

### **Interview with Al-Ghorfa magazine, July 18, 1999**

Mr. Talal Abu-Ghazaleh, economic intellectual and expert, talked with the Al-Ghorfa magazine about various economic issues that represent strategic causes of concern to the Kingdom and Arab countries that focused on:

- World Trade Organization (WTO) treaties
- Electronic commerce on the internet
- Intellectual Property (IP) protection
- Accounting

Mr. Abu-Ghazaleh kicked off the dialogue by discussing the General Agreement on Trade in Services (GATS), one of the three major treaties issued by the WTO and said:

In general, the WTO has numerous treaties, one of which is the General Agreement on Trade in Services (GATS).

The GATS put in place a general framework because it was introduced only during the Uruguay Round, and prior to this round, the focus was on commodities and customs tariffs, so the agreement used to be known as the General Agreement on Trade and Tariffs (GATT). Yet during the negotiations, new topics were raised such as Intellectual Property and services.

So what did the GATS do? It divided services into 155 sectors and stated that the services should be liberalized through the negotiating process so that we implement an agreement for each sector. They put an agenda in place and stated that we should start with it in accordance with priorities. And as is customary, and unfortunately for us as the developing world since our role is always secondary and is more reactive than proactive, we let the priorities be determined by developed nations so that they defined them in accordance with their interests and these focused on a number of sectors such as:

- Financial services
- Information
- Basic communications

They gave great momentum for completing this treaty which they did indeed. Then various multilateral sub-treaties or sub-agreements were established that organize financial processes including insurance, banking and investment and these are among the 155 sectors that consist of services where a treaty was created along with a couple of others.

They gave priority to the three activities that are of concern to them. So the United States of America (USA) for example which is the country in control of the negotiations has in its interest primarily liberalizing trade in transportation.

Also, Information Technology (IT) is a completely American issue. Even France began a project called "Mental" which is similar to the internet, but because France didn't think for the long-term to transform it into a global system, it had to cancel it and integrate it into the internet. So the internet became without an identity; however, it became controlled by the USA.

Priority was also given to professional services, starting with accounting. A committee was formed in the WTO to liberalize professional services that include accounting, medicine, engineering and the practice of law, and they focused first on accounting.

Let's picture this: the international community can complete agreements in complicated fields such as banking, telecommunications and information, yet not in simpler matters such as accounting services. Why? This is because the benefit from these services isn't theirs (i.e. the advanced nations) and because the value of professional services is dependent on individual efficiency. So for me as an Arab, I can become qualified just as an American can, and I neither need to be in an advanced nation nor do I need to invest in industry or technology or capital. I can compete with the American if I am as qualified as he is. So in the field of professional services, the benefit is for developing nations. Accordingly, we run in circles and note an aggressive effort to hinder the advancement of this area by some countries.

For this reason, and because there is a conflict within the WTO, a committee was formed by the UN which I currently chair. This committee is to create a system and present it to the WTO. This committee is facing difficulty and hindrance from advanced nations or at least some of them that we call in the profession the Group of Four.

Some countries do not want to create an international accounting qualification system in the USA, Australia, Canada and Britain because these are the only countries whose certificates are recognized worldwide. So they are monopolizing this issue. According to Jordanian law for example, if you are a Certified Public Accountant (CPA) from one of these countries, you can practice the profession and this is the case in the rest of the developing world. Yet there is no accepted French or Italian certificate for example, so this group of four does not want to give up the monopoly it has.

Yet there are other sectors as well, 155 sectors as we said, one of which is tourism; this is a sensitive topic because it carries political and social considerations.

So what I want to say is advanced nations stated that there are certain priorities which need to be addressed. Therefore, in the preparatory meeting held by the United Nations Conference on Trade and Development (UNCTAD) in Beirut last month at the Arab ministerial level for countries desiring to join the WTO, I presented a research as an expert in the GATT. In this paper, I called for an agreement to liberalize trade in oil, because what the advanced world means when it refers to the effect of trade on the environment is a topic such as the carbon tax. This is because in the GATT itself, taxes aren't allowed and in particular taxes that are considered barriers are impermissible and any tariff must be specified. Up till now, oil has not been placed on the agenda. Oil

