

Future of Inter-Arab Trade *In the shed of the Grand Arab Free Trade Zone*

Common Arab Market Importance

It became necessary, in globalization & economic blocs age, that Arab countries should seek integration with one another in order to face challenges imposed by new economic developments. Examples for these challenges are the rapid world economies openness to one another accompanied by competition between special kinds of goods & services provided by advanced industrial countries & that of developing countries including Arab countries.

Having a direct look at the Arab region, covering 14.2 million km & including 307 million people, i.e. 10.2% of the world area & 5% of the world population, clarifies the region's limited contributions in & impacts on the world. The former becomes clear when referring to Arab region accomplishments in 2004, namely:

- Only 2% from the world GDP, which equals to \$860 billion.
- 3.5% from world total foreign trade volume.
- 4.4% from world total exports volume.
- In relation to regional level, inter-Arab trade percentage did not exceed 10% from the total Arab foreign trade in 2004.

Despite of the fact that Arab integration efforts started in an early stage, from about half a century, still Arab economy did not reach the level of the required aspirations, namely:

- Building an Arab economic bloc having a special status & an effective impact on the world economic arena.
- Maximizing Arab countries economic interests, the matter that raised a dire need to expand market for Arab countries goods production & raise the efficiency of such countries resources allocation according to each country's relative advantages.
- Maintaining the economic interests of Arab member countries by providing them the potentiality to compete between their national goods in their own markets & at same time having approximate economic development levels instead of the unbalanced competition resulting from their merging in world markets.
- Liberalizing trade exchanges, between Arab countries, from all custom tariffs & taxes of similar impact in addition to eliminating all restrictions & non-tariff barriers facing such exchanges flow.
- Providing financial facilities, easing financial movement & service trade & supporting Arab financial markets aiming to increase trade exchange between Arab countries.
- Developing Arab economic & trade relations, with the rest of the world, in the form of an economic bloc that comes as a natural result to developing trade & economic relationships between Arab countries. Moreover, expanding Arab market, increasing such market productive capacity, the matter that creates new demand on capital goods imported from foreign countries, & finally increasing foreign trade. Therefore, the former will lead to increasing Arab goods competitiveness & expanding these goods access to world market.
- Promoting technological capabilities through supporting, providing finance to & creating demand on the production of scientific research institutions.

Impact of Arab Free Trade Zone on Inter-Arab Trade

One of the most important steps, recently taken toward Arab economic integration, is Arab trade arrangements concerning the exemption of all Arab origin products from custom tariffs. In addition, the ongoing work related to the elimination of all non-custom obstacles facing inter-Arab trade, service trade liberalization & investment heading toward Arab custom union.

Arab Free Trade Zone Positive Impact on Inter-Arab Trade:

Exports:

- About 9% inter-exports annual growth rate, during the application phase (1998-2003) in comparison with 5.5% annual growth rate, during the pre-application phase (1993-1998).

Imports:

- About 8% annual growth rate, during the application phase (1998-2003), in comparison with 4%, during the pre-application phase (1993-1998).

Therefore, it is expected that the Arab free trade zone will provide an expanded market to contain production increase & the targeted economic development in the light of the preparation of suitable investment atmosphere & the increase of investment expenditure. Furthermore, Arab market affecting changes could be controlled, hence Arab markets are more capable of being stable, which is a major advantage provided by the region in comparison with the world market. It is to be borne in mind that the growth benefits will be distributed in an approximate way between Arab countries for the approximation of most of their economic levels.

The most important obstacles facing Arab free trade zone:

The most important obstacles & problems, that should be rapidly overcome & solved to push forward inter-Arab trade, are:

- Obstacles resulting from the vague identification of certificate of origin followed by different difficulties.
- Negative & exceptions lists adversely reflected on goods movement & flow.
- Lack of specified dispute settlement mechanism despite of its importance.
- Similar products between members, thus, creating undesirable competition instead of heading toward products integration.

Investment Atmosphere in the World & Arab Countries

Arab region has witnessed strenuous efforts to improve investment atmosphere aiming to attract local investor & opening doors for foreign investor, so, resulting in:

- Foreign investments in the Arab region reaching about \$16.7 billion.
- The stability of local exchange rates of Arab countries against US dollar. Thus, it is a positive indicator reflecting the stability & development of Arab countries investment atmosphere.
- The remarkable development of Arab financial market, during the recent years. The Unified Arab Stock Market was established in Cairo in addition to the activation of common bilateral inclusion processes between a number of Arab stock markets.
- Many Arab countries opening new sectors for foreign investment (oil & gas, communications, banks, insurance ...)

In addition to the exerted efforts, still we hope to exert more efforts to include the following:

- Continuing the improvement, development & unification of legislative & procedural laws.
- Diversifying investment incentives & guarantees.
- Applying tax & registrations cuts & exemptions.
- Building new free zones & industrial cities.
- Working with the concept of achieving comprehensive administration & production quality seeking international competitiveness.
- Establishing & developing infrastructure.
- Establishing state-of-the-art database & being available to all investment concerned parties.
- Developing human resources & relating education outcomes with work market requirements & modern technology.

Future of Arab fertilizer industry:

Concerning Arab fertilizer industry, such an industry became a major & important part of fertilizer industry on the world level. Undoubtedly, fertilizer industry plays a vital role in Arab countries economies whether on the industrial level or the agricultural one. Considering the referred to importance, Arab fertilizer industry developed remarkably during the last two decades whether in relation to working projects or the ones under establishment & implementation. The development is as follows:

Table (1)

Development of Arab Fertilizer Industry

(Million Ton produced)

Product	1980	1990	2000	2005	2010	Development Percentage from 1980 to 2010
Ammonia	2	5.3	8.7	9.3	13.7	585%
Urea	2.5	5.6	9.9	1.31	17.6	604%
A. Nitrate	0.8	1.1	2	2	2.1	163%
Phosphate Rock	31	37.7	44	48	45	45%
Phosphoric Acid	1.3	4	4.7	5.5	6	362%
TSP	0.9	1.8	1.5	1.9	2.3	156%
DAP	0.9	3.4	3.4	3.8	5.6	522%
Potash	0	1.96	1.93	2	2.5	0

On the industrial & trade levels:

Arab fertilizers occupy a distinguished status, for the following reasons:

The Arab region possesses 70% of the world reserve of raw phosphate, the backbone of phosphates fertilizer industry, & about 33% of world reserve of natural gas, the backbone of nitrogenous fertilizer industry. The region further contains sulphur & potash, which are complementary materials for the production of phosphate & NPK fertilizers.

Table (2) clarifies Arab fertilizers & related materials share of production & export on the world level:

Table (2)

**Arab Fertilizers & Related Materials Share of Production & Export
on the World Level**

Product	Arab Production % against World Production	Arab Exports % against World Exports
Ammonia	7	13
Urea	9	29
Ammonium Nitrate	5	
Phosphate Rock	33	74
Phosphoric Acid	18	71
Triple Super Phosphate	24	67
Di-Ammonium Phosphate	16	18
Sulphur	8	21
Potash	4	6

Fertilizers & related materials production volume, during 2005, is estimated with \$13 billion.

On the agricultural level:

It is well known that agriculture sector occupies an important status in many Arab countries. The Arab countries agriculture sector contribution in GDP reaches 11.1% & the labor working in different agricultural activities are estimated by 35.4% of the total labor force.

Agricultural sector contribution in GDP greatly differs from one country to another, as such percentage ranges between 34.2% & 0.3%. Restrictions, faced by Arab countries over natural & environmental resources, control the horizontal expansion of grown lands area, thus, there will be no necessity for vertical expansion.

Here, the importance of fertilizers is being crystallized aiming to increase horizontal agricultural production in order to compensate the clear shortage in arable lands area.

Future projects in Arab region

Underscoring the development of Arab fertilizer industry & such industry strategic aspirations, a number of projects & powers will enter the production process during the coming years. Therefore, such will support the status & share of fertilizer industry, contribute in promoting Arab economies & boost the development of human resources in the region through the provision of many job opportunities. It is noteworthy that fertilizer industry & mining are huge labor requiring industries.

We believe that fertilizer industry in general can be one of the best common Arab fields investing, integrating & supporting the concept of grand Arab market.

New projects production capacities in the Arab region are estimated as follows:

- Ammonia about 7.8 MT
- Urea about 8.5 MT
- Phosphate raw materials about 4.5 MT
- Phosphoric acid about 1MTPent-oxide Phosphor
- Super tri-Phosphate about 0.5 MT
- Ammonium Phosphate & NPK fertilizers about 0.85 MT
- Potash about 0.5 MT

To emphasize upon the importance of the specialized Arab associations work concerned with pushing forward inter-Arab trade & Arab market, AFA highlights for the distinguished attendants that:

- Since AFA adoption of such an issue in the Association's last three international conferences 2003-2005; &
- Through specialized workshops & communicating with concerned parties, Inter-Arab trade volume reached 100% in many final products.

In relation to fertilizer industry, as we mentioned in the opening ceremony, 2005 data shows that:

Inter-Arab trade volume reached 100% in some final products, for example:

- Phosphoric acid
- Potash
- Ammonium phosphate
- Super tri-phosphate

Inter-Arab trade volume, for the other products, developed as follows:

- Urea 72%
- Sulphur 36%
- Ammonia & NPK fertilizers 26%
- Ammonium Nitrates 20%