## The Greater Arab Free Trade Area is one of the levels of Arab economic integration

Prof. Dr. Moustafa El-Abdallah Al Kafry

In recent years, there have been positive signs with regard to the activation of joint Arab economic action and the development of intra-Arab trade exchanges, as evidenced by the establishment of the Arab Free Trade Area. It has become necessary for the free trade area to develop in the future to higher levels of Arab economic cooperation, such as the customs union, the Arab common market and economic unity. The Greater Arab Free Trade Area is an important step to activate joint Arab economic action and intra-Arab trade, and is necessary in a world dominated by regional economic blocs. But this goal can only be achieved if member States in the region implement their commitments.

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#### Contents

I - Levels of economic cooperation between States:	3
1 - Partial preference:	3
2. Free Trade Area:	4
3. Customs Union:	4
4. Common Market	5
5. Economic Union:	5
6. Economic integration:	5
II - Greater Arab Free Trade Area Agreement:	8
1 - Announcement of the establishment of theGreater Arab Free Trade Area:	9
2- Rules and principles of Greater Arab Free Trade Area: 1	1
3. Liberalization of trade exchange among States Parties: 1	3
4. non-tariff restrictions: 14	4
5. Rules of Origin:1	5

6- Exchange of information and data:15
7- Special treatment for Arab least developed countries: 15
8. Follow-up, implementation and dispute resolution mechanism:
III - Arab rules of origin
1. National Origin Criterion:
2 - Value Added Calculation:
3 - Secondary manufacturing processes:
4. Proof of Origin:
5 - Arab Certificate of Origin Form:
6. Passage through territory other than that of States Parties:
7 - Settlement of disputes resulting from the application of Arab rules of origin:
IV - Results of the Greater Arab Free Trade Area
V - Restrictions and difficulties facing the Greater Arab Free Trade Area
1. Non-tariff restrictions:
2 - Delay in approving detailed rules of origin for Arab goods: 
3 - The problem of visas and obstacles to the movement of persons, businessmen and investors:
4. Lack of data and information:
VI - Activation of the Greater Arab Free Trade Area

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#### I - Levels of economic cooperation between States:

Economic cooperation is defined as coordination between two countries or a group of countries based on the principles of eliminating the disparity and differentiation between the economic units and the agglomeration of economic activity of these countries. Cooperation and economic integration between two countries or a group of countries has many levels and stages, the most important of which are: <sup>2</sup>

### 1 - Partial preference:

Partial preference refers to a set of actions taken by two countries to ease restrictions on the exchange of products among themselves, such as when the countries of a certain region agree to abolish the quota system to which trade between them is subject, while

<sup>&</sup>lt;sup>1</sup> - Dr. Sabah Naoush, Research on the liberalization of inter-Arab trade, Al Jazeera Net.

 <sup>&</sup>lt;sup>2</sup> - Unified Guide to Planning Concepts and Terminology in the Gulf
Cooperation Council (GCC), Arab Planning Institute in Kuwait, Kuwait, 1996,
pp. 9-10.

maintaining customs duties, or that certain countries agree to give each other reciprocal customs privileges.

2. Free Trade Area:

A free trade area is an agreement between two or more countries whereby foreign trade is liberalized and customs duties on trade between them are eliminated, with each country retaining its freedom to impose restrictions or tariffs in its trade relations with the rest of the world (not members of the free trade area agreement). The free trade area is one of the levels of economic cooperation and a prominent example of a free trade area is the European Free Trade Area.

3. Customs Union:

An agreement between two countries or a group of countries on the abolition of customs duties on goods exchanged between the countries of the agreement. This means that the member States of the Customs Union liberalize foreign trade, remove customs restrictions on trade between them, and apply a common common customs tariff on goods imported into the Union from non-Union States. **Among the most important advantages of the Customs Union:**<sup>3</sup>

• Helps to expand the market for goods and products of the Member States of the Union.

• It helps to divide labour among the member states of the Union, so that each country specializes in the production of goods that have a comparative advantage in their production.

The Customs Union is one form of economic cooperation and is a prominent example of a customs union (the European Common Market).

The Customs Union shall facilitate trade between Member States and shall not lead to obstacles to the trade of non-Member

<sup>&</sup>lt;sup>3</sup> - Ibid., p. 188 - 176 ص.

States. TheCustoms Union requires agreement on a common customs schedule applicable to goods of non-member countries. How can this unified schedule be reached so that the trade of others is not harmed? In most cases, it is difficult to reconcile these two matters due to the large difference in the customs tariffs of Arab countries. The standardization of scales necessarily presupposes reliance on the national scales prevailing before the establishment of the Union, and then a specialized committee determines the average tariff, the average is the unified scale, and this determination results from economic and financial studies and from the reconciliation ofconflicting interests. <sup>4</sup>

#### 4. Common Market

The Common Market is an agreement between two States or a group of States through which restrictions on the movement of elements of production, such as labour and capital, and the movement of products and goods between the States of the Market, are eliminated, thus establishing a single market in which goods, persons and capital are freely moved. It is one of the high levels of economic cooperation. A notable example of a single market is the European Common Market.

#### 5. Economic Union:

An economic union is an agreement between two States or groups of States in which economic cooperation measures, together with the advantages of the common market among the member States of the Agreement, extend to the coordination of economic, financial, monetary, social, labour and tax legislation.

#### 6. Economic integration:

Economic integration is the highest stage of economic cooperation, and it includes, in addition to what was stipulated in the Economic Union and the Common Market Agreement in the

<sup>&</sup>lt;sup>4</sup> - Dr. Sabah Naoush, reference former.

previous stages, the unification of all economic policies, the creation of a higher regional authority and an administrative body responsible for implementing these policies. At this stage of economic cooperation, each member State agrees to reduce its own executive powers and subordinate them in many areas to the highest regional authority, which means reaching full economic integration. Among the most important benefits of integration andeconomic agglomeration:

1 - Increasing the production capacity of the countries of the bloc.

2- Opening wider and larger markets leads to:

- increased competition,
- Incite producers to increase productivity,
- Inciting producers to improve the quality of production.
- 3 Encouraging and increasing investment.
- 4 Increasing investor interest in the bloc countries.
- 5 Achieve economies of scale.

As for the Arab countries, the benefits of economic bloc are more:

6 - socio-economic benefits (mentioned above).

