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The Hope of an Arab Free Trade Area
What are the conditions?

Lokman Zaibet and Houcine Boughanmi

Abstract

Recent Arabic literature has focused on intra-Arab-countries trade and the challenges and opportunities of GATT and WTO. The main outcome of this literature reveals a consensus on the negative results of the past cooperation and integration agreements. As a result of this failure, many countries have sought bilateral trade agreements and have entered into regional partnerships and blocs. Many countries of the Mediterranean region have signed partnership agreements with the European Union (e.g. Tunisia, Jordan, Syria, and Egypt). Besides, two regional blocs have seen the light, namely the Arab Maghreb Union (MU) and the Gulf Cooperation Council (GCC).

Regionalism and bilateral agreements are being restricted by Article 20 of GATT with regard to its compatibility with multilateral trading system, and Arab countries will have less than 10 years to accomplish the hope of a free trade area. Existing literature about Arab economic integration lack the theoretical and conceptual framework that guides the analysis about factors and conditions favoring or restricting the formation of such Arab free trade area.

This paper reviewed trade arrangements in the Arab region through the analysis of the trade agreements of two representative countries; one from the Maghreb region (Tunisia) and the other from the Gulf countries (Oman). These two countries illustrate the variety of trade and cooperation agreements in the Arab region. The paper presents the theoretical foundation of economic integration and uses the case of the GCC to test empirically the determinants of intra-industry trade as an indicator of economic integration. We use these results to make implications about the existing trade agreements and the potential for an Arab Common Market.

To analyze the trade structure and the level of integration in each of the above blocs we use the intra-industry index. Intra-industrial trade (IIT) in general increases with economic integration. So, IIT index would indicate the level of economic integration among the countries in the same block. We also attempt to determine the factors favoring or hindering bilateral trade.

The overall picture drawn from the empirical results is that IIT occurs more between countries of proximity and with similar demand structures (as reflected by income). These results are not surprising and support the hypothesis put forward. Moreover, these results support our earlier observations about current trade blocs and associations. Regional blocks composed of neighboring countries will be more successful and economically viable. The GCC and the AMU have great potential to be successful. Partnerships between AMU countries and the European Union and the association of Oman with the IOR are also promising. Other cooperation experiences may face many problems at least in the short run.

Transportation and transaction costs are among the constraint that faces these associations. Institutional changes will be required to overcome some current constraints. Institutions play the role of facilitating trade by reducing transaction costs. Common regulations and commercial laws, common financial institutions and improved transportation conditions are among the conditions to improve trade flows among Arab countries and facilitate integration. Finally, complementarity in production structures should be strengthened; otherwise integration may lead to trade diversion with negative overall effects.

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Intra-Arab Trade Arrangements Revisited

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Introduction

There exist an extensive literature about the benefits of trade and economic integration, regional blocs and the multilateral trading system or globalization. There is also a substantial literature dealing with the Arab economic cooperation and integration going back to the 1950s. Recent arabic literature has focused on intra-Arab countries trade (AOAD, 1993, 1994), challenges and opportunities of GATT and WTO (ESCWA, 1998), Arab countries' food security and GATT (Al Najafi, 1998; Salim, 1997; Al Faki, 1996) and assessment of the Arab and Islamic countries' integration experiences and prospects (Tounsi, 1998; Taher, 1998; Rihan, 1999). The main outcome of this review reveals a consensus on the negative results or "failure" of the past cooperation and integration agreements (ESCWA; AOAD; Tounsi). Chief among the reasons attributed to such a failure is the wide disparities in political interests (AOAD, Tounsi).

As an alternative to the objective of Arab integration many countries have sought bilateral trade agreements and have entered into regional partnerships and blocs. Many countries of the Mediterranean region have signed partnership agreements with the European Union (e.g. Tunisia, Jordan, Syria, Egypt). Also, there are two main blocs that have seen the light, namely the Arab Maghreb Union (MU) and the Gulf Cooperation Council (GCC).

Regionalism and bilateral agreements are being restricted by Article 20 of GATT with regard to its compatibility with multilateral trading system, and Arab countries will have less than 10 years to accomplish the hope of a free trade area. However, much of the literature cited above lack the theoretical and conceptual framework that guides the analysis about factors and conditions favoring or restricting the formation of an Arab free trade area (Tounsi, 1998).