represented 75% of the exports of the Arab nation, so we can see how significant it is for our national economy. Further, a recent study has shown that by the year 2015, only four Arab nations which are Iraq, Saudi Arabia, the UAE and Kuwait, will be responsible for the production of 50% of the world's oil. This highlights how dangerous the oil issue is for other countries and so you can imagine the tragedy we will be living. I always remember the famous words of a great man I respect who is Abdul-Aziz Saqr who said "Oil is a curse and a blessing". This is because with oil, you are a hostage to nations because they tell you that it is a strategic commodity and so you cannot control it because it is of value to me. This is one of the strange things; that there is no treaty to organize or regulate the trade of oil while we know that it is a strategic commodity. So I presented an important research to the Arab delegations on this issue, because the non-existence of a treaty on this is the main reason for the decrease in oil prices, while they used to say that economic growth and trade liberalization would lead to an increase in oil prices. I presumed the opposite is true, and that is indeed what happened, and prices will continue to fall, unless we formulate a treaty that regulates the oil issue and creates a balance between the interests of the oil consumer and producer. This is a sensitive topic, as is the environment.

### **Electronic Trade**

As for the issue of electronic trade (electronic commerce), this is a catastrophe waiting to happen if we don't wake up. Therefore, what President Clinton called the "Framework for General Information Infrastructure" was issued in July. Here he said that the world is considered a market that is exempt from oversight of any type, whether it is security oversight or media ...etc. It is removed from the state authority because what is desired from electronic commerce is the fulfillment of universal democracy. Countries now have national democracies, yet what is desired is a universal democracy, which means that any citizen in any country of the world has the same rights as any other citizens elsewhere which are protected by the system of e-commerce. Why? This is because when I have access to the internet, I can contact whoever I want, see whatever information I want, buy and sell whatever I want and do all these things without the state preventing me from doing so. It also cannot impose fees or restrictions on me. The American government requested in its project that international treaties be formulated.

I previously declared that we'd approach a phase of an international treaty established by the WTO to impose this system on the world, and sure enough in March 1998 the American government presented an official project where it was said that priority must be given to regulate trade on the internet. What does this mean?

I met with the ambassadors of the largest countries in Geneva during a working session on this topic and discussed the effect of this issue on the developing nations with the American ambassador there. I warned her of the impending disaster. So where is the problem exactly? The world will become a world of internet only and whoever doesn't have internet will be left outside in the cold. So you won't find a Jordanian merchant who will sell you anything unless you buy it via the internet. Why? This is because an American study states that any purchasing process requires many documents until the commodities reach their destination. So in the beginning a catalogue for the goods is

designed, then the correspondence for ordering them takes place, then an initial bill is made, then the official bill, then other documents, then shipping and importation papers, then customs statements and so on. All this will be eliminated because I would purchase through the internet and simply choose, buy and contact relevant party while sitting in front of the computer. So I just order and pay electronically.

### **Internet Piracy**

Internet piracy is unfortunately the monopoly of information and the power of information. The American government has a system for information secrecy that no one can enter unless permitted to do so through direct cooperation. This system that the Americans have is a system for security and preservation of confidentiality in electronic trading. It was the focus of the first meeting of the task force involved in the agenda for electronic commerce, and was attended by President Clinton's senior policy advisor on Internet issues. This man is in daily contact with the American president, because the American administration realizes that controlling global trade (via the internet) is the oath to global political domination. So in this meeting, the dialogue between the Americans and Europeans focused on two main topics. The first is what the extent of oversight should be?

The Americans said that there should be no oversight, whereas the Europeans said there should be a minimum amount of oversight for ethical and cultural purposes for the preservation of heritage. They have a valid point of view for there being a minimum limit to oversight. The Americans reject this and state that what must take place is self-oversight or self-censorship. So for example in your home you can prevent your child to view something in particular and this is self-censorship and not done by the state, which shouldn't be allowed to do so in their view.

The second main topic where there is disagreement is the system of secrecy or confidentiality. The Americans have this system we mentioned, and refuse to give it to the Europeans who also have a system of their own but not as advanced as that of the Americans. They could give away the invention of the nuclear bomb but not this system, because it gives them absolute power on what is published worldwide and what isn't.

I would like to point out that in the GATT and in particular what relates to Intellectual Property, there is something called "Trade Secret" that you have the right to protect but you cannot declare ownership of it. So if I can access it and utilize it to my benefit I can do so, because you cannot register the protection of a trade secret since one of the conditions of protection is disclosure. So for me to protect any product or mark for you, I need to declare its details and manufacture, but I have the right to protect trade secrets. One characteristic of protecting secrets is that there's no time limit on it, while the maximum time for protecting an invention is 20 years after which it becomes public where anyone can use and develop it.