7 - Achieving economic and political stability.

8 - Economic bloc can be a way to achieve the desired Arab unity.

Intra-Arab trade is weak compared to intra-Arab trade in other regions of the world, whether it is industrial countries such as the European Union or developing countries such as Latin America and Southeast Asia. Weak intra-regional trade means weaker common interests and thus the absence of unified positions in international forums, including the World Trade Organization. The absence of these positions among regional economic blocs leads to bearing the disadvantages of the new regulation of global trade without making the most of its positives. The Arab countries have expressed their desire to establish a customs union through the Agreement on the Facilitation and Development of Trade Exchange of 1981, article eight of which stipulates the following: "Negotiations shall be held between the parties concerned to impose a uniform and appropriate minimum level of customs duties, taxes and restrictions of similar effect on goods imported from non-Arab countries that are competitive or substitute for Arab goods."<sup>5</sup>

Between 1980 and 1998, global foreign trade (merchandise exports and imports) increased from \$ 3802 billion to \$ 10635 billion, or 180%, while Arab foreign trade fell during the same period from \$ 347 billion to \$ 290 billion, a negative rate of 16%. This slowdown occurred despite the liberalization of world trade from quantitative restrictions and tariffs and despite preferential agreements in the nineties. **This decline is due to many factors, the most important of which are:** 

- European, American and Asian trade flourished at very high rates, while real oil prices deteriorated, severely affecting oil countries' exports and imports.
- Arab countries have also been plagued by violent military conflicts that have led to the deterioration of their production apparatus, which has reflected on their foreign trade and exacerbated their indebtedness.
- In addition, intra-regional trade has improved, while intra-Arab trade has stagnated.

While the volume of Arab trade rose to about 639.5 billion dollars in 2004 and the volume of intra-Arab trade by about 64.5 billion dollars, or only about 10.0% of the total Arab foreign trade.

<sup>&</sup>lt;sup>5</sup> - Dr. Sabah Naoush, reference Former.

#### II - Greater Arab Free Trade Area Agreement:

The process of imposing customs duties is used to provide protection for national goods and products from foreign competition, and in principle this protection is required to be limited to a period of time that national industries exploit to increase production and improve its quality. However, these fees deviated from this goal following the increasing state intervention in economic life until the mid-eighties, when the deficit of public budgets worsened and the fiscal policies of Arab countries could not rely on direct taxes due toDue to frequent evasion andlow levels of individual incomes. In the face of this situation, it was necessary to resort to indirect taxes, including customs duties, so the main objective of the latter shifted from economic to purely financial, and it became imposing high tariffs on imported goods even when there were no similar national goods. In the final result, national industry did not progress, intra- and external exchanges were restricted, and foreign investment faltered.

Free trade zone is different from free zone... A free zone (such as a free zone at Damascus airport or the city of Adra) is the commercialization of an area, city or port (such as Port Said in Egypt) in the sense that all products entering this zone are considered exported, and all products that exit from it are considered imported. Free zones have many objectives, including the development of a particular industry or industries, and may be to develop trade or to achieve both. As for the free trade area, it is an agreement between two countries or a group of countries aimed at liberalizing trade among them, and this liberalization usually includes lists of goods that are gradually liberalized and other goods that are exempted immediately, which are goods with low customs duties, and liberalization also includes some goods that are not liberalized, such as arms or liquor trade, which are called negative lists.

One of the most important advantages of establishing a free trade zone between two Arab countries is the shortening of the transitional period during which customs duties are abolished to five years instead of ten. It is worth mentioning that there are trade agreements between some Arab countries under which some products are exempted from customs duties and these products will be exempt immediately, in addition to working to ensure that the negative list of goods that each country requests to exempt from customs duties is minimal.

## 1 - Announcement of the establishment of the Greater Arab Free Trade Area:

At its 59th session, held in Cairo, the Economic and Social Council decided on the executive program to activate the Agreement on the Facilitation and Development of Trade Exchange among Arab States and to establish a major Arab free trade area as of 1/1/1998, whereby the Arab countries will begin to reduce customs duties on products exchanged among them at equal rates over a period of ten years (at a rate of 10% per year) until we reach the stage of complete elimination of customs duties in 2007. Those who wish from Arab countries have the right to exclude some goods Which any Arab country requests to exempt during the mentioned ten years, in order to take into account, the local industry in it due to the different levels of industry in these countries.<sup>6</sup>

In order to achieve the desire of the Arab States to establish a major Arab free trade area that enhances the common economic gains of the Arab countries and benefits from changes in global trade and the establishment of international and regional economic

<sup>&</sup>lt;sup>6</sup> - Al, Ahram Economic Center, issue issue 1482, Date 2/6/1997, p. 20.

blocs: In implementation of the decision of the Arab Summit held in Cairo during the period 21-23 June 1996 to instruct the Economic and Social Council to take the necessary measures to expedite the Establishment of the Greater Arab Free Trade Area in accordance with a work program and timetable to be agreed upon. The Economic and Social Council therefore adopted Resolution No. 1317 (59) on this executive program and timetable, for the establishment of a Greater Arab Free Trade Area in accordance with the provisions of the Agreement on the Facilitation and Development of Exchange. Trade between Arab countries the principles of the free trade area are in line with the provisions of the World Trade Organization and its general rules governing international trade. Resolution No. 1317 (59) issued on 19/2/1997 included the following: <sup>7</sup>

- Announcing the establishment of a major Arab free trade area within a period of ten years, starting from the first of 1998.
- Approval of the executive program for the establishment of the Greater Arab Free Trade Area.
- To instruct the General Secretariat to take appropriate measures and develop the work and functions of the General Directorate of Economic Affairs in line with the establishment of the Greater Arab Free Trade Area.
- The committees in charge and stipulated in the program are invited to carry out their tasks and draw up their executive and time programs in order to achieve the objective of establishing the Greater Arab Free Trade Area on time, and submit their reports to the Economic and Social Council.

<sup>&</sup>lt;sup>7</sup> - Look, advertise establishment area the commerce the Free the Car the Major<sup>4</sup> Published by the League of Arab States, the website of the League of Arab States on the Internet<sup>4</sup>

http://www.arableagueonline.org/las/arabic/categoryList.jsp?level\_id=110.

