

TRADE:

Egypt Signs On to U.S.-Israel Model

Emad Mekay

WASHINGTON, Dec 14 (IPS) - High-level officials from Egypt, Israel and the United States signed a three-way trade deal Tuesday that would allow Israeli-Egyptian products duty-free access to the U.S. market, a further step toward launching a broader free trade pact in the Middle East.

The agreement creates "qualified industrial zones (QIZs)" in and around the cities of Cairo and Alexandria and the Suez Canal. Goods produced there would have duty-free access to the U.S. market as long as they contain at least eight percent of materials from Israel.

The QIZs are modelled after an earlier programme Washington established with Jordan and Israel in 1998.

The aim of the QIZs, authorised by Congress in 1996, is to encourage Israel's economic integration into the Arab world. But many critics there say their real purpose is to force business with Israel on reluctant Arab populations, angered by Israel's occupation of Arab land and by Israeli treatment of Palestinians.

Critics of the agreement signed Tuesday accused the United States of using trade for political ends and warned that, based on the Jordanian experience, the accord will not have the promised benefits for Egyptian industry.

"This is the most important economic agreement between Egypt and Israel in two decades," said U.S. Trade Representative Robert B Zoellick in a statement announcing the deal last week.

"It is a concrete, practical result of President Bush's plan to promote closer U.S. trade ties with the Middle East."

In Cairo on Tuesday, Zoellick said Washington is preparing Egypt, with 73 million people the most populous nation in the Arab world, for the region's broader trade deal.

"President Bush has outlined this plan to try to move towards a Middle East free trade agreement, and, as you know ... this is not only with Egypt, but with all the countries in the region," Zoellick said, according to the transcript of a brief press conference.

The deal was signed by Egyptian Minister of Foreign Trade and Industry Rachid Mohamed Rachid and Israeli Vice Prime Minister Ehud Olmert in a ceremony attended by Zoellick.

According to Washington, the QIZ model it created with the Jordan-Israel trade deal has been a success, because more than 35,000 jobs have been created within Jordan's QIZs in the past few years.

But in a September 2004 review of that country, the World Bank says, "the recent economic growth has not translated into a commensurate increase in job creation or poverty reduction."

"Unemployment (at 15 percent) and underemployment remain high, and deep pockets of poverty persist," it adds.

Many local analysts and development groups agree that while the U.S. pact with Jordan and Israel gave the latter nation access to cheap Arab labour, it failed to reduce unemployment. They argue the agreement also caused widespread labour abuses while strengthening businessmen and the local elite.

Washington, a champion of Israel in the Middle East, has been trying to entice Arab governments to deal with the Jewish state via various diplomatic and economic measures. It negotiated the Israel-Jordan QIZ in 1998 before it signed a free trade agreement (FTA) with Jordan in 2000.

Egypt balked at a possible trade deal with Washington in 2003 after protests from some small local industries, drawing public censure from Zoellick.

The Egyptian about-face came after the Washington-backed regime of President Hosni Mubarak appointed a new cabinet earlier this year, composed mostly of young western-educated businessmen with strong ties to western corporations and to the president's son, Gamal.

Tuesday's signing saw small but unprecedented protests by anti-corporate globalisation groups.

The Anti-Globalisation Egyptian Group (AGEG) organised a rally against what it called the sale of Egyptian workers for Israeli companies.

"Egyptian workers are not for sale," chanted scores of protesters, according to reports from the Egyptian press.

Many other people protested across the country, slamming the deal as a form of "modern-day colonialism."

Demonstrations were reported in the delta region of Mahala and Ismailiya, northeast of Cairo, involving mostly textile factory workers, who are likely to be affected by the deal.

In a statement on its website AGEK reiterated popular fears the deal will only benefit Egypt's businessmen, who already control the government.

”This is an agreement marketed in Egypt's name and under the pretext of reforming the national economy ... but this is an evidence that businessmen have the upper hand in this regime,” it said.

Mubarak's two sons, Gamal -- who the president is grooming as his successor -- and Alaa, are businessmen. The ailing leader has installed many of their friends from the business community in positions in and around the government.

In the latest cabinet reshuffle earlier this summer, several businessmen were appointed to ministerial positions including trade and finance minister Rachid, a wealthy former banker who was also chairman of household goods giant Unilever in North Africa.

Another local group, Kate3, which means ”boycott” in Arabic, said it will publish blacklists including the names of the factories and the products made in the new QIZs, to warn workers to avoid them and to urge consumers worldwide to stop buying them.

The group says the Jordanian model is a failure because more than 20 percent of the labour used in that country's QIZs come from Asian countries, like China, putting downward pressure on wages for locals.

Ali Hatter, an analyst with the group, wrote that while elites in the countries involved justify the deal by quoting meaningless numbers, local industries and factories that did not join the QIZs in Jordan were devastated because Washington restricts imports to those factories in the zones.

But in Cairo, Egyptians officials, some of who visited Washington two weeks ago, argue the QIZs will boost Egyptian textile exports. Because of new U.S. regulations that will take force early in 2005, textile exports from Egypt to the United States are due to drop.

U.S. President George W Bush proposed creating a Middle East Free Trade Area (MEFTA) soon after the Sep. 11, 2001 terrorist attacks on the United States, with a completion date of 2013.

In the region Washington now has FTAs with Israel, Jordan and Morocco; a deal with Bahrain is pending congressional approval; and U.S. officials will begin FTA talks with the United Arab Emirates (UAE) and Oman early next year. (END/2004)