This paper will review trade arrangements in the Arab region through the analysis of the trade agreements of two representative countries; one from the Maghreb region (Tunisia) and the other from the Gulf countries (Oman). These two countries illustrate the variety of trade and cooperation agreements in the Arab region. The paper presents the theoretical foundation of economic integration and uses the case of the GCC to test empirically the determinants of intra-industry trade as an indicator of economic integration. We use these results to make implications about the existing trade agreements and the potential for an Arab Common Market.

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Review of trade arrangements

Although global trade liberalization (under WTO) represents the "first best" strategy from a theoretical point of view (Burfisher et al., 1998), all WTO members have signed regional and bilateral trade agreements. This is due, at least partly, to the failure to achieve global liberalization, but also to the relative ease to form regional trade blocs as compared to global agreements. The concern, however, raises from the compatibility of these agreements with the multilateral trading system.

Many Arab countries have participated in multiple trading arrangements both regional and international, bilateral and multilateral. Egypt for example has concluded 30 to 40 agreements (ESCWA). In this paper, emphasis will be placed on two countries, one from the Mashrek (East of the Arab region) and the other from the Maghreb (West of the region) i.e. Tunisia and Oman. Table 2 summarizes the main blocs and agreements.

The first endeavor, and the oldest, of economic integration concerns the Muslim world as there are strong factors in favor of unity. The main factor contributing to islamic countries' economic integration is Islamic teachings advocating unity (Rihan, 1998). This hope remains promising but with no real attempts to move it forward from the "hope" stage.

The most important agreements however are within the Arab world. These attempts have started since 1945 following the establishment of the Arab league and the economic council in 1950. The first trade agreement was signed in 1953 (the convention for facilitating trade exchange and the regulation of transit trade between states of the Arab league) followed by the council of Arab economic unity in 1957. The main feature of these agreements is their broad objectives and ideal goals with regard to the implementation problems, which resulted in repeated revisions of the initial objectives (ESCWA, p. 18).

While Oman and Tunisia did not enter the previous trade arrangements, they have joined for the first time the agreement on facilitation and promotion of intra-Arab trade in 1981. This agreement postulates among others the following provisions (AOAD, 1994):

1. Protection of national products against external competition.
2. Elimination of customs duties totally or gradually among Arab countries.
3. Coordination of production and trade.
4. Restriction of MFN status to member countries.

This agreement entered into force in 1982 but the commitment of member countries was very week (ESCWA). In what follows we focus on the experiences of Oman and Tunisia in regional blocs which have been achieved recently.

The case of Oman and GCC cooperation

In 1981 Oman has joined the Gulf cooperation Council (GCC), which has been established by the Gulf countries (Saudi Arabia, Kuwait, Qatar, UEA, Bahrain and Oman) to enhance intra-regional trade and cooperation among member countries. This bloc was seen as the most mature and organized among previous Arab experiences (Taher, 1998; Faqi, 1997, p64).

The general goal of the unified economic agreement of the GCC was the unification of economic and financial policies as well as the establishment of common legislation in the areas of commerce, industry and customs. (GCC, 1999) In other words, the ultimate aim of the GCC was the formation of an economic union. The agreement on intra-regional trade included:

1. The elimination of tariffs on imports and exports of all products of GCC origin (including agricultural and animal products).
2. The establishment of a common external tariff applicable to all members. This aims also to protect national products against international competition. This agreement shall be applicable in a time frame of 5 years.
3. The facilitation of transit of national products to all member-states.
4. The establishment of common external commercial policies towards other countries and regional economic blocs.

There has been also commitments to freer movements of factors of production namely labor and capital which represent the natural path of economic integration. The achievements of the GCC to create a free trade area by March 1993 are still facing some constraints (Abou Aouf, 1995). Problems of low intra-trade and slow integration process among GCC countries could be explained by similar production structures and lack of diversification, marketing problems and geographic distribution of imports in favor of oil importing countries such as the EU and USA (Al Faqi, 1997). The process could be further complicated by the fact that all member countries have joined the World Trade Organization (WTO)[1].

Oman has applied to WTO membership and attended the Seattle 1999 Ministerial meeting. Oman's memorandum to WTO reveals the areas which are going to be affected although most agricultural policies are in line with WTO requirements. With regard to market access and tariffs only eggs and milk are subject to non-tariff measures (quota). In domestic support, Oman provides subsidies to some inputs in favor to small farmers as well as subsidies for purchase of agricultural machinery but Oman does not give any product specific subsidy. Finally, Oman does not grant export subsidies on agricultural products. Given these provisions it is expected that Oman joins WTO early 2000. Preliminary assessments show that membership to WTO will affect negatively Oman mainly as a result of the anticipated increase in the food imports bill. Oman may be able to take advantage of free trade in the long run.