- Assigning specialized Arab organizations, joint Arab financial institutions and Arab unions, each within its field of competence, to follow up the implementation of this resolution and to work to develop their systems and tasks in a manner consistent with the establishment of the Greater Arab Free Trade Area.
- To instruct the General Secretariat to arrange for the preparation of a comprehensive study on the existing free zones in the Arab States and to submit it to the Economic and Social Council before the end of 1998 to take a decision on the treatment of their products within the framework of the executive programmer.
- Invite the Six-Ministerial Committee to continue its work during the early stages of the implementation of the executive program to address any obstacles to its implementation with the accession of the Republic of Tunisia to the membership of the Committee.
- The subject of the implementation of the Greater Arab Free Trade shall be the focus of the Council's work in its future sessions until its construction is completed.

## 2- Rules and principles of the Greater Arab Free Trade Area:

The executive program for the establishment of a major Arab free trade area has defined the following principles and rules: <sup>8</sup>

- The executive program for the establishment of a major Arab free trade area is a framework for activating the agreement to facilitate and develop trade exchange among Arab countries to establish a major Arab free trade area.
- The Arab States parties to the Agreement on the Facilitation and Development of Trade Exchange among Arab States

<sup>&</sup>lt;sup>8</sup> - Ibid.•

http://www.arableagueonline.org/las/arabic/categoryList.jsp?level\_id=110.

undertake to complete the establishment of the Greater Arab Free Trade Area within ten years as of 1/1/1998.

- A semi-annual review of the application of this program is carried out by the Economic and Social Council.
- Arab goods entering the exchange in accordance with this program shall be treated as national goods in the States Parties with regard to rules of origin, specifications, standards, health and security protection requirements, and local duties and taxes.
- Taking into account the international provisions and rules regarding the technical bases of preventive measures, facing support cases, procedures and addressing the balance of payments imbalance resulting from the application of this program.
- In the definition and treatment of dumping cases, the internationally approved technical bases regarding anti-dumping are followed.
- Customs duties and taxes with similar effect to which the gradual exemption will be applied are customs duties and taxes with similar effect in force in each State Party on 1/1/1998, and these duties shall be the basis for calculating customs reductions for the purposes of applying this program.
- If customs duties or other duties and taxes with similar effect are reduced after 1/1/1998, the reduced duties will replace the fees provided for in the seventh paragraph above.
- Under the provisions of Articles III and VII of the Agreement on the Facilitation and Development of Trade Exchange among Arab States, any two or more Arab

countries of the Agreement may agree among themselves to exchange exemptions prior to the schedule of the program.<sup>9</sup>

3. Liberalization of trade exchange among States Parties:

All Arab goods exchanged between the States Parties shall be liberalized in accordance with the principle of gradual liberalization, which shall be applied starting from 1/1/1998 by reducing customs duties, duties and taxes of similar effect in equal annual proportions, provided that the full liberalization of all Arab goods shall be completed by the end of the period specified for the establishment of the Greater Arab Free Trade Area on 31/12/2007, and by agreement of the States Parties during the implementation of the program any goods can be placed under immediate liberalization. As jGraduated liberalization was applied to the following lists of Arab goods:

- Arab agricultural commodities (plant and animal) and mineral and non-metallic raw materials in accordance with the provisions of the first and second paragraphs of Article VI of the provisions of the Agreement on the Facilitation and Development of Trade Exchange among Arab States.
- Arab goods whose exemption was approved by the Economic and Social Council before the effective date of the program.

Production seasons (agricultural calendar) shall be determined for a number of agricultural commodities in which these commodities do not enjoy exemptions and reductions from customs duties, duties and taxes of similar effect. This limitation shall expire

<sup>&</sup>lt;sup>9</sup>-reticence delegation Iraq according to what was reported in Articles 5 and 6 of the rules and principles contained in "First" From the program It affirms that the Council Economic and social she the only reference which Specifies Provisions of paragraphs 5 and 6 in First, not international rules and conventions. The delegation of Iraq refused Commitment By any Text that contradicts business rules Economic Arab Joint Agreements Bookmark in Frame it including in That is the decision of the Arab Common Market.

no later than the date of completion of the implementation of the programme.

Arab countries shall determine the agricultural commodities they wish to include in the agricultural calendar referred to above. They are submitted to the Economic and Social Council for information.

The provisions of this program do not apply to products and materials that are prohibited from importing, circulating or using in any of the countries for religious, health, security or environmental reasons or the rules of veterinary agricultural quarantine, and the States Parties are obliged to submit a statement of these products as well as any amendments thereto. States Parties follow the Harmonized System (HS) in classifying the goods contained in the programme. <sup>10</sup>

#### 4. non-tariff restrictions:

Non-tariff restrictions are defined as defined in Article I, sixth paragraph, of the Agreement on the Facilitation and Development of Trade among Arab States (measures and procedures that a State Party may take to control imports for non-regulatory or statistical purposes, including, in particular, quantitative, monetary and administrative restrictions on imports). <sup>11</sup>

Arab goods exchanged under this executive program shall not be subject to any non-tariff restrictions under any name whatsoever, and the Trade Negotiations Committee established by the Economic and Social Council in its resolution No. 1037-43 of 1987 shall follow up the application thereof in the States parties.

 <sup>&</sup>lt;sup>10</sup> - Look, advertise establishment area thecommerce theFree theCar theMajor
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http://www.arableagueonline.org/las/arabic/categoryList.jsp?level\_id=110.
<sup>11</sup> - Sixth paragraph of the Article I of the Tayseer Convention Exchange development Commercial Among the Arab countries.

#### 5. Rules of Origin:

In order to be considered Arab for the purposes of applying this program, it is required that it meet the rules of origin approved by the Economic and Social Council, and in implementation of this, all goods entering free trade or gradual liberalization, originating from one of the Arab States parties, are subject to rules of origin established by the Rules of Origin Committee established by the Economic and Social Council in its resolution No. 1249-D 56 of 13/9/1996, Until the Committee's findings are approved, the rules of origin approved by the Economic and Social Council in its resolution No. 1269 adopted at its fifty-seventh session shall be applied.

For industrial products to acquire the status of national origin, the added value on their production in the States Parties shall not be less than 40% of their final value upon completion of their production, and the products in these States must be accompanied by a certificate of origin certified by a competent government authority, and the unified Arab certificate of origin form must be applied.

