

**Interview with Mr. Talal Abu-Ghazaleh  
Chairman of the Arab Society of Certified  
Accountants**

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**Broadcaster:** Where do Arabs stand in relation to economic globalization?

**Chairman:** To specify where we stand, I'd like to first draw a general outline on the topic of economic globalization, to distinguish it from military or political globalization. Globalization is a human tendency that's existed since time immemorial, but it can be said this tendency was first documented with the famous European Agreement known as Cobden Chevalier, which called out for 4 freedoms:

- Freedom of movement for people
- Freedom of movement for commodities
- Freedom of movement for services
- Freedom of movement for capital

Afterwards when the world war had ended, the Allies met and decided to establish 3 worldwide organizations to be responsible for globalization. These were to be the World Bank and the International Monetary Fund which both organized the lending processes and dealing with currencies, and the third establishment was the World Trade Organization (WTO).

The first two financial institutions were established, but not the third, because according to the American Constitution, Congress has authority over issues related to trade, and insisted that these trade issues be done via rounds of negotiations. The most famous of these rounds were the Tokyo, Canada and Uruguay rounds. Some of these rounds went on for 10 years and resulted in the creation of the World Trade Organization (WTO), and the expansion of what's known as the GATT agreement in 1995, which is crucial to our future.

Unfortunately, as Arabs we were totally absent from this equation, with the exception of two Arab states who were members of the first two organizations, but still had a secondary role because we didn't have any economic power.

Agreements were formulated into three major categories that started off in dealing with commodities and then expanded to include services and intellectual property. These are the major components for the main agreements which number twenty-eight, in addition to other sub-agreements.

The joining of any state to the conventions has special conditions that are unique to it. Also, every state has a working committee when it applies for membership, and through the aforementioned negotiations, the existing partners/members impose their conditions to accept the membership of the new state.

In meetings like this in the past, as Arabs we were merely spectators. This year I attended an experts meeting on the future of the economic process and globalization and what may occur in the year 2000.

In the year 2000, a new round of negotiations will begin similar to that which occurred over the past 50 years, and it will address very sensitive topics such as the services sector,

the environment and investments. This is because what's been addressed to date deals primarily with almost all commodities, except oil, and some services which have a general framework in place.

Advanced nations want to impose a new convention in relation to organizing and liberalizing global investments, and to allow these investments into numerous economic sectors without restrictions, in addition to other topics that will be added to the round's agenda.

There is a struggle ongoing between the advanced nations –led by the USA- on the one hand, and the developing nations –led by India- on the other, on whether we should continue with the program that's already been put in place, or if we should restart a new round of negotiations as we did in 1984.

So we are at a crossroads now, and we should not miss the opportunity to formulate the upcoming phase. As one Arab Minister of Trade stated “If joining the WTO is evil, then not joining it is a greater evil.” So, what's been complete so far is only a small portion of the upcoming program, and I hope that we play an active role in shaping this future, as we have missed the chance to formulate the past.

**Broadcaster:** You referred previously to the exception of oil; since a large number of Arab countries are oil-rich, then how can they make an impact, and also why was oil excluded in the first place?

**Chairman:** The exclusion of oil from the WTO agreements has many different explanations, some of which are those Western explanations, and others are those by the oil-producers and developing nations. Basically though, there was no real justification for the exception. The bottom line is that the developed world sees oil as a commodity not to be owned by the oil-producers but rather merely exported, and that it is so vital that it can only be subjugated to a special set of rules, put in place by the advanced world of course.

So for example, let's consider the issue of carbon tax. This tax contradicts with the text and spirit of the WTO conventions, and now the West is talking about imposing the carbon tax on oil.

The Preparatory Ministerial conference organized by UNCTAD in Beirut, emphasized the necessity to formulate a multilateral convention that organizes oil. The previous justification in not doing so, was that liberalizing the oil trade would lead to a drop in prices if left to be controlled by what's known as market economics, yet it turned out that non-liberalization led to a continuous price-drop which I expect to continue unfortunately.

Therefore, not organizing the oil trade is not in the interests of the oil-producers. It should be noted here that this did not get organized because the oil-producing nations were not founding members of the GATT, which actually is true. Now however, these nations must insist that this issue be placed on the agenda. I hope that Arab leaders responsible in

the oil trade get more involved in this serious issue, and address it before oil becomes cheaper than water.

