GAFTA members totaled SP 33,755 million in 2005 and grew at an annual rate of 12%, while the agricultural exports to the rest of the world had a growth rate of 5%.

Table (11) shows that the share of agricultural exports to GAFTA in the total agricultural exports increased from 53% in 2000 to 61% in 2005, while the share agricultural exports to GAFTA countries in the total agricultural exports to the rest of world jumped from 113% in 2000 to 153% in the first year of the full liberalization. Undoubtedly, this refers to the fact that Arab cooperation has started a phase of tangible improvement and that the positive influence of this agreement on agricultural intra trade is increasing year after the other despite the similar production structures that may weaken the trade flow.

Table- 11- Syrian Agri. Imports and Exports from/to GAFTA Compared with the Rest of the World (SP million

Items	Years						
	2000	2001	2002	2003	2004	2005	Annual growth rate
Agri.imports from GAFTA countries	4380	4034	4974	8630	13111	13442	25
Agri .imports from the rest of the world	34,432	36776	43,124	41874	51572	58,732	11
Total Agri. Imports	38813	40810	48,098	50,505	64,683	72174	13
Agri. imports from GAFTA /Total agri. Imports	11	10	10	17	20	19	
Agri .imports from the GAFTA/imports from the rest of the world	13	11	12	21	25	23	
Exports to GAFTA countries	19167	20642	35906	29196	33659	33755	12
Agri. Exports to the rest of world	17,010	17,234	25,425	23,118	18,202	22,009	5
Total agri. Exports	36,177	37,876	61,331	52,314	51,861	55,764	9
Agri. exports to GAFTA /total agri.exports	53	54	59	56	65	61	
Agri. exports to GAFTA countries/agri.exports to the rest of world	113	120	141	126	185	153	

Source: (CBS) and (NAPC) database

2.4. Syrian Main Agricultural Trade Patterns with GAFTA

Concerning to the main partner countries to Syria in agricultural exports in 2005, Saudi Arabia was the most important country (among GAFTA MCs) exporting to Syria 33% followed by Egypt 17% as table below shows.

Table 12- Syrian agricultural Exports to Main Member Partners of GAFTA countries, 2000 - 2005SP millions

Country	2000	2001	2002	2003	2004	2005
Egypt	2,061	3,151	1,927	3,521	4,784	5,981
Iraq	0	0	1,033	1,665	4,434	4,043
Kuwait	1,631	1,345	3,203	1,369	1,777	1,532
Jordan	807	1,003	2,182	4,329	4,467	3,593
Lebanon	1,363	2,497	2,645	3,715	3,577	3,065
Saudi Arabia	9,706	8,187	19,143	11,514	11,841	11,160
United Arab Emirates	1,615	2,232	2,937	1,138	855	1,268
Total	17,184	18,416	33,071	27,250	31,734	30,642
Total agricultural Intra Exports	19,167	20,642	35,906	29,196	33,659	33,755
Other MC.	1,984	2,227	2,836	1,946	1,925	3,113

Source: (CBS) and (NAPC) database

Seven member countries accounted in 2005 for 91% of the total agricultural export value of total agricultural exports to the member countries, while the exported to rest GAFTA's countries accounted for 9% of total agricultural exports.

Regarding to the agricultural imports to Syria from GAFTs, the major importance partners in 2005 was Egypt, Lebanon, and United Arab Emirate accounted 70% of the total agricultural imports from GAFTA. The agricultural imports from the rest of GAFTA countries in the same years accounted 30% of total agricultural imports. Egypt was the most important partner 40% then Lebanon 1.4%of the total agricultural imports.

GAFTA problems

Among all overlapped and huge regional trade agreements (RTAs) that formulate the so called (spaghetti dish), GAFTA is the most far away from its target. This is not only due to its incomplete covering of the region, but also because it depends on political institutions, such as GCC and Arab League. In addition, GAFTA content is very difficult to be achieved; it implies eliminating tariffs, non trade barriers, quotas, administrative and monetary obstacles. It also implies liberalizing agricultural trade (even if through phasing it out). GAFTA also deals with the rules of origin's issue. In the following section main problems are abstracted from (Chambers of Trade and Industry's Union) and personal communications with responsible stakeholders.