#### 6- Exchange of information and data:

The States Parties undertake to apply the principle of transparency and to notify the Economic and Social Council of information, data, procedures and regulations related to trade exchange in order to ensure the proper implementation of the Agreement on the Facilitation and Development of Trade Exchange among the Arab States and the executive program thereof.

#### 7- Special treatment for Arab least developed countries:

In application of the principle of special treatment for the Arab least developed countries contained in the provisions of the Agreement on the Facilitation and Development of Trade Exchange among Arab Countries, preferential treatment shall be granted to these countries within the framework of this programme, provided that these countries submit a request that includes the nature of the required preferential treatment and the time period and the approval of the Council. The least developed Arab countries are the countries designated by the United Nations and the State of Palestine is treated as such. <sup>12</sup>

8. Follow-up, implementation and dispute resolution mechanism:

The Economic and Social Council is the supervisor of the implementation of the programmer and the Council may perform the following tasks:

- Conduct a semi-annual review of the progress of the implementation of the executive program.
- Take appropriate decisions to face any obstacles to the implementation of the executive program.
- Settlement of disputes arising from the implementation of the executive program.
- Forming technical and executive committees delegated by the Council some of its competencies and powers in followup, implementation and settlement of disputes arising from the implementation of the program.

The Council shall be assisted in the performance of its duties by the following organs and committees: <sup>13</sup>

#### A- Denialand Follow-up Committee:

Composed of representatives of Arab countries, the Committee may invite relevant non-governmental bodies as observers if it deems it appropriate. It shall act as the Executive Committee of the Program and shall have the powers of the Council in the decisions it takes related to its implementation, and shall study the customs laws

 <sup>&</sup>lt;sup>12</sup> - Look, advertise establishment area thecommerce theFree theCar theMajor
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<sup>13</sup> - Ibid.

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and procedures necessary for the application of customs reductions within each Arab country participating in the Program.

The Committee is responsible for implementing the operational programme.

#### **B-** Trade Negotiations Committee:

The Committee shall undertake the task of liquidating non-tariff restrictions imposed on Arab goods and following up on the implementation thereof in the Arab country's members of the Program. Including the identification of lists of goods prohibited from import and the method of processing them within the framework of the application of the program.

#### c. Arab Rules of Origin Committee:

It is responsible for setting rules of origin for Arab goods for the purposes of implementing the Agreement on the Facilitation and Development of Trade Exchange among Arab States, and the implementation of the executive program.

#### d. Technical Secretariat:

The General Directorate of Economic Affairs shall assume the functions of the technical secretariat of the supervisory and implementation bodies of the executive program for the establishment of the Greater Arab Free Trade Area.<sup>14</sup>

The executive program, approved by the Arab Economic and Social Council, stipulates those two or more Arab countries may agree on the possibility of exchanging preferences or exemptions that precede the executive program, i.e., within a period of less than ten years. Some Arab countries (such as Egypt) tend to establish free

<sup>&</sup>lt;sup>14</sup> - <sup>14</sup> - <sup>14</sup> Reservation by the delegation of the Republic of Iraq on the reference received in Preamble to the programme Executive on the Cairo Meeting in June 1996 and considers that the consideration of a residence permits Arab Free Trade Area and the development of a program Executive It has a stem from the reference which search in Its frame This issue, and in particular what was issued by the Council Economic and social in Session Previous.

trade zones with Arab countries bilaterally (e.g., with Kuwait, Tunisia, Lebanon).

The Greater Arab Free Trade Area assumes the validity of the abolition of customs duties and quantitative restrictions on the trade of all types of goods without exception among Arab countries. The six Gulf states have agreed to this principle. Other States have provided a list of goods that they do not wish to liberalize. According to the reports of the Implementation and Follow-up Committee, it is clear that the number of excluded goods reached 832. Of course, the more exceptions there are, the more the region's credibility will be damaged and its role in the development of intra-Arab trade will decline. The exclusion of a particular commodity by a State also gives the right to other States to exclude similar goods. In order not to turn the exceptions into a general rule that leads to the failure of the free zone, the program set the controls governing the exceptions, and stipulated that the country concerned provide economically convincing justifications, that the exemption period should not exceed four years, and that the value of the excluded goods should not exceed 15% of the value of exports to member countries in the zone. The commitments of Arab countries can be divided into three main categories:

The first category: the abolition of customs duties within ten years at a rate of 10% annually starting from 1998, with the exception of goods contained in the joint Arab agricultural program and prohibited goods for religious, security and health reasons.

The scend category: Cancellation of taxes with similar effect during the above-mentioned period and at the same rate. These include duties whose amounts exceed the value of services provided to imported goods, such as excessive duties imposed on the unloading or loading of goods at ports, as well as supplementary taxes on imports without a specific and direct service, such as taxes on defence. Taxes that apply to imported products without local products, such as consular fees. According to the executive program, all such duties with similar effect must be integrated into the tariff structure. with the aim of subjecting, it to reduction.

The third category: Cancellation of quantitative restrictions. Unlike the two categories subject to gradual reduction, these restrictions must be removed immediately. These are the non-tariff barriers that prevent the entry of Arab goods and various monetary procedures such as the control of transfers, the complexities of opening bank credits, the multiplicity of administrative bodies granting import licenses, in addition to border complexities and exaggeration of standard specifications.

The said obligations are limited to goods produced in the member states of the Greater Arab Free Trade Area. This is customary in free zones in the world because the liberalization of goods of foreign origin leads to tax evasion, such as when an Arab country that applies a low customs tariff imports a commodity from a foreign country and re-exports it to another Arab country that applies a high customs tariff. But when is a commodity considered Arab and exempted from customs duties, and when is it considered foreign and to which the exemption does not apply? This question is complicated by the complexity of production processes on the one hand and the varying degrees of production in Arab countries on the other.

#### III - Arab rules of origin

Economic and Social Council Resolution No. 1336/D/60 of 17/9/1997 sets out the rules of Arab origin for the purposes of the Agreement on the Facilitation and Development of Trade Exchange

among Arab States, the general rules, especially with regard to the application of the Greater Arab Free Trade Area Agreement.<sup>15</sup>

For a commodity to be considered Arab for the purposes of this Convention, it must meet the rules of origin approved by the Council and the added value arising from its production in the State Party shall not be less than 40% of the final value of the commodity upon completion of its production.