**Broadcaster:** When you referred to the 4 freedoms of movement of commodities, services, people and capital, what can you further tell us about freedom of movement for people? We know that the West seems to be very reserved about this particular point, and even Europe recently mentioned freedom of movement except for people, what's the reason behind this?

**Chairman:** The WTO agreements considered people's movement as a part of services, because this movement is to enrich the economy and presenting a service. Therefore, it considered this one of the 155 service sectors in the agreement, one of which was peoples' movement.

The services sector is the most important sector in any economy, and represents 85% of the gross product (and not manufacturing and commodity-trade as some people think. Further, 80% of working people in any nation work in services in one capacity or another.

Recent statistics issued in 1997 by the WTO indicate that world trade reached 6.3 trillion dollars, with 5 trillion of these being in the sector of commodities trade. This means that the number is reversed from the 80% of the gross product represented in the services sector, which in turn implies that future growth in global trade will be in the field of services to become proportionate with the gross product.

The WTO has three major councils under the High Ministerial Conference:

- The Council for Trade in Goods (Goods Council)
- The Council for Trade in Services (Services Council)
- The Council for Trade-Related Aspects of Intellectual Property Rights (TRIPS Council)

The Council for Services Trade formulated what is known as the GATS, which is related to services and regulating the principles regarding liberalization of the services trade. The council stated that the nature of services requires that an agreement be formulated for each sector, and the first five main sectors are:

- Banking, including insurance
- Basic communications
- Information
- Peoples' movement
- Professional services

These are the first 5 of the 155 sectors that the WTO gave priority to. Up till now, financial services convention was formulated and signed, in addition to the conventions related to communications and information, which leaves two sectors.

During the negotiation process it became apparent that there is no real interest from developed countries to liberalize these two sectors, and the movement of people is occurring in one direction. So essentially developing countries facilitate this, such that these developing countries even have a law for foreign investment, whereas they should firstly encourage national investments first.

We will not build an economy if the citizen is not the first primary investor in this economy. So a system that opens the doors for the foreign investors, while a country's own citizens are not benefiting and investing their capital abroad because the same opportunities are not afforded to them, are obstacles in the face of the economy's progress.

As for people's movement, it is apparent that for advanced nations, there is no problem in this area. So an American for example can travel freely to any country without facing any difficulties. As for us however who do face problems in this field, the situation is different. So when this is liberalized, no state will be able to prevent or hinder the granting of a visa to a citizen from any country, unless there are specific reasons for doing so. This is similar to the fact that no country can prevent a commodity's entry unless it explicitly says so in the agreement.

So this topic (i.e. the liberalization of movement) does not serve the interests of the advanced nations....

In the field of professional services, including accounting and this is why I am interested in this topic, it is apparent that the global market is open to advanced professional services, yet closed to us. So a certified American or British accountant is licensed and recognized in the nations of the developing world, but the opposite does not hold true.

So when we demanded that a global system for professional qualifications be instituted, we faced bitter opposition for a period of 10 years from four advanced countries that control the world's professional qualifications. At our last meeting in March in Geneva, we presented - through a committee of experts at the UN - a complete project for recognition of professional qualifications and mutual recognition to globalize the accounting profession.

**Broadcaster:** If the three basic foundations of the WTO agreement are commodities, services and intellectual property, IP is the least known in the Arab states. What is the nature of IP and our role in it?

**Chairman:** Unfortunately we seem to think that protection of IP rights are for foreigners and the interest of advanced nations. Since the Arab Society for the Protection of Intellectual Property was established, and with me being its chairman, we've been waging a media campaign to promote awareness that protection of IP rights is a necessary condition for the development of any economy and that protection is not monopolized for foreigners, but for Arab nationals also. In advanced countries, they call this protection the

economic motivator, because if there is no system to protect creativity and innovation, there will be no creativity or innovation to begin with.

**Broadcaster:** IP in the West is considered real creativity, as for the Arab region, is there creativity that requires IP protection?