By joining WTO a central issue for Oman and other GCC countries will be about the compatibility of the GCC regional block with the requirements of multilateral trading system. According to article 24 of GATT-1994, the purpose of regional blocs is to facilitate trade between the member of the block without restricting trade with other WTO members. The main challenges facing GCC members as a result of WTO membership could be summarized as follows:

1. The compatibility of the common tariff rates under the GCC economic agreement with the bound rates committed by joining WTO.
2. The revision of specific binding and reduction commitments in the areas of market access, domestic supports and exports subsidies.
3. The establishment of the common market among GCC countries in accordance with GATT provision for regional blocs, which will help GCC negotiations with WTO.
4. The revision of tariffs specified by the GCC under most favored nation (MFN) status in previous bilateral or regional (Arab) agreements.

Oman and the Indian Ocean Rim association

In March 1997 Oman along with 13 countries belonging to the Indian Ocean Rim announced the formation of the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC)[3]. The association is expected to play an important role in trade and investment. The association will provide a considerable negotiation power in face of giant economic blocs such as NAFTA, EU, APEC and others. The initial program set forward by the members include (Al Maimani, 1999):

1. Development of information networks.
2. Facilitation and promotion of investment.
3. Promotion of trade
4. Development programs.

Oman's benefits from IOR membership will be significant in trade and investment. Given the IOR population that amounts to 1300 million people, trade is expected to boost as a result of a wider market. Oman is also expected to attract large investments by setting up joint venture projects. Potential areas of collaboration in the agri-food sector include fisheries projects and agricultural products processing. The first results show an impressive increase in (non-oil products) trade. In 1997 exports reached 106 million (OR) compared with only 62.4 million (OR) in 1996 (Al Maimani), that is an increase of 40%. Although the IOR may not transform into a trade block, it may induce capital inflows and foreign direct investments.

The Tunisia-Arab Maghreb Union experience

In February 1989, in Marrakech, Tunisia along with the other Maghreb countries (Algeria, Morocco, Libya, and Mauritania) signed the creation treaty of the Arab Maghreb Union The objective of the economic agreement is to allow for the free movement of goods and services, labor and capital between country members and facilitate their economic development. Various sub-committees have been created after the Marrakech reunion, to come up with concrete measures to reach the AMU objectives. In the economic domain, four steps were anticipated for full integration: a free trade area, a custom union, a common market, and then alignment of economic policies in various areas.

The results toward the achievement of the Maghreb economic integration are at best marginal. The major constraints facing the creation of the AMU are threefold

(Sekkat,1991). First and from the outset, the objectives of the agreement were every broad with no precise indication as to the timing of their implementation. Second the political and economic systems of the member countries are so different and lack the minimum requirements for a successful integration. Third, and most relevant to our study, trade between member countries was and still very low compared, for example to their trade with the European Union. As indicated in Table 1, the share of Tunisia exports to Algeria and morocco is 2.2% and 0.59% respectively, whereas the share of imports is only slightly higher (2.4 and 1.11%).

Table 1. Maghreb Union Intra-trade (share of total %)

	Tunisia	Algeria	Morocco
Tunisia			
Exports		2.2	0.59
Imports		2.4	1.11
Algeria			
Exports	0.09		0.13
Imports	0.87		0.15
Morocco			
Exports	1.43	0.9	
Imports	0.41	0.53	

Source: Sekkat, 1995

The Tunisia-AMU intra-trade is not only low but concerns also a very limited number of items. For example, Tunisia exports to Algeria, mostly minerals and construction materials and to Morocco mainly cement and chemicals products. For agricultural products, Tunisia trades mostly with Libya, even though that trade is highly variable, enhanced or hindered by political events in the regions (i.e air embargo on Libya). Tunisia trade with the other Maghreb countries in agricultural products takes the form of few imports to satisfy occasional increases in local demand (Fish from Morocco and Mauritania during Ramadan times). Quantitative analyses of the Maghreb intra-trade show in the case of Tunisia, low values for the Intra- Sectoral Index (ITI), though slightly increasing over time (Chebbi and Gil, 1999).