For the purposes of applying the Arab rules of origin, the meanings of a number of terms and words contained in the agreement have been clarified: manufacturing is the process or series of processes to which production inputs are subjected to the production of materials, products or goods. Materials involved in production are raw materials, raw materials, semi-finished and/or intermediate products used in the production of goods. Aproduct is one that has been manufactured even if it is a production input to another manufacturing process. Acommodity is: the end products arising from mining, extraction, agriculture, fishing or arising from the manufacturing process. The Arab least developed countries are determined on the basis of the Economic and Social Council resolution.

#### 1. National Origin Criterion:

The criterion of origin is determined so that the following products obtained wholly in the exporting Member State are considered to be of national origin:

- Mining or raw products extracted from its land, waters or seabed.
- Agricultural products harvested or harvested.
- Animals bred and bred in

<sup>&</sup>lt;sup>15</sup> - Look, Rules of origin Jarea thecommerce theFree theCar theMajor Issued by the League of Arab States, website theUniversity on the Internet http://www.arableagueonline.org/las/arabic/categoryList.jsp?level\_id=110.

- Products obtained from animals in which they are raised.
- Products obtained by hunting or fishing in them.
- Fishing products and other marine products extracted from goods manufactured by any of the Arab parties and whose production includes the entrance of "inputs" from the origin of another party, the percentage of the added value of these commodities shall not be less than 40% of the final value of the commodity upon completion of its production.
- Products prepared and/or manufactured on board ships and affiliated factories are exclusively the products referred to in paragraph (6) above.
- Used items in which they are collected and are only suitable for the recovery of raw materials.
- Waste and scrap resulting from the manufacturing processes in which it is circulated.
- Goods produced therein exclusively from the products referred to in paragraphs (1) to (9) above.

## 2 - Value Added Calculation:

The added value is calculated according to the following elements and bases:<sup>16</sup>

• All wages and salaries: It include cash and in-kind wages, training expenses, various benefits, end-of-service gratuity and social insurance for production workers and workers in the administrative and technical apparatus related to production directly, such as supervisors, quality control, storage and packaging staff, or indirectly, such as the administrative and accounting apparatus and marketing staff.

<sup>&</sup>lt;sup>16</sup> - Look, Rules of origin Jarea thecommerce theFree theCar theMajor Issued by the League of Arab States, website theUniversity on the Internet http://www.arableagueonline.org/las/arabic/categoryList.jsp?level\_id=110.

- Depreciation of fixed assets: It includes the depreciation of industrial buildings, equipment and machinery, as well as residential buildings owned by the company that are not included in the rents item, and directly related to the manufacturing activity, all in accordance with the depreciation rates approved by the competent official authorities, and the depreciation of any asset is not included in the calculation of value added when the book value reaches zero.
- Rentals: These include rents of local used industrial land, warehouses, industrial buildings, product marketing shops (showrooms for factory products) and labor accommodation not owned by the facility.
- Cost of financing: It includes the total costs on loans used to finance fixed assets defined above or to finance the direct activity of the institution, or the costs of these loans in accordance with the regulations in force in each country.
- Intermediate raw materials of national origin: It includes basic raw materials and intermediate materials used in production processes, and the concept of national origin covers what has been produced in one of the member states and achieves the status of national origin.
- Miscellaneous other expenses: including laboratory analysis costs, research and development expenses, insurance fees, risks to buildings and machinery, costs and fees for patents, patents, patent rights, Arab intellectual property related to production, and the cost of renting machines used in the production process.
- Fuel, electricity and water: includes all expenses of fuel, electricity and water used in the production process.

• General and administrative expenses: These include postal, telegraph, telephone, publications, subscriptions, and other expenses.

The value-added ratio is also calculated according to one of the following two methods: either according to the aggregate formula of the value-added elements and they are as follows:

100 X	القيمة المضافة (مجموع العناصر من 1إلى 8)	نسبة القيمة المضافة =
	القيمة النهائية للسلعة باب المصنع	/ <b></b> _/ <b>_</b>

Value of the commodity factory door = value added + foreign inputs (minus duties and taxes imposed on it).

Or using the final value of the commodity and calculated as follows:

100X	القيمة النهائية للسلعة باب المصنع – قيمة المواد المستوردة الداخلة في التصنيع (ناقصا الرسوم والضرائب المفروضة عليها)	نسبة القيمة المضافة
	القيمة النهائية للسلعة باب المصنع	المحلية =

The value added is calculated accordingly as: the difference between the final value of the commodity produced until the end of the manufacturing process on which it was carried out and the value of the imported materials involved in the production process (less taxes and fees imposed on them), not including materials of national origin imported from an Arab country party to the Convention, or any Arab country. It is bound by a cooperation or integration agreement, and is treated as local goods or materials.

The final value of the commodity produced shall be calculated on the basis of the (cost value of this commodity) and the final value of the commodity shall not include any amounts paid for the imposition of customs duties or local production duties that may have been imposed on it or on its production inputs.

The value of the materials involved in the production process is calculated on the basis of the price at which they were purchased from abroad "SAFE" according to the customs value approved by the State upon the arrival of the materials to the country of production and does not include the value of internal transport expenses or other expenses that are not directly related to the production process.

The criterion of the value-added ratio in accordance with the provisions of the Convention shall be taken as a basis for determining the rules of origin for Arab goods, taking into account any of the following two criteria:

The criterion for changing the customs item , provided that it clearly includes the items and sub-items.

The standard of manufacturing processes, provided that it accurately states the process that determines the origin of the goods concerned.

As for thecumulative rules of origin, production inputs imported from another Arab country are treated as national inputs if they meet the 40% rate in the country of origin.

Without prejudice to the third rule of the Arab rules of origin, patents and fees paid for their use shall be counted within the Arab value added when calculated in the least developed Arab countries.

In order to maximize the benefit of the States parties to the Convention, they shall be consulted in the future to harmonize the rules of origin with what will be agreed upon between each party and any of the international and regional economic groupings, without prejudice to the obligations of any of them towards it.