1. Violating the obligations: there are several examples of violating GAFTA obligations by GAFTA members, either in terms of tariff reduction or in terms of imposing different barriers, such as fiscal fees on trade flows and transit fees that oversteps 0.04% (agreed on in agreement about transportation across Arab countries' boarders). Moreover, cases of not removing consulate fee on ratifying origin certificate, and exaggerated fees imposed on currency exchanges can be mentioned.
2. NTBs: new types of these barriers, especially administrative barriers, have emerged. Some of there barriers were settled through ad hoc decisions, but others are still under revision., the Issue of "standard specifications" is an example, in which Tunisia summit decided to make standard specifications chosen by "Arab Organization Council for Industrial Development and Mining" obligatory system. Another example is passing cars cross boarders with their original metal boards, which was sent to the council of interior ministers to take a decision about it. Arab Organization for administrative development was charged to find out a proper way to unify frameworks of fees, salaries and certificates models that are used on boarders. Nevertheless, the too detailed data requested for origin's certificate, overvaluing the imported products in order to apply higher tariffs for them, the long time for crossing boarders and conducting inspecting and exploring, technical barriers, illogical conditions for specifications, strict limitations on weights, complicated procedures of viewing and inspecting, and exaggerated SPSs can be considered as still active obstacles. Hereafter, some examples are listed:
   a. SPSs: Infected potato with Brown mold in some regions was a reason to ban importing potato from Egypt. Egyptian Mango infected by Mango fly had the same impact. Exaggerated SPS conditions for importing citruses.
   b. Suspecting the origin certificate, especially in industrial products, in which the percentage of 40% is under suspicions for some products.
   c. Quotas, which is still being applied in some GAFTA countries.
   d. Import licenses.
   e. No detailed rules regarding transportations.
3. Exemptions of tariff reduction: Egypt is still connecting abolishing the exemptions with setting detailed rules of origins for GAFTA. Other countries obliged to remove all exemptions but Tunisia and morocco are still hindering ex-exempted commodities by conditioning pre-approval for exports. The Economic Social Council decided to send the issues of the three countries to the Negotiations' Committee in order to find out whether they are NTBs[8].

[8] The council in a ministerial meeting at 4-9-2006 asked countries that didn't abolish exemptions yet to do this step and not to link it to any other procedures, asking for full GAFTA implementation.

4. Similar impact fees: this kind of fees holds back achieved advantages from eliminating tariffs, especially considering this phenomenon is increasing in transportation and transit sectors.
5. Unavailability of Arabic rules of origin: Rules of origin's committee couldn't set a complete system of rules of origins. Currently, temporary rules that count on "Arabic component" principle is applied, waiting for finishing complete version of Arabic rules of origin.
6. The late joining of five Arab countries to GAFTA (Algeria, Djibouti, Somalia, Comoros, Mauritania), which made a gap in the Arabic economic integration.
7. No agreed and authorized body to correct infractions: there is no agreed mechanism to correct infractions and obligate parties to apply their duties (arbitration system hasn't been activated yet); Chambers of trade and industry' union reports regularly to the Economic and Social Council but the response is insufficient.
8. Dumping: As in case of Syrian exported textiles to Egypt, there was an accusation of dumping, but the claim was withdrawn later.
9. Resolving Arab disputes "friendly" instead of arbitration system (which was never put into force). For example, the chosen method to deal with issue of SPSs restricting tomato exports between Syria and Egypt was exchanging visits and delegations.