As for the issue of electronic trade, I frequently say that we have entered a new era of illiteracy which is internet illiteracy. To clarify this, in the USA, 4 out of every 10 households use the internet, while Hong Kong has created a program called "An internet

in every home in 5 years". This means that every household in Hong Kong will be considered in a sense a commercial internet center.

There is also a plan that by the year 2000, 30% of education in schools –not universities- will be on the internet. So if we do not establish an Arabic project to eliminate this new illiteracy, we will be finished.

### **Services**

The significance of services lies in the fact that 80% of any economy in the world is in the field of services and only 20% is trade and industry. As far as electronic commerce is concerned, 90% is in services. So this is where the importance of electronic commerce lies because it was founded basically to be used in accounting, engineering or legal consultations on the internet. The most important sector that operates on the internet now is insurance. So I can buy a policy over the internet that is competitive and not have to deal with any local companies personally, and the cost for delivering such a service is close to zero. Therefore, I was focusing on the fact that we would be over as an economic community unless every merchant deals with the internet because he/she will not find anyone anywhere willing to do business with him otherwise, since completing transactions online only takes ten minutes.

In the area of services, the advantage will be for developing nations because it depends on an individual's performance, so if you and I are at the same level of efficiency as our competitor in any other country, we will be granted the same opportunity. Everybody is equal when everyone is using the internet and there is no preference for large corporation over others for example.

If banks do not revise their status such that they transact electronically they will not be able to continue. We are approaching a world where all means of communication will be integrated. Therefore, I am always diligent in international meetings and tell Arab delegations to insist on continuously negotiating in the field of services as was done in the three sectors that were regulated which are financial services, telecommunications and informatics.

### **Issue of Arab Market**

With incorrect direction and thinking, we've wasted years in the life of the Arab nation searching for an alternative to the common Arab market, and in particular I am referring to the Middle East market. This is because there really is no alternative to the common Arab market and any talk otherwise is just a hindrance to it.

There are many justifications for the common Arab market, yet what is even the definition of the Middle Eastern market?! I don't know what it is till now. Yet the common Arab market is something clear and refers to all 22 members of the Arab League. Mutual trade among Arab states is 7-8% and the reason for this is not that we

don't want to trade among each other, but rather because we wasted time in not building the Arab market that facilitates mutual trade.

But what are the components of trade? If we say that 75% of our exports is oil then there is no Arab market that can absorb this amount of oil, so we will benefit when our oil exports become less than 75% and we have other products to export.

One of the important topics is agriculture and the deficit in agricultural products worth 10 billion dollars annually.

What will the result be of cancelling the tariffs on agriculture since we are importers only and have a deficit? The cancellation of governmental support –and the nation which gives the most governmental support is France because it encourages agriculture which includes cattle and fisheries- will result in an increase in the cost of agricultural production, this means that goods imported, included agricultural ones will increase in price. This in turn increases the deficit and this is one of the painful topics that we are dealing with in the trade liberalization negotiations.

When the GATT was created in 1948, the USA had 50% of global trade, and today it is 25% only. Whoever possesses this large volume of external trade has the ability to change productive patterns and trade patterns.

The USA feels that it has lost and gave up its share in global trade; therefore it is trying through electronic commerce to get back to the 50% figure in global trade. They have been preparing e-commerce for 30 years and now have executed it. What's new is the Americans' development of the internet.

So we are before new challenges and this means that Arab nations need to build the necessary infrastructure and ensure the necessary facilities as a top priority and at any cost. So I call firstly for the state's responsibility to ensure such infrastructure and secondly to cancel customs.

### **System of Eliminating Internet Illiteracy**

I cannot leave any area in the Arab world without creating internet educational centers in it. So even if someone doesn't succeed at school, he or she must learn how to use the internet. The advantage of this is that advanced countries will provide a vast amount of information for free where you can access anything you want. This is why the Americans call for absolute freedom in this regard. Every citizen has a responsibility, and fathers have a responsibility in defining priorities and the state also has a responsibility. This is what we call the new project to eliminate the new illiteracy which is the internet illiteracy.

I believe that if the Arab person is granted opportunities then he can develop. I am optimistic and the state must grant him these opportunities.