3 - Secondary manufacturing processes:

Any of the following processes is considered secondary manufacturing processes and is insufficient to give the product the character of national origin:

- A- Operations to ensure the preservation of goods for the purposes of transportation or storage, such asventilation, salting, removal of damaged parts or the like.
- B- Simple packaging and assembly processes and the process of providing the commodity for retail sale such as packaging and repackaging.
- C- Other simple manufacturing processes such as:
  - Simple dissolution with water or any other solvent or simple mixing and mixing of two or more substances.
  - Cleaning including removing rust, grease, paint or otherwise.
  - Pruning and cutting excess material.
  - Examination, tests, numbering, marking (marks), sorting or grading.
  - Paint, wash or sterilize.
  - The process of decorating textiles within the framework of textile production such as folding, trimming, simple decoration, simple embroidery and other similar processes.

Operational actions relating to national rules of origin established by Arab States must not constitute restrictions on trade between them. The application of Arab rules of origin in themselves must not create restrictive, distorting or disruptive effects on Arab trade, which do not impose unnecessarily strict conditions or require the fulfillment of a specific condition that is not related to manufacturing as a prerequisite for determining the country of origin.

The rules of origin in the Arab countries are based on a positive criterion (rules that grant origin) and the negative criterion is allowed to be applied as part of the clarification of a positive criterion or in individual cases when a positive determination of origin is not necessary.

## 4. Proof of Origin:

Products of national origin must be in accordance with the Arab rules of origin and mutual between the parties and for the purposes of benefiting from the agreement and the executive program for the establishment of the Arab free trade area, accompanied by a national certificate of origin in accordance with the approved form, and all its fields must be fulfilled. The certificate of origin and the issuance of the **certificate of origin and** the **holder are granted and issued according to the following:** <sup>17</sup>

- The certificate of origin is granted to Arab goods of national origin (each country determines the party that issues and certifies the certificates of origin in it).
- The certificate of origin must include the name and address of the manufacturer, the number and date of the bill of lading and signed by the exporter.
- The certificate of origin form must be filled in printed letters and the description of the goods shall be in the designated place of the form without room for cancellation or addition.
- The certificate of origin shall be issued from the country of origin of that commodity at the time of export of the goods and may, in exceptional circumstances, be issued after export or from the country of the place of export when there is an unintentional error or omission in the certificate.
- The body that certifies the certificate of origin and the issuer must keep a copy thereof and the documents attached thereto for a period of three years from the date of issuance, in accordance with the rules applicable to both sides.

<sup>&</sup>lt;sup>17</sup> - See, Rules of origin Jarea thecommerce theFree theCar theMajor Issued by the League of Arab States, website theUniversity on the Internet http://www.arableagueonline.org/las/arabic/categoryList.jsp?level\_id=110.

- The certificate of origin is valid for a period of (four months) from the date of issuance in the exporting country and submitted during this period.
- The certificate of origin must be submitted to the customs authorities of the importing country of the goods at the time of clearance, provided that it has been more than four months old from the date of issue.
- In the event of loss or damage to the certificate of origin, the exporter has the right to request the authorities that issued this certificate to issue another copy according to the form of export documents they have, in which case the word "second non-original" "replacement of damaged or lost" must be clearly marked on it.

## 5 - Arab Certificate of Origin Form:

The Arab certificate of origin, form and content are defined according to the following (see attached form):

- The form should be unified and bear the logo of the Arab League and the country issuing the certificate.
- The certificate of origin shall include adequate information about the commodity, including its type, weight, number of parcels, trademarks of the commodity and its value.
- The certificate shall state the number and date of manufacture.
- To determine the final value of the commodity, the delivery of the factory without adding duties, taxes and profits.
- The certificate should not have voids that can be manipulated.
- Seals should be clear.
- Determine the bodies that issue and ratify the certificate in each State, and that the names of those bodies shall be communicated to the General Secretariat of the League of

Arab States to be circulated to the States parties to the Convention.

The concerned authorities "certifying the certificates" in the States Parties shall provide each other with the samples of seals prepared for the certification of certificates of origin and the addresses of the bodies responsible for issuing these certificates, with a copy of them deposited with the General Secretariat of the League of Arab States.

(a) The competent authorities of the Parties shall work and cooperate with each other in the revision of certificates of origin and content.

(b) The competent authority of one Party may request its counterpart in the other country to carry out a preliminary subsequent review of the certificate of origin data, indicating in its request the elements that require additional clarification: In this case, the goods related to the certificate of origin subject to subsequent review shall be allowed to enter the importing country with a provisional (refundable) guarantee for duties and taxes due to the arrangements and procedures in force in Importing country.

The indication of national origin on the goods must be clearly and irremovable according to the nature of the goods.

6. Passage through territory other than that of States Parties:

Products originating in one of the parties are transported directly without passing through territories other than those of the Arab parties, however, such products may be transported in transit in a territory other than the territories of those parties, including the possibility of shipment or temporary storage in such regions as long as the passage through these territories is required by geographical reasons and as long as the products have remained under the supervision of the customs authorities of the country of transit or deposit and have not been subjected to operations other than unloading, trans-shipment or any other operations. Others aimed at maintaining their condition.

7 - Settlement of disputes resulting from the application of Arab rules of origin:

In the event of disputes or disputes resulting from the application of the Arab rules of origin, this dispute shall be referred to the Dispute Settlement Committee, in order to verify and treat complaints and propose the necessary measures to confront them and not to repeat them, including the prohibition of dealing with the source that proves his deliberate breach of the rules of origin or certificate data, without prejudice to the laws and regulations in force in each State Party, provided that the other side is notified of these procedures in a timely manner.

In conformity with the principle of transparency, the Arab States shall inform the Secretariat-General during the transitional period, pending the completion of the preparation of detailed rules of origin, of the laws, regulations and provisions for the application of their rules of origin. When changes are made to national rules of origin or new rules of origin are introduced, the Arab States shall not apply these changes retroactively.

Any administrative action taken by an Arab country with regard to the determination of origin that is contrary to the agreed rules of origin shall be subject to review by a technical body The **first category** for dispute settlement specialized in this subject, in accordance with the provisions of Chapter IV of the Agreement on the Facilitation and Development of Trade Exchange among Arab States. These Rules shall be binding on the States Parties and shall be applicable within three months from the date of their adoption by the Economic and Social Council. Arab rules of origin for the purposes of the application of the Agreement on the Facilitation and Development of Trade



**Exchange among Arab States General Rules.** 

## IV - Results of the Greater Arab Free Trade Area

The establishment of the Greater Arab Free Trade Area has many benefits, the most important of which are:

- An incentive and justification for the economic reforms necessary to counter the globalization of the economy.
- Encouraging joint investment among Arab countries.
- Improving the investment climate in the Arab countries.
- Giving an indication to investors about the existence of an important and growing market at the level of Arab countries.
- Giving an indication of the increasing openness of Arab countries to the global economy.