In this relevance and in a survey conducted by Chambers of Trade and Industry' Unions in 2004, following obstacles in face of GAFTA were found:

1. Administrative barriers:

- Certificate of origin
- Re-valuing custom fees
- Long time for crossing boarders
- Long time for checking samples
- Procedures of checking imports
- Other administrative barriers (delay, not repackaging the shipments, natural factors, custom clearance)

2. Technical barriers

- Specifications (different from international specifications, barriers on some specifications)
- Weight problem (very strict)
- Quotas
- Refills, volumes, preparation
- The validity: several expiring dates for same products.
- Technical barriers for exploring imports
- Technical barriers on origin' certificates
- Technical barriers on export and import licenses
- confirmation certificates
- monetary barriers: monetary conversion

- health procedures: (demanding specific international certificates, requesting the exporter to get application forms related to the importer side, rejecting the accompanied health certificates)
- environmental conditions

3. Arabic origin's certificate

- Low level of abidance
- Impact of Arabic rules of origin' s absence (some Arabic countries asked for 100% original-add value in order to consider the product as Arabic-origin)

4. Additional fiscal costs

a. Connecting licenses with fiscal conversion

b. Low Level of abidance regarding transit fees (should be 0.4%) and also regarding compulsory using hard currency.

c. Low Level of abidance regarding abolishing consulate's fee

d. Overvaluing of exchanging currencies' fees

e. Differentiation among similar product due to monetary support for competing product

f. Dealing with dumping cases: ignorance of anti-dumping rights (only Saudi Arabia has special department for anti-dumping)

g. Other fiscal and financial costs

Economic Model

In order to study factors that influence GAFTA, two versions of an economic model were built. The model was created by the international expert Dr. Jose Maria Garcia Alvares Coque. The model covers a period from 1995 to 2005 and includes the dependent variables Δ Ln Syrian exports and Δ Ln Syrian imports beside the following independent variables:

1- Classical variables: GDP and GDP per capita for each exported and imported country

2- New variables: raw exported food per capita, processed exported food per capita. The two variables together show level of development for the country's trade; therefore, these two variables were included in the model.

3- slack variables: a dummy variable for each of the EU and the US, the main trading block internationally, were included. In addition, a dummy for GAFTA members (since GAFTA is the studied agreement) was included, too. A dummy for neighbouring was also considered (to be zero in case countries were not bordered and one in case there are mutual boarders) in order to address the neighbouring issue. The model was as following:

Δ ln Export = Ln GDP + Ln GDP per capita + Δ Ln exported fresh food per capita + Δ Ln exported processed food per capita + Dummy GAFTA + Dummy USA + Dummy EU + Dummy neighboring

Δ ln Import = Ln GDP + Ln GDP per capita + Δ Ln imported fresh food per capita + Δ Ln imported processed food per capita + Dummy GAFTA + Dummy USA + Dummy EU + Dummy neighboring

Unfortunately, the results were not significant. This is likely attributed to the incomplete data, which was not sufficiently available. Data about bilateral trade with Syria for many developing countries was not available, also raw or processed exported food per capita for many countries was unknown. Sometimes, the available indicator was just the exported food per capita regardless of being raw or processed, which lead to delete the entire observation. Some other countries don't present data about their GDP or GDP per capita. When data was joint and organized in tables, any incomplete observation was deleted in order to get right results. However, to avoid incomplete observation, we tried to group some neighbor countries in single regional groups, so we get rid of gaps in observations, but this, in turn, reduced the significance of the results, and it couldn't eliminate totally the zeros in the table.

Although the model couldn't be proved as significant, the results indicated to the significance of GAFTA dummy (degree of significance was +), which is acceptable and can be considered logical in this case.

Results of "Javad Abedini et Nicolas Péridy, 2006" estimation.

Hereafter, a brief about "Javad Abedini et Nicolas Péridy, 2006" estimation' results is presented. The variables used in the model were as follows: GDP for the exported and imported country, distance variable, language variable, dummies for each of following agreements: EU, NAFTA[9], GAFTA, MERCSUR[10], and EUROMED[11]. In addition, dummies for Loyalty, border effects, freedom of trade, information costs.