**Chairman:** The question is, what does IP protection really mean (?). Our great religion protects rights, and property rights do not have a materialistic meaning only, but a moral one as well. Innovation means moral property also, and intellectual property includes three major areas which are:

- Trademarks
- Inventions
- Copyrights

All Arab nations now have laws and legislation that protect trademarks. Inventions are all new useful innovative mechanisms, and in order to protect an invention, you must divulge all the details on it and present the most complete information on it as possible. Hence the prerequisite for protection is the divulging of information. So if we implement this system, any researcher can utilize what already exists, and work to develop it further and come up with a new innovation.

The third section of IP is copyrights, which refers not only to an author's rights, but also to more comprehensive definition that includes computer software, photographs, music and all visual and auditory mediums.

This is the largest sector where pirating and encroachment takes place, but more importantly, why can't an Arab author or composer benefit from his or her innovation?

Damage arises from those who claim that IP protection is against the national interest, and this is a false allegation where the Arab innovator is the one who is primarily hurt by this. This is because this innovator doesn't find protection, and consequently there is no encouragement to invest in the innovation that cost money. So if there is no law that protects me or an environment that protects the innovation, there will be no more innovations and consequently no economic development.

We may incur some losses during the transitional phase because we'll be moving from being an absorbing world or entity to a producing one. A good example of this is India, which has become the top producer globally for computer programs, and not the USA or Japan as people may think.

**Broadcaster:** President Clinton called for formulating a new agreement related to electronic trade. What is this trade? Also is there a challenge in his call?

**Chairman:** Electronic trade is our coming fate, and if the primary focus in the past was the WTO, then it was only to put framework in place for the upcoming revolution of electronic trade.

This topic actually isn't new, and started 30 years ago as an American governmental project with some universities to prepare a study on how to deal with trade electronically.

In July of 1998, the American President issued what is known as the general framework for electronic trade, as a project presented to the WTO to be placed on the working agenda. Here I point out that 85% of global economic trade is American, with the remaining percentage distributed amongst the rest of the world.

Individuals in any society and any country have equal trading rights, and now we want to make these rights equal at the global level, and this will occur not only by dealings amongst nations, but also will happen by creating a fair market between all those who surf the internet.

So the trading partner now is not only another country, but an individual who sits on the other side of the "internet" regardless of his or her nationality, language or religion, who should ideally be far away enough from the state authority to conduct trade freely. So the agreement in question for electronic trade is becoming a reality, and electronic trade is now at a volume of 300 billion dollars annually, and increasing dramatically, and will be shared amongst all those who share the internet.

For those who deal in electronic trade, their philosophy is as follows:

Current trade is that between peoples, whereas electronic trade is a whole new world called cyberspace, which is not owned by anyone, and not subject to the laws of countries or their systems or taxes. In this new world, there is complete freedom, a global democracy if you will, and a citizen in any country can enjoy the freedom of buying and selling with any other person on the internet and pay and receive funds through the internet.

We are before an unprecedented challenge. We used to talk about eradicating illiteracy, but now you need to either a part of this trade network or essentially be an outsider to this brave new world, in much the same way as a professional athlete is expelled from a game. If a merchant in the Arab world isn't able to buy and sell on the internet, i.e. namely isn't able to conduct electronic trade, then he/she will be an outsider to the global market, because you will not find people willing to waste their time in conventional trade methods.

Here I'd like to point to an American study that states that every purchasing transaction involving shipping and delivery of goods requires five thousand documents from the point of ordering until final delivery. This has all been eliminated just by utilizing your computer and the internet. So worldwide corporations will not have the patience to deal with people unless they are connected to this system and you will not be able to market your products or services otherwise, hence only those on the internet will benefit from this new market.

Talk now is about whether we'll be entering a slow economic phase followed by a complete recession and if we emerge irrelevant from this global economic arena. This is a very dangerous and important topic.

**Broadcaster:** Can this be averted?

**Chairman:** It can be, and this requires three urgent procedures to be taken:

First: Creating the proper infrastructure and accommodating prices as currently exists in the USA and Europe, to facilitate ease of transactions.

Second: Implementing a program to prevent electronic illiteracy, and we need this program quickly to move onto the phase of electronic trade.

Third: Expediting the process of applying legal procedures and legislation to facilitate electronic trade. The advanced nations have not even imposed this on us, because the reality of it will impose itself.