Sekkat (1997) argues that the principal causes of this low trade integration are:

1. Similar production activities or complementarity of these activities (the export of one country is not what the other countries needs to import.)
2. Low competitiveness of Maghreb industries due to long history of protectionism and small size of businesses and markets.
3. Others reasons including transport and telecommunication networks, and exchange rate Control policies.

Recently, economic policies in the maghreb countries converged toward an economic system emphasizing trade and market liberalization. This will in principle will enhance the flow of trade between countries. However, each country has or in the process of engaging in partnerships with the European countries. These partnerships could reinforce trade with Europe at the expense of The AMU.

The Economic integration between Maghreb countries would be in principle beneficial to all countries as predicted by the theory of economic integration. We can distinguish two types of benefits: static and dynamic. The static benefits stems from the reallocation of resources that occur under the free trade regime along the lines of the comparative advantage principle. Each country will be able to specialize in the activity and industries in which they are most efficient. The benefits are most important if countries are different in terms of resources endowment. But even if countries are similar, there is a scope for economy of scale permitting small industries (developed under tariff barriers) to take advantage from the large market that is now made possible by the union.

The dynamic effects of integration result from the increased economic growth induced by investment. The freer mobility of capital will increase economic efficiency and sustain a long term economic growth.

The Tunisia-European Union Partnership

For historical reasons, Tunisia is very dependent in its trade relationship with the European Union. On average, the European Unions countries absorb 80% of Tunisian exports and supply 75% Tunisian imports. The share of agricultural and food industries sector in total imports and exports is respectively 9.9% and 7.5%.

The Tunisian trade dependence on E.U markets is partly explained by the preferential trade agreements that have existed so far between both partners. Under these agreements The E.U grants without reciprocity important advantages to Tunisian exports. Almost all Tunisian manufactured goods have free access to E.U markets and many agricultural products benefit from important tariff reductions. For the agricultural products, however , the tariff reductions are only granted within certain quotas and limited to certain period of the year.

More recently, Tunisia and EU have been engaged in a free trade area partnership entailing the removal, over 12 years, of all tariff and non tariff trade barriers between both partners. Trade in agricultural products however, will remain regulated by the preference agreements until the year 2000. The likely impact of this partnership have been the subject of many studies in the economic literature. The general equilibrium studies (IEQ 1987, Boughanmi 1999) indicate the free trade area will be welfare improving, and this improvement will be more accentuated in the long run than in the short run. Partial equilibrium studies (Boudhiaf 1996, chourou 1999) indicate however that the overall effect will be negative because the diversion effects will outweigh the creation effects. These studies argue also that partnership between unequally developed countries is generally harmful to the weaker ones.

Most studies agree however that trade relationship with Europe will improve if Maghreb countries constitute a united partner. The Maghreb Union will gain in bargaining power and in attracting more European investment.

The above regional trading blocs represent the main agreements but the list is not exhaustive. Both Tunisia and Oman have also entered in a number of bilateral agreements with a number of Arab and non-Arab countries. Needless to mention here the talks about the "Middle East Market" that goes beyond the Arab World. Most of the literature about such market implies its failure in the short run and most probably in the long run too. The idea and roots of a "Middle East Market" are clearly political and came out of the failure of previous Arab agreements and regional conflicts (Taher, 1998; AOAD, 1994).

Table 2 Summary of trade and cooperation agreements

<table>
<tr><td>TUNISIA</td><td rowspan="5"></td><td>SULTANATE OF OMAN</td></tr>
<tr><td>Maghreb Union (MU)</td><td>Gulf Cooperation Council (GCC)</td></tr>
<tr><td>Euro-Tunisian Partership (EU)</td><td>Indian Ocean Rim (IOR-ARC)</td></tr>
<tr><td>Bilateral Trade Argeements
(Syria, Jordan, etc)</td><td>Bilateral Trade Argeements
(Tunisia, Egypt, etc)</td></tr>
<tr><td>Other (Africa, USA)</td><td>Other (Europe and USA)</td></tr>
<tr><td colspan="3">Muslim World Unity</td></tr>
<tr><td colspan="3">Intra-Arab Trade</td></tr>
<tr><td colspan="3">GATT-World Trade Organization</td></tr>
</table>

Theoretical Issues in Regional Economic Integration

Past experience has witnessed the creation of many trade regional trade arrangements among developing countries. Most noticeable are the Latin American free trade association, (LAFTA), the central Amrican common Market (CACM), the Andean Common Market (ACM), the Caribbean Community (CARICOM), the East African community (EAC) and the association of southeast Asian nations (ASEAN). The most important factors linked to the creation of these trade blocks are the distance, cultural affinity and similarity in economic policies (neighborhood characteristics). However most of the mentioned trade blocks were short-lived or have undergone major modifications.