- Improving the conditions for the establishment of joint economic institutions among Arab countries.
- An incentive for producers to pay more attention to the development of their production enterprises to face competition.
- Increase labor productivity and unit capital.
- Attracting capital outside the Arab countries and stimulating them to return.
- Increasing the volume of intra-Arab trade.

Despite economic reforms aimed at liberalizing foreign trade, tariff revenues remain a major source of public revenue in Egypt, Syria, Jordan, Tunisia, Morocco and Yemen. Since the budgets of some of these countries suffer from deficits, any reduction in these fees leads to a rise in the fiscal deficit, which must be covered by internal and external loans, accumulating debts or cash issuances, so prices rise, or in both ways.

(The magnitude of these ill effects should not be overstated given the weakness of intra-regional trade, but the risk of worsening the deficit is present due to trade liberalization. The degree of risk varies according to the importance of intraregional imports, as the higher the share of the latter, the lower the tax revenue. On this basis, improving Arab economic relations must compensate for the financial loss by raising the levels of intra-regional investments and exchanges.)<sup>18</sup>

The draft law called for the establishment of a union for the establishment of a customs union among the Arab States so that the States parties would work to establish a minimum unified customs tariff and to establish a customs wall to be applied towards the outside world. The draft also called for Arab products exchanged

<sup>&</sup>lt;sup>18</sup> - Dr. Sabah Naoush, Ibid.

under the agreement not to be subject to any non-tariff restrictions. The draft stipulates that the States parties to the Convention must undertake to apply the principle of the Convention and to exchange information, data, procedures and regulations for trade in order to ensure the proper implementation of this Agreement. The draft called for encouraging the movement of Arab capital among the States parties to the Agreement, facilitating the flow of their movement and investment and providing the necessary guarantees in order to achieve leadership for the economies of the receiving and capital-sending countries and investors.

At the same time, the Arab countries are working to harmonize their investment policies and legislation related to investment in order to provide the appropriate investment climate and provide the necessary capital for the establishment of joint ventures. It also coordinates financial, monetary and banking policies and encourages the establishment of holding companies whose task is to select, study and promote economically viable projects.

# V - Restrictions and difficulties facing the Greater Arab Free Trade Area

The Greater Arab Free Trade Area suffers from a set of restrictions, foremost of which are non-tariff restrictions, delays in approving detailed rules of origin for Arab goods and the difficulty of obtaining visas for businessmen and investors in some Arab countries.

## 1. Non-tariff restrictions:

Non-tariff restrictions include administrative, technical, quantitative and financial restrictions:

A - Administrative restrictions and their implications for transit time and the cost and competitiveness of trade:

• Administrative constraints include the requirement to apply for customs exemptions, agricultural seasonal restrictions, the

requirement for export and import licenses, overvaluation of customs, the length and complexity of the procedures for certifying certificates of origin, export and import invoices and insurance guarantee documents, and delays and restrictions in border customs procedures with regard to both transit time and time taken to review documents and inspect Goods, their conformity and inspection procedures, and the repetition of these operations at each customs port in light of the continuation of the old methods in many border facilities. <sup>19</sup>

The problem of the length of the crossing, especially the inspection procedures and their length, is one of the obstacles facing intra-Arab trade at many Arab border crossings, which leads to a high cost of trade operation and weakens its efficiency, as well as affects the quality and quality of goods in sensitive goods, especially food products. The high costs of securing the necessary documents, unjustified delays at customs borders, and the spread of bribery also disrupt the benefits of removing tariffs, and make it longer to export between Arab countries than to other countries, weakening their competitiveness. Many customs ports in Arab countries also lack the necessary facilities such as testing and quarantine laboratories.

B- Technical constraints, excessive specifications and suffering in the examination of samples:

Technical restrictions include strict and over-application of specifications, excessive requirement for indication of origin, restrictions on weight, length and complexity of detection and inspection procedures, in addition to health restrictions and environmental requirements.

<sup>&</sup>lt;sup>19</sup> - Private sector perceptions towards the realistic needs of the Greater Arab Free Trade Area: What's after the customs restrictions? General Secretariat of the General Union of Chambers of Commerce, Industry and Agriculture for Arab Countries, study prepared by Mrs. May Demashkieh Serhal, Beirut, February 2008.

Specification restrictions are one of the most important constraints facing private Arab trading companies. On the basis of the implementing provisions of the Greater Arab Free Trade Area, the Arab member States of the zone are obliged to adopt the approved Arab standards, and national standards shall be applied to imported goods in the absence of Arab standards. The application of standards requirements should not lead to the prevention or delay of the entry of Arab goods into the markets of the member States of the region. However, allowing the application of national standards to goods for which Arab specifications are not available is often It is used as an excuse for exaggeration and strictness in the application of specifications. <sup>20</sup>

## C. Quantitative and financial constraints:

Quantitative restrictions include banning the import of certain goods, and restrictions on quotas. Financial constraints are exercised through excessive transit fees, high fees for attestation of documents, application of progressive fees, excessive detection and inspection fees, as well as fees for currency conversion.

In general, there is an overprotection of local products in a number of Arab countries and for some commodities such as textile and pharmaceutical products. Registration of pharmaceutical products is extremely difficult in Egypt, Jordan, Oman, Saudi Arabia and Syria. Some countries impose duties or prevent the import of certain goods, as is the case in Syria by imposing duties on the export of vegetable oils and preventing the import of cleaning materials confined to the public sector, as well as meat and poultry preparations and paper used in the manufacture of cigarettes, the import of which is prohibited and their passage through their territories.

<sup>&</sup>lt;sup>20</sup> - Council of Economic Unity, - Website: www.caeu.org.eg.

There are unjustified financial burdens, such as charging fees for overtime work allowance outside the official working hours and companion allowance fees in a number of Arab countries, in addition to high fees on trucks in some Arab countries.