So electronic trade will be between those who use the internet, and if you don't, then you'll be outside the market.

**Broadcaster:** Some Arab nations have just recently entered the age of the internet, whereas others are still studying the subject, and others are thinking of cancelling some related programs. In this context, are we missing out on this phase of history?

**Chairman:** We are looking at the internet as a resource for information, and it wasn't really created solely for this purpose, but as a means for trade. The Americans are complaining that only four in every ten households are using the internet for trade, whereas in the Arab and developing countries this number is more like one in every hundred thousand.

We have a huge challenge ahead of us that will destroy us economically if we do not hurry in avoiding it.

I argued with the American ambassador in Geneva during a meeting on electronic trade, and said that this is a new crime when it comes to the developing world. If we realize that 85% of the world's population hasn't used a phone till now, and we are talking about a world where trade, payments and delivery of shipments will occur electronically, then how can we expect those that have never used a phone to trade electronically? This means that the poor will only become poorer and the rich richer.

We in the Arab nations are in a better position, because we possess economic ability, but don't possess the right decision when it comes to priorities, and I always say that these priorities must change.

At the family level, we must take the initiative to teach our children on how to use the internet, so that they may be competitive in the future. If we can move into the age of electronic trade, and this requires proper family, people and governmental management,

we'll be able to move in a short period of time to become advanced nations. This is the choice before, to either become advanced states, or become oblivious, because this system affords you an opportunity on par with anyone at the best universities of the world. Through this system you can get all the information any professor at Harvard can get, and you cannot be prevented from it. Similarly, you are privy to every innovation or fact on trade that can help you in running your business. Hence the world is open before you, and everyone is on an equal footing, and here is where the challenge lies. So again, I have great hopes and expectations, and am confident in our Arab nation and its future and ability to overcome this challenge.

**Broadcaster:** In light of this analysis, which raises fears and questions simultaneously about the future of the Arab region, we hear much talk about the Arab market and a unified economy. It seems we may be discussing this with an old-fashioned or outdated mentality. Is it possible to consider a unified Arab market in light of the new global variables?

**Chairman:** If there was any doubt in the past, there is absolutely no doubt whatsoever now that a unified Arab market is an inescapable fate. Why?

Some of the WTO's main principles are:

- Most-favoured nation treatment (MFN); this means that all WTO members are bound to grant to each other treatment as favourable as they give to any other member
- National treatment; this means that discrimination is outlawed between imports and locally-produced goods
- Elimination of barriers that face economic movement

The only exception at the WTO to these principles is when a free market is created, such as that of the European market, which is permitted to create certain privileges among its members, which are different than what is provided to the outside world.

We are now without a market like the European one. I would like to warn that if we do not create one, then any cooperative trade agreement amongst Arab nations must have its privileges extended to the rest of the nations of the world, and this includes Israel. If, however, we entered into a unified Arab market, then this is negated, and we can remove barriers completely or partially among these Arab nations, and this market can grant certain privileges that are exclusive to its Arab members only. So the creation of this market is urgent.

Now, after experiencing our political differences and conflicts for decades, I think we've learned a valuable lesson from Europe in its creation of the European market, and that is that political differences are not an obstacle but rather a motivator to establish economic cooperation. Europe's nations emerged from war and eradicated millions of people amongst each other, but the European countries' economic interests require economic cooperation in light of the differences.

We know that Arab differences exist and may continue to, but they must not prevent trade dealings between peoples, because that is in the interests of peoples, countries and leaders.

The interest of the government is to look out for the interest of the people, and the interests of the people require that economic interests and economic integration prevail, regardless of political differences that may continue. These political differences must not hinder trade activity amongst concerned entities.

After 10 years, it was proven that what was named the “Middle Eastern market” was doomed to failure from the onset, and the proper direction taken instead should have been towards an Arab market, as there was no economic justification for the “Middle Eastern market”. If we exclude the political aspect and just talked about economics, there is no economic benefit in a relationship with Israel and the examples before us speak for themselves.

We talk ignorantly about peace-time economy, and think that peace brings economic prosperity. There really is no relation between peace and economy, as economy is generated from building proper economic policies, and specifying economic benefits and interests. There is no peace agreement in history that was accompanied with economic prosperity. We must focus on the common Arab market.