Concerning results, GDPs coefficients show positive signs. Coefficient related to bilateral trade flows barriers were clearly significant and negative (except the language coefficient, which was not negative). Notably, border effects coefficient was obviously significant and negative. Economic confidence (loyalty) coefficient was also clearly significant. These effects indicate that sunk costs (investing and establishing costs that can't be retrieved such as, in case of export, analyzing market and primary economic research costs) play major role in a project decision to export its products. Lastly, multilateral trade barriers (and not regional trade barriers) represented as freedom of trade coefficient showed the expected sign.

Regarding regional integration effects, it wasn't a surprise that the EU, NAFTA and MERCSUR have significant and positive impact on GAFTA, which also was concluded in some other studies. EUROMED effect, however, was less significant; also, this was concluded in some studies about Euro-Mediterranean region[12]. This small significant is resulted from exempting agricultural products from the EUROMED agreement, and probably due to the humble preferences for Mediterranean countries in the EU market.

In terms of GAFTA coefficient, it seems very significant, although it's smaller than the EU's. GAFTA coefficient is larger than NAFTA and MERCSUR coefficients, which shows clearly that regional economic integration in Arab countries increased bilateral trade flows.

The results, in conclusion, underline the importance of classic commercial determinatives (GDP, distance...etc), and new ones like border effects and sunk costs. Moreover, GAFTA introduce great commercial impact, and -the so called- trade creation's calculation showed that regional trade increased 20% since launching GAFTA.

Considering these results, GAFTA should be deepened and widened. Deeper integration would offer an opportunity for enhancing and promoting current achievements, while wider integration in which it cover the rest six countries that are still out of GAFTA would help the new comers in their developmental process through increasing their trade with partners.

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[9] North American Free Trade Area.
[10] A group of Latin American countries that formulate single free trade area.
[11] The Eoru-Meddeteranian partenership.
[12] Javad Abedini et Nicolas Péridy, 2006

Conclusions

It's completely agreed that liberalizing Arabic bilateral trade is not an important step only, but also a necessary one also. Nonetheless, it's early after only one year of full implementation to estimate the real impact of GAFTA on Syrian trade structure in general, and on the agricultural trade sector in particular. However, it's also agreed that GAFTA, which enable liberalizing Arabic mutual markets, will create several opportunities for state- owned or private institutions. On the other hand, the real challenge is still concentrating around how far can Arabic bilateral trade be increased, and how far can Arabic investing projects be established in various economic sectors.

Some basic economic problems still affect significantly on Arabic bilateral trade and its promotion, such as the following:

- The weak Arabic competitiveness against imports originated in other countries, which leads to another problem about price and quality. Several Arab countries joined international agreements (especially the WTO), thus, foreign trade flows in the Arabic markets limit Arabic bilateral trade.
- Limiting commercial partnership to very few specific countries
- Volume of Increase in Arabic bilateral trade differs from one case to another.
- The custom union agreement hasn't been achieved yet; the agreement would be a basic step towards economic merger among Arab countries, considering the important effects that result from unifying tariffs on facilitating goods and services trade flows among member countries, and on investment flows and establishing common projects in all sectors.
- Dispute settlement mechanism hasn't been established yet. disputes may occur in the region, and their importance increase as long as the bilateral trade among member countries increases, especially cases of rules of origin and anti-dumping.

Suggestions

- Setting priority to achieve Arabic rules of origins
- Speeding up converting GAFTA into custom union
- Solving problems of transportations and transit through unifying their legislations, and benefiting from sea-shipping and railways.
- Avoid exaggeration in setting standards and technical specification, and inflated application for them
- Abolishing all administrative barriers, and simplifying procedures on borders.
- Eliminating all similar impact taxes, and avoiding over estimated taxes and services' fees.

Annex1 GAFTA summary[13]:

Validity: Pursuant to Decision No. 1317 D 59, the Economic and Social Council, at a meeting held on 19/2/1997, adopted the Executive Program and set a timeline for the establishment of an Arab Free Trade Area in accordance with the 1981 Agreement for Facilitation and Promotion of Trade among Member Countries.

