TRADE:
U.S.-Mideast Deal Gains Momentum

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WASHINGTON, Nov 18 (IPS) - Already engaged in an ambitious global plan to complete regional and bilateral free trade deals, the United States is heating up the trade front in the Middle East with announcements it intends to start talks with three countries in the region.

The news comes as development groups are warning that the benefits of bilateral trade deals have been overstated and that the agreements do more harm than good to developing nations that partner with economically powerful countries.

The U.S. Trade Representative (USTR) Robert Zoellick said earlier this week his country plans to open negotiations for free trade agreements (FTAs) with the United Arab Emirates (UAE) and Oman.

Also this week, a new government in Egypt said it has renewed talks with Washington over a free trade deal.

Egyptian Trade Minister Rashid Rashid, who is in Washington this week, told Zoellick that his country, the most populous nation in the Arab world, wants to pursue a U.S.-Egypt FTA and also establish a qualified industrial zone (QIZ).

A QIZ would permit products made in Egypt with a specified percentage of inputs from Israeli firms to have tariff-free access to the U.S. market. Washington, a champion of Israel in the Middle East, has been trying to bring the Jewish state together with its Arab neighbours via various diplomatic and economic measures.

Washington negotiated the Israel-Jordan QIZ in 1998 before it signed a free trade deal with Jordan in 2000.

With a population of 73 million people, Egypt balked at a possible trade deal with Washington last year after protests from 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, mostly made up of young businessmen with strong ties to western corporations and to the president's son, Gamal.

Mubarak is grooming Gamal to become the country's next leader and has installed many of his friends from the business community in positions in and around the government.

Washington's proposed FTAs with Egypt, UAE and Oman will build on others the United

States has already signed in the Middle East with Israel, Jordan, Morocco and Bahrain.

With Washington in full control of Iraq, the current and future deals leave Saudi Arabia as the only major country in the area that does not have a major preferential trade agreement with the United States. But U.S. officials are prodding Riyadh to join the World Trade Organisation (WTO) and remodel its economy as a first step towards inking a bilateral trade deal.

In the aftermath of the Sep. 11, 2001 terrorist attacks on the United States by young men who came mostly from the Mideast region, U.S. President George W Bush called for the creation of a free trade area (MEFTA) throughout the Middle East and North Africa by 2013.

The administration argues that increased trade will lead to economic prosperity, dampening the frustration and anger of many people -- particularly the young -- in much of the Arab world where unemployment and corruption are high. In doing so, the roots of terrorism would wither and die, according to this theory.

Part of the administration's plan is to integrate Israel with its reluctant Arab neighbours and, eventually, to combine all those bilateral deals in the major MEFTA agreement.

In October, major U.S. corporations joined forces to launch a pressure group, the U.S.-Middle East Free Trade Coalition, to lobby for a speedy realisation of the MEFTA.

The companies included Boeing, Booz Allen Hamilton, ChevronTexaco, Dow, ExxonMobil, Intel, JR McDermott and Motorola.

The pace of negotiating trade deals in the Middle East is likely to be faster than in other regions because of the U.S. military occupation of Iraq, a major economy in the area, and because of the dictatorial nature of Mideast regimes, which do not allow for much debate about such issues.

The region's authoritarian regimes have seriously weakened civil society groups and left very little room for dissent or opposition. Northern-based NGOs have also been more hard-pressed to monitor trade deals in the Middle East than they are in Latin America or Africa, because of lack of access to data and as a result of intimidation by the regimes.

Washington has embarked on a grand trade agenda throughout the world. For example, it is negotiating FTAs with the Southern African Customs Union (South Africa, Botswana, Namibia, Lesotho and Swaziland), and has announced it intends to start discussions with Thailand, Colombia, Peru, Ecuador, Bolivia and Panama.

Talks on a hemispheric-wide Free Trade Area of the Americas (FTAA) stalled after the latest meeting November 2003 in Miami, particularly over U.S. refusal to end support to its farmers.

Civil society groups have protested those trade deals, arguing they put poor nations at a disadvantage.

On Thursday, the Centre for Economic and Policy Research (CEPR), a Washington-based think tank, issued a report in response to the Bush administration's announcements on bilateral and regional trade agreements it will pursue in Bush's second term.

The centre argued that the gains to developing countries from trade liberalisation are smaller than the numbers that have been widely cited in the public debate and that have lured governments to sign such deals.

”The gains from trade liberalisation for poor people in developing countries have been overstated,” said CEPR Economist and Co-Director Mark Weisbrot, a co-author of the report.

”At the same time, the costs to developing countries of complying with commercial agreements such as the WTO are often ignored. This leads to a lot of misunderstanding regarding the potential impact of trade liberalisation and the conditions that are attached to it,” he added.

The report said that while any reduction in poverty is desirable, poor countries in those trade deals end up making major concessions in exchange for access to rich countries' markets.

Many of these concessions, such as the enforcement of rich country patent and copyrights, impose substantial costs on developing countries, it said.

In addition, trade agreements often curb the ability of developing countries to follow the same sort of industrial policies that rich countries used on the road to development.

It is entirely possible that the cost to developing countries of paying copyright and patent-protected prices to rich countries will equal or exceed the gains they get from rich countries liberalising their trade, said the report. (END/2004)