#### 2 - Delay in approving detailed rules of origin for Arab goods:

As of 1/1/2008, it is assumed that detailed rules of origin for Arab goods agreed upon on preferential basis will be applied, and the approved Arab certificate of origin model and its annexes will be used.

With regard to non-agreed goods, the Economic and Social Council has mandated a committee composed of Saudi Arabia and Morocco to prepare a proposal for detailed rules of origin, to which the general value-added rule applicable before 2008 will be applied, that the local value-added percentage should not be less than 40 per cent of the final value of the goods to be delivered to the factory on a transitional basis pending agreement. The value added is calculated on the basis of the price of the commodity delivered to the door of the manufacture minus the customs value of each product that does not have the character of origin included in the production of the commodity. <sup>21</sup>

3 - The problem of visas and obstacles to the movement of persons, businessmen and investors:

The liberalization of intermobility for people, especially businessmen and investors, is one of the topics that must be emphasized and worked to achieve. This issue is at the forefront of the concerns of the General Federation of Chambers of Commerce, Industry and Agriculture for Arab Countries, and has always been

<sup>&</sup>lt;sup>21</sup> - Factory door delivery price, means the price of the product that is paid to the factory and the delivery of the factory door in the Arab Member State in which the last processing, operation or manufacture takes place, and this price includes the value of all materials used less any internal taxes or fees (non-tariffs) that can be repaid when exporting the commodity.

emphasized, especially with the exposure of many Arab businessmen to delay their work due to the difficulty of visas, or to delays and standing for hours at airports and the consequent distress, fatigue and embarrassment. Political sensitivities and problems are often reflected in humiliating repercussions on workers, businessmen and ordinary people, both in their field of work and in relation to their movement between one Arab country and another. There are also other types of restrictions on the movement of people between Arab countries, such as restrictions on the movement of personal funds of travelers in some Arab countries.

The issue of liberalizing the mobility of businessmen is particularly sensitive, given its importance and implications for economic cooperation between Arab countries, which calls for the initiative to develop a mechanism to facilitate entry into Arab countries for businessmen and individuals wishing to visit Arab countries to invest, follow up on their projects or identify investment opportunities.

## 4. Lack of data and information:

The issue of data and information deficiencies is very important in view of the serious lack of Arab data, information and statistics announced on the potential of producers and the desires of consumers, as well as information related to customs procedures and policies, financial and monetary policies, financing and investment opportunities and other information needed by exporters and importers, to enable them to make sound decisions in the field of export and import.

The specialized Arab organizations issue a number of important annual reports in this field, including the **Arab Economic Report**, which has been issued permanently since 1961 by the General Federation of Chambers of Commerce, Industry and Agriculture for Arab Countries in both Arabic and English, forming a documented record and analysis of Arab economic developments at the country level for all Arab countries. There is also (**Investment Climate Report in the Arab Countries**), which is issued annually by the Arab Investment Guarantee Corporation addressing various investment developments in the Arab countries, in addition to the (**Unified Arab Economic Report**) issued by four Arab official bodies and deals with developments and statistics at the inter-Arab level. The problem is that this report is long delayed in its release, due to the insistence of the Arab official authorities to review its content before its official release, knowing that a preliminary version of it can be issued before the official final release.

#### VI - Activation of the Greater Arab Free Trade Area

In order to activate the Greater Arab Free Trade Area, it is necessary to:

- Accelerating the preparation of unified specifications for all Arab goods, especially for the most traded goods among Arab countries, which should be given priority in this field.
- Taking into account the compatibility of Arab standards with international specifications, and in the absence of an Arab specification for the commodity, the international standard is adopted until a unified Arab standard is issued for it.
- Facilitating the mutual accreditation of conformity certificates by signing bilateral agreements in the field of most reciprocal goods, developing national accreditation bodies, and seeking to establish an Arab accreditation body.
- Adopting transparency, especially in determining the approved systems of specifications in order to avoid any protective trends for certain interests. <sup>22</sup>

<sup>&</sup>lt;sup>22</sup> - Private sector perceptions towards the realistic needs of the Greater Arab Free Trade Area, reference Former.

In addition to the problem of specifications, there is the problem of delays, repetition and excessive requirements for sample examinations. The time taken for the procedures for testing samples and laboratory analyzes of goods and products takes a relatively long time, ranging from 45 to 60 days in some Arab countries.

After the Arab Economic and Social Council decided to declare the establishment of an Arab free trade area in conformity with the principles and objectives of the League of Arab States, the Syrian Arab Republic submitted a draft agreement for the establishment of an Arab common market.

- Deepening and developing economic and trade relations among Arab countries. and the parties to achieve economic integration among themselves.
- Increase and expand Arab trade.
- Encouraging investment, capital mobility and the establishment of joint ventures.
- Coordination of trade policies, cooperation and coordination in the fields of industrial, agricultural, energy and oil, in addition to coordinating development plans with the aim of reaching Arab economic integration.
- Enhancing the role of the private sector to participate in supporting socio-economic development.
- Supporting technical cooperation, exchanging information and facilitating communication between specialized centers.
- Standardization of specifications and standards for goods and products exchanged.
- Encouraging Arab institutions and banks specialized in Arab trade.
- Coordination between Arab banks to develop their services and enhance their cooperation.

• Harmonization of customs legislation and regulations within a period not exceeding five years from the date of entry into force of the Agreement).<sup>23</sup>

Article XIX stipulates those appropriate forms must be provided for the free movement of capital, in particular the freedom to exercise economic activity, freedom of movement, residence and work, and freedom of ownership, inheritance and wills. Article IV of the agreement provides for the liberalization of trade exchange among Arab member states for agricultural and animal products, natural resources and industrial products produced in any of the member states. All these products are treated as national products. As for Arab industrial products, they are exchanged between the States members of the Convention in accordance with the principle of gradual liberalization and by allocating customs duties, duties and other taxes at a specific annual percentage, until the complete abolition of duties and taxes of all kinds within a specified period of time.<sup>24</sup>

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<sup>&</sup>lt;sup>23</sup> - Tishreen newspaper, issue 6846, dated 26/6/1997.

<sup>&</sup>lt;sup>24</sup> - All these freedoms were mentioned in the decision establishing the Arab Common Market No. 17 dated 13/8/1964.