

Globalisation and trade: challenges for the Arab World

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The power and influence of the international financial institutions and the WTO and the rising dominance of the multinational trade agreements led to the imposition of structural adjustment programmes; economic liberalisation; reduction of public expenditure on social services; privatisation of public administration; and the increased role and influence of the private sector in strategy formulations and implementations. These factors also caused countries to deviate from international agreements and conventions on human rights, poverty eradication, unemployment, environmental protection and social marginalisation policies.

The Arab region and the challenge of globalisation

Threats to overthrow the Iraqi regime are increasing. The war on Afghanistan has not yet achieved its final goals, and there are expectations that it will widen into financial, economic and cultural realms and involve other countries and regions under the excuse of fighting terrorism. This war is coupled with a serious undermining of human rights, liberties, and democracy on the national and international levels. It is also paralleled by one of the rare current models of foreign direct colonial settlement taking place in Palestine and parts of Syrian and Lebanese territories.

The «militarization of globalisation» and the fight against terrorism

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Middle East civil societies, individually and collectively, have condemned the September 11 terrorist attacks on innocent civilians in the United States; they are convinced that terrorism is an illegitimate means to settle legitimate quests for social justice and fair international systems. The current war on Afghanistan, however, goes beyond a simple reaction to these attacks. The war is an international plan launched to reinforce the international dominance of some multilateral economic and industrial interests.

The war currently launched has a number of labels and justifications, including ideological, political and even racist names. It splits the world into pro-American and anti-American/pro-terrorism poles. The war was called a «Third World War against terrorism» in the National Security Strategy presented to the American Congress. Such terms stir up clashes between peoples and ignite fanatical reactions. This is worsened by the prevailing globalisation trends that have been associated with sweeping poverty, marginalisation and a widening of the gap between the North and the South and between the rich and poor. The trends are also associated with the prevalence of double standards

in international relations, particularly in the Arab region. While Israel, the only State having nuclear arms in the region, is breaching human rights and all the United Nations' resolutions and conventions, the US insists on launching a war against Iraq, only because the latter is capable of manufacturing strategic weapons and is unable to respect democracy, human rights or social equity.

The Palestinian cause and the Israeli occupation

These latest military events are taking place in parallel with increasing Israeli aggressions against the Palestinian people and leadership. Israeli violence is based on weak justifications that revoke Palestinians' desire to sustain the democratic development that is their right. State violence can be seen in the systematic relocating of Palestinians and the misappropriation of their lands, which seems to be a major goal of the recent Israeli government. At the same time, Israeli occupation of Arab territories in Palestine, Lebanon and Syria continues. The Palestinians are still deprived of freedom, self-determination, and the right to return to their territories. They are also denied the right to build an independent State, within a context of clear and unlimited American protection of and support to Israel.

Stability, peace, and the opportunities for social and economic development in the Middle East will not materialise unless the Israeli occupation ends and settlements are completely dismantled. Solid national rights for the Palestinians must be ensured, namely the rights to return to their lands, to self-determination, and to build an independent State on Palestinian territories according to international laws.

The threat of a war against Iraq

The ongoing suffering of the Iraqi people is the result of the double siege exerted by the Iraqi dictatorship and totalitarian regime on the one side, and the unjust embargo imposed by the international community on the other. The foreign military presence in the Gulf, the continuous threats of war and the abolition of the Iraqi political system, despite the submission of the Iraqi regime to the UN Security Council Resolution 1441, and the popular and official international and Arab opposition, all constitute a serious threat to international stability and peace and an obstacle to socio-economic development in the region.

In this context, the war in Afghanistan and elsewhere in the name of the war against terrorism, the threats of war against Iraq, the occupation and the increasing Israeli aggression in Palestine are tangible expressions of the militarization of globalisation which is not only an Arab concern, but a challenge that all the world is facing. Thus, it implies the creation of a world alliance against the war preventing humanity from its catastrophic results.

Democracy and human rights

While Arab peoples reject all forms of violation of sovereignty, independence and self-determination, and particularly all kinds of foreign military presence in the Arab nations, a fanatical religious response should not be an alternative

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to the governing systems. Strengthening democracy and popular participation, the respect of human rights, and social justice are all necessary conditions to overcome the challenges faced by the Arab populations.

Under these conditions, international reports and studies, such as the latest Arab Human Development Report published early in 2002 by the United Nations Development Programme (UNDP), underscore the fact that the freedom, democracy and human rights indicators of Arab countries are among the worst in the world.

The development challenges in the region and the international trade system

Instead of approving practical measures that reduce the gap between the North and the South, and endorsing policies to alleviate poverty and unemployment, the tendency of Arab state policies is to link development to trade liberalisation and to relate multilateral agreements on environmental, socio-economic and cultural rights to WTO agreements. Crucial issues, such as indebtedness, official development aid, sovereignty, and participation centre on trade liberalisation, encouragement of foreign direct investment, the substitution of multilateral conventions and agreements with bilateral commercial agreements and partnerships with the business sector and trans-national corporations.

The current international trade system revolves around the concept of market access. Trade negotiations and conflict resolutions are expected to secure countries' commitment to guaranteeing mutual access to markets. Open markets are expected to lead to sound developmental principles. The international trade system is still based on increasing the trade and capital volatility of goods and services, instead of searching for commercial arrangements to secure countries' development.

In order to establish a fair trade system, two prerequisites need to materialise. The first is a global economic environment that allows developing countries to use trade as a means for development instead of an end in itself. The second is a way out of the current trade system crisis that resulted from keeping developing countries away from decision-making mechanisms and exposing them to inappropriate financial and economic policies.

The argument relating trade liberalisation to economic growth is invalid theoretically and empirically, especially since trade is highly sensitive to external factors, local capabilities, and human resources. There is no evidence to prove that the removal of trade barriers would necessarily lead to improved economic performance. International experiences confirm that the actual conditions and regulations enforced by the WTO are very costly and beyond the means of many Arab countries.

Appropriate characteristics of a world trade system