Entry into Force: The Agreement entered into force on 1/1/1998.

Duty-Free Products:

1- All trade among Arab member countries was subject to a gradual phase-out from 1/1/1998 until 1/1/2005, which was the timeline set for establishing the Arab Free Trade Area. During the liberalization process Member countries were able, as per agreement during the implementation process, to schedule certain commodities for immediate liberalization. The FTA applies to all products as follows: Agricultural and animal products, from Chapters 1 to 24, whether in their raw or processed form.

2- During the liberalization process member countries were able to exclude from tariff reductions certain agricultural products depending on the production season. However, since 1/1/2005 all agricultural products became exempt from customs duties and other fees and charges having similar effect.

3- Industrial products from HS Chapters 25 up to 96.

4- Provisions cited in this Program shall not apply to products or materials banned from importation, circulation or use in any member country for reasons related to religion, health, security and environment or because of quarantine rules. Member countries are required to submit a list of these products, as well as a list of any related amendments.

These provisions do not apply to commodities produced in free zones where specific procedures are yet to be established in connection with the treatment of such products.

Preferential treatment: Reduction rates reached zero level by 2005.

Current Implementation Position:

1. Seventeen Arab member countries have acceded to this Agreement to date: Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates and Yemen.
2. Three of the countries in the region have not yet rendered effective the gradual phase-out of customs duties and any other duties or charges having equivalent effect (Palestine, Sudan and Yemen).
3. Yemen reduces its import duties by 16% annually starting from 2005 to reach total exemption in 2010.
4. Sudan reduces its import duties by 20% annually starting from 2006 to reach full exemption in 2010.
5. Palestine is exempted from reducing its import duties, whereas its exports to Arab countries are exempted from any customs duties or other duties having equivalent effect pursuant to the Arab Summit decision in Tunisia no.274 in 2004.

Exceptions

All exceptions granted to member countries were terminated by 16/9/2002.

[13] Copied from website of ministry of trade and Industry in Egypt.

Rules of origin:

1. The Arab rules of origin are being used currently in order to apply the GAFTA agreement. These rules of origin require at least 40% value-added.
2. The detailed Arab rules of origin derived from the EU rules of origin are being developed currently. Their objectives are to protect Arab countries' production from substitute products originating in non member countries and to give preferential custom treatment on applicable goods that fulfil the value added criteria.
3. All types of non tariff measures (seasonal restrictions, import licenses, and other quantitative measures) have been eliminated.
4. Dispute settlement mechanism: member countries have established procedures for settling disputes among them.
5. Abolishing the authentication/certification needed for rules of origin documents and certifications.
6. Agreement on services: schedules of concessions under the GATS are now being discussed to reach an agreement on services in accordance with WTO agreement. A detailed schedule for services fees is being prepared to determine whether they include duties with equivalent effect.
7. Free zones products: the provisions of the GAFTA agreement including the customs reduction are not applicable to free zones products.

Annex2

Coefficients of the regression

Model 9: OLS estimates using the 49 observations 1-49

Dependent variable: lnexport

Variable	Coefficient	Std. Error	t-statistic	p-value	
const	2.59964	0.648159	4.0108	0.00025	***
lnGDP	-2.74169	2.65921	-1.0310	0.30858	
Dummy_EU	-1.01689	0.70658	-1.4392	0.15770	
Dummy_neighbori	-0.605246	1.27174	-0.4759	0.63666	
Dummy_GAFTA	0.169743	0.833363	0.2037	0.83961	
lnprocessed	0.0659741	0.27453	0.2403	0.81128	
lnGDPpercap	2.47491	2.61536	0.9463	0.34954	
lnfresh	-0.014194	0.370585	-0.0383	0.96963	

Model 1: OLS estimates using the 58 observations 1-58

Dependent variable: lnimport

Variable	Coefficient	Std. Error	t-statistic	p-value	
const	2.28443	0.513019	4.4529	0.00005	***
lnGDP	-3.48625	2.0602	-1.6922	0.09696	*
lnGDPpercap	3.40761	2.08018	1.6381	0.10780	
lnfresh	-0.182126	0.424138	-0.4294	0.66951	
lnprocessed	0.110363	0.25983	0.4248	0.67288	
Dummy_GAFTA	1.88709	0.61474	3.0697	0.00349	***
Dummy_USA	0.155448	1.62811	0.0955	0.92432	
Dummy_EU	-0.253546	0.561566	-0.4515	0.65362	
Dummy_neighbori	0.109023	1.09235	0.0998	0.92091	

Additional annexes

Table a- GAFTA exports in 2005 by country, million US$.

Exports	Food and live animals	Beverages and tobacco	Crude mater. Except fuels	Fuels	Oils and fats	Chemicals	Manu-factured products	Machin. and transp. Equip.	Misc. manuf. articles	None class. articles
Algeria	10.5	0.6	10.1	787	7	27.1	62.6	21.1	2	0
Bahrain	21.3	8.3	80.6	0.5	0.4	35.7	473	123	32.8	4.3
Comoros	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Djibouti	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Egypt	288	O.9	46.7	376	20.8	137.2	489	86.4	62.4	3.9
Iraq	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Jordan	412	75.5	28.7	7.2	94.4	517.9	239	3038	136	2.1
Kuwait	39.5	8.3	6.0	10.3	2.4	187.6	101	103	40.8	16.4
Lebanon	135	19	18.4	1.1	6.3	72.7	273	217	182	1.4
Libya	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Mauritania	0	0	7.7	0	0	0	0	0	0	0.7
Morocco	129	2.8	24	15.7	1	79. 0	94.1	14.7	14.5	0
Oman	267	16.7	47	111	73.2	105.3	295	202	86.2	928.1
Qatar	23.8	0.8	16.9	33.3	0.5	250.5	81.3	209	29	1085
Saudi Arabia	704	56.8	94.9	5127	40.2	1503	1492	891	260	2.4
Somalia	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Sudan	127	0.I	106	83.8	0.1	1.3	0.0	0.0	0.2	13.5
Syria	627	55,2	46.5	376	8.4	67.4	213	43.1	114	60.9
Tunisia	179,7	9.6	7.6	14.5	55.5	205,1	278	121	63	0
Emirates	234	424	50.5	60.9	9.6	188.4	885	1082	462	42.8
Yemen	153	23.6	7.8	210	0.9	63.3	10.6	71.6	6.7	0
Total	3349	703	599	7214	320.7	3441	4985	3487	1491	2162

source: Javad Abedini et Nicolas Péridy (2006), based on UNcomtrade.

Table b- GAFTA imports in 2005 by country, million US$.

Imports	Food and live animals	Beverages and tobacco	Crude mater. Except fuels	Fuels	Oils and fats	Chemicals	Manu-factured products	Machin. and transp. Equip.	Misc. manuf. articles	None class. articles
Algeria	63	0.4	14	20.2	3.7	164.3	221.9	98.2	81.3	4.1
Bahrain	148.2	9.3	21.3	1708.3	8.9	98.2	225.2	167.7	69.4	30.3
Comoros	1.3	0	0	0	0	0.1	0.3	1	0.2	0.4
Djibouti	15.21	1	2.3	257	0.5	11.5	26.2	21.2	12.7	2.8
Egypt	130.2	6	78.8	1153.9	0.5	186.7	171.7	110.2	39.1	39.5
Iraq	299.8	158.3	13.3	357.4	104.3	189.2	312.8	372.8	111.2	34.1
Jordan	240.9	25.7	27.2	700.8	4.1	251	226.1	153.3	54.8	41.4
Kuwait	296.1	44.1	24.3	153.5	9.2	197.9	472.6	280.6	124.6	11.7
Lebanon	139.6	1.1	50.9	448.4	9.2	102.1	143.8	47.7	24.1	9.6
Libya	181.2	13.8	9.6	3.7	56.7	110.1	279.8	185.7	125.2	34.4
Mauritania	8.8	2.8	0.5	17	0.9	5.2	23.1	8.2	6.2	0.5
Morocco	32	3.2	11.5	698.2	1.5	173.9	124.1	23	14.8	3.1
Oman	103.6	370	10.7	7.7	8.4	150	33.1	154.3	61.1	8.1
Qatar	161.8	13.5	44.1	6.8	8.6	98.7	266.7	202.3	65.1	22.0
Saudi Arabia	720.1	17.7	101.3	16.4	34.3	375.2	715.3	502.2	220	217.2
Somalia	50.3	7.2	3.8	1.8	5.4	14.7	32.7	22.1	20.9	0.3
Sudan	47.5	0.2	13.2	23.1	3.6	107.1	139.7	159.2	66	22.2
Syria	175	4.5	24.8	88.9	8.3	160.8	241.3	166.5	21.3	30.7
Tunisia	23.7	0.8	28.1	134.3	0.1	53.5	63.9	16.4	11.4	4.7
Emirates	414.6	18.4	112.3	1235.4	51	913.7	808.1	710.4	306.9	1621.5
Yemen	98.4	7.8	7.6	181.6	2.5	77.1	159.3	104.1	55.3	22.9
Total	3349.3	703.5	599.6	7214.2	320.6	3441	4985	3486.9	1490.6	2161.7

source: Javad Abedini et Nicolas Péridy (2006), based on UNcomtrade.

Table c- intra-GAFTA trade in 2005, million $.

Exp/imp	Morroco	Tunisia	Bahrain	Egypt	Iraq	Jordan	Kwuait	Lebanon	Libya	Oman	Qatar	Saudi	Syria	Emirates	Yemen	GAFTA (15)
Morocco		46.02	0.77	22.76	0.32	15.7	6.22	18.16	19.24	3.66	1.99	48.54	42.6	28.84	9.32	300.13
Tunisia	109.4		10.85	48.03	6.07	10.46	1.14	4.64	472.7	0.19	1.55	50.9	8.28	15.83	1.05	741.08
Bahrain	12.66	5.25		11.34	2.46	10.88	49.05	1.9	17.95	29.23	77.52	441.9	9.14	100.1	0.76	770.13
Egypt	43.83	19.62	3.19		53.97	159.9	25.67	303	71.82	5.78	8.91	233	199.7	126.6	40.46	1295.5
Iraq	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Jordan	5.28	9.95	20.62	44.61	733.1		72.52	65.31	25.82	27.62	34.55	240.4	202.5	171	33.28	1686.6
Kuwait	6.35	4.55	25.54	42.54	6.46	26.09		19.43	0.26	22.36	22.62	163.9	30.46	129.6	7.8	507.96
Lebanon	5.5	3.39	14.55	39.53	255.5	62.82	67.33		0.04	1.48	6.49	30.24	145.1	135.2	5.9	773.07
Libya	23.64	303.6	0	97.61	0	4.69	0.02	4.89		0	0.1	0.03	8.78	5.44	0	448.8
Oman	0.85	7.23	20.49	17.78	40.01	63.21	40.64	4.75	30.86		70.16	258.7	37.52	1395	74.59	2061.8
Qatar	15.69	5.9	68.73	44.79	2.64	54.42	37.52	11.63	8.41	18.97		225.9	25.28	1176	7.8	1703.7
Saudi	639.6	38.18	2161	913.8	20.93	1074	794.1	265.1	17.29	275.1	368.9		148	2605	281.4	9602.4
Syria	8.84	7.5	3.77	111	517.7	152.4	56.44	199.3	36.74	2.5	24.29	356.6		48.7	22.37	1548.2
Emirates	14.53	18.1	156.2	99.71	294.2	85	303.9	63.36	248.1	802.7	244.9	469.6	33.98		222.2	3056.5
Yemen	0.06	1.22	0.53	22.37	21.16	1.63	117.1	0.74	0.51	10.25	3.08	128.3	5.11	183.5		495.56
GAFTA(20)	886.22	470.52	2486.2	1515.9	1954.5	1721.2	1571.6	962.2	949.75	1199.8	865.05	2684	896.44	6121	706.9	24991
Algeria	222.7	163.7	0	447.5	2.99	3.77	40.98	0.15	15.93	0.02	0.02	1.67	23.14	0.95	0.26	923.81
Comoros	0.01	0.01	0	0	0	0	0	0	0	0.02	0	0	0	0.01	0	0.05
Djebouti	0.01	0.04	0.03	0	0	0	0	0.01	0.01	0	0.01	0.96	0	0.03	2.85	3.95
Mauritania	0.04	0.05	0	0.26	0	0	0	0.11	0.5	0	0	0.01	0.13	0.05	0.05	1.19
Somalia	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Sudan	0.06	5.99	0.27	49.68	0.05	4.64	2.06	17.91	1.34	0.08	0.73	151.3	11.38	76.41	9.28	331.17
Other six	222.82	169.79	0.3	497.44	3.04	8.41	43.05	18.19	17.78	0.12	0.76	153.94	34.65	77.44	12.44	1260.2
GAFTA (22)	1109	640.31	2486.5	2013.3	1957.5	1729.6	1614.7	980.38	967.54	1200	865.82	2838	931.1	6198	719.4	26251

source: Javad Abedini et Nicolas Péridy (2006), based on UNcomtrade.

Table d- GAFTA (15) with the rest six countries in 2005, million $.

Exp/imp	Algeria	Comoros	Djebouti	Mauritania	Somalia	Sudan	Other six countries	GAFTA (22)
Morocco	50.33	1.35	0.11	21.65	0.05	0.64	74.14	374.27
Tunisia	182.9	0.58	0.55	7.12	0	1.36	192.5	933.6
Bahrain	9.23	0	0.13	0.06	0.01	0.81	10.24	780.38
Egypt	96.17	0.16	8.82	6.76	0.45	103.6	216	1511.4
Iraq	NA	NA	NA	NA	NA	NA	NA	NA
Jordan	84.8	0.02	0.21	0.27	0.38	43.61	129.3	1815.9
Kuwait	2.34	0	0.13	0.24	0.11	10.26	13.08	521.04
Lebanon	17.34	0	0.29	13.12	112.8	8.52	152.1	925.13
Libya	2.21	0	0	0.47	0	1.59	4.27	453.07
Oman	2.39	0.41	7.09	0.34	28.77	29.7	68.69	2130.5
Qatar	5.27	0	0.01	0.08	0.01	20.86	26.23	1729.9
Saudi	36.09	0.06	281.2	18.74	7.76	223.7	567.6	10170
Syria	43.25	0	0.32	1.47	0.04	19.09	64.17	1612.3
Emirates	131.2	0.81	41.41	10.14	92.44	106	382	3438.5
Yemen	0.3	1	9.44	0.01	29.14	13.72	52.63	548.18
GAFTA(15)	663.83	3.41	349.72	80.47	272	583.46	1953	26944
Algeria	0	0	0	4.31	0	0.01	4.32	928.13
Comoros	0		0	0	0	0	0	0.05
Djebouti	0	0.02		0	0.71	0.01	0.74	4.69
Mauritania	7.7	0	0	0	0	0	7.7	8.89
Somalia	NA	NA	NA	NA	NA	NA	NA	NA
Sudan	0.9	0	0.02	0	0.49		1.41	332.58
Other six countries	8.6	0.02	0.02	4.31	1.2	0.02	14.17	1274.3
GAFTA (22)	672.43	3.43	349.74	84.79	273.2	583.48	1967	28218

Source: Javad Abedini et Nicolas Péridy (2006), based on UNcomtrade.