Even though Krugman (1991) argues that neighborhood characteristics matters in the creation of regional blocks, past experience demonstrates clearly that the problems encountered, aside from the political and administrative difficulties, are of economic and equity nature (Meier, 1995) . In particular, the existing trade pattern within the integrating countries is very important in explaining the success or failure of regional economic integration. A strong theoretical premises for a welfare improving integration is that the ratio of foreign trade to domestic production is small and the volume of intra-regional trade relative to the region's total foreign trade is high. In this respect, most developing countries and Arabic countries in particular conduct little trade among them and their degree of self sufficiency in major production is low. The creation of economic union under this circumstances will induce more trade diversion than trade creation. In the long run however, the dynamics of competition, economy of scale and specialization may mitigate these negative effects and improve the competitive advantage of the integrating nations. But short term effects are so strong ,leading to the collapse of the union before the long term effects will ever have the chance to go into effects. Sometimes the aggregate benefits could be positive but their distribution is so unequal causing major strains to the existence of the union. This unequal distribution may be caused by difference in size and different stage of economic development.

In recent years, however, the world trade system seems to be heading toward more regional than global trading. As indicated in Xiao et al. (1999), between 1990-1994 the GATT has received notice of the creation of 44 regional trade arrangements. These new developments, have prompted the theme of regional integration to the front scene. Arab countries will certainly be affected by changes in the world trading system. The question raised is how viable will be the creation or the reactivation of regional trade arrangements among and within Arab countries, as a countervailing power to the others trading blocks.

Empirical framework

To analyze the trade structure and the level of integration in each of the above blocs we use the intra-industry index. Intra-industrial trade (IIT) in general increases with economic integration (Balassa and Bauwens,1988). So, IIT index would indicate the level of economic integration among the countries in the same block. We also attempt to determine the factors favoring or hindering bilateral trade.

One of the stylized facts that characterized trade between developed countries and integrated countries in general is trade overlap in homogeneous products also called intra-industry trade. IIT is defined as the "simultaneous export and import of products which are very close substitutes for each other in terms of factor inputs and consumption" (Tharakan, 1985). The formula used to measure IIT is as follows (Grubel and Llyod, 1975):

$$IIT_i = 1 - \frac{|X_i - M_i|}{X_i + M_i} \qquad \textbf{(Eq. 1)}$$

IIT has a maximum value of 1 when all trade is intra-industry, which happen in industries where comparative advantage is weak (Baghwati and Srinivasan, 1982).

Intra-industry trade is determined by country as well as industry characteristics. Recent economic literature stresses the role of product differentiation and economies of scale as determinants of IIT. Krugman (1987) noted that the presence of increasing returns to scale causes the production to be located in only one country although both trading countries may have identical production and consumption structures. Linder (1961) submitted that countries with similar per capita incomes tend to trade more differentiated goods. The reason is that similarities in per capita income result in similarities in the demand structures. So, the more similar countries in per capita income the more are the differentiation opportunities. Moreover, the more income increases the more demand for varieties increases and the larger bilateral (intra-industry) trade occurs.

Trade patterns depend on demand and supply conditions but also on transaction and transportation costs. The existence of economic factors that may reduce these costs could be favorable to bilateral trade. Thus, it may be hypothesized that the extent of intra-industry trade will decrease with distance. However, the existence of common border could be a stimulating factor. As suggested by Grubel and Lloyd "in countries sharing a common border, intra-industry trade may occur in products which are functionally homogeneous but differentiated by location" (Balassa, 1988).

To estimate of the determinants of intra-industry trade we used a logistic function where the dependent variable is the IIT index (Table 3) and the independent variables are the GDP per capita for each pair of countries (GDPi, GDPj), an index of relative income inequality[1], a dummy variable for proximity or common border (F), the distance from the pair of countries (D) and dummies for years 1992 and 1993 (D92, D94). The logistic equation to be estimated is as follows:

$$IIT_{ij} = \frac{1}{1 + \exp - x_{ij}'\beta} \qquad \textbf{Eq (2)}$$

Data used to construct the IIT and countries' incomes were gathered from the Statistical bulletin of the cooperation council for the Arab states of the Gulf (various issues). Results of the logistic procedure in SAS are presented in Table (4):

These results show three major facts. First, intra-industry trade decrease with the relative income inequality, which shows that IIT occurs more between countries of equal income. Second, IIT is positively correlated with the frontier variable; i.e. the existence of a common frontier while it is inversely correlated to the distance between the centers of the capitals of respective countries. Third, IIT is positively affected by the GDP of the country

[1] The relative inequality measure is defined by Balassa and Bauwens as follows: INEQ=1+[(w)log(w)+(1-w)log(1-w)]/ln2; where w=GDPi/(GDPi+GDPj).

of destination; which determine conditions and structure of demand. The year dummies estimates are positive and significantly different from zero. This shows that trade did not show a treand to increase between 1992 and 1994.

Table (3). IIT measures1992-94.

Trading coutries	1992	1993	1994
Oman-UAE	0.079	0.057	0.044
Oman-Bahrain	0.000	0.164	0.290
Oman-KSA	0.006	0.070	0.473
Oman-Qatar	0.050	0.017	0.000
Oman-Kuwait	0.33	0.109	0.957
UAE-Bahrain	0.324	0.445	0.984
UAE-KSA	0.715	0.277	0.994
UAE-Qatar	0.022	0.008	0.063
UAE-Kuwait	0.013	0.246	0.297
Bahrain-KSA	0.416	0.398	0.477
Bahrain-Qatar	0.118	1.000	0.048
Bahrain-Kuwait	0.229	0.277	0.472
KSA-Kuwait	0.070	0.105	0.172
KSA-Qatar	0.101	0.063	0.055
Kuwait-Qatar	0.111	0.167	0.424

Table (4) Estimates of the determinants of trade in agricultural products in the GCC

Variables	Estimate	Std error	ChiSquare
Intercept	-4.32	1.71	6.38
GDPi	-0.0001	0.00	5.04
GDPj	0.0001	0.00	4.12
IGDP	-10.26	5.02	4.16
F	0.94	0.55	2.89
D	-0.0008	0.00	0.97
D92	1.23	0.70	3.12
D93	1.49	0.69	4.61

Log likelihood for logistic = -172.83

Conclusions

The overall picture drawn from the empirical results is that IIT occurs more between countries of proximity and with similar demand structures (as reflected by income). These results are not surprising and support the hypothesis put forward. Moreover, these results support our earlier observations about current trade blocs and associations. Regional blocks composed of neighboring countries will be more successeful and economically viable. The GCC and the AMU have great potential to be succcssful. Partnerships between AMU countries and the European Union and the association of Oman with the IOR are also promising. Other cooperation experiences may face many problems at least in the short run.

Transportation and transaction costs are among the constraint that face these associations. Institutional changes will be required to overcome some current contraints. Institutions paly the role of facilitating trade by reducing transaction costs. Common regulations and commercial laws, common financial institutions and improved transportation conditions are among the condtions to improve trade flows among Arab countries and facilitate integration. Finally, complementarity in production structures should be strenghtened, otherwise integration may lead to trade diversion with negative overall effects.

Our review shows that many existing agreements have as basis religious, political, cultural, geographical and economical reasons. The "big Arab free zone project" may not be promising in the short run. Efforts however should focus on long run objectives and dynamic effects of liberalization. Given current constraints, there is a need to improve road transportation and communication systems, production structures and trade. The implications of this study are of two kinds: who is going to finance all these infrastructure projects and what is their expected profitability and feasibility? This suggests the need for economic tools to carry out such analysis and help clarify the prevailing conditions for a successful integration.

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[2] Bahrain, Kuwait, Qatar and the United Arab Emirates signed the GATT Final Act at Marrakesh in 1994 and have become members of WTO. Oman and Saudi Arabia have applied to join the WTO and were expected to become members by the end of 1999.

[3] The founding members of the IOR-ARC who attended the first meeting in Mauritius are Mauritius, Australia, India, Kenya, Oman, Singapore and south Africa. The association was then expanded to include the following countries: Indonesia, Mozambique, Madagascar, Sri Lanka, Yemen, Tanzania and Malaysia. In the year 2000, 19 member countries attended the Ministerial meeting in Oman. New members are Bangladesh, Iran, Seashell, UEA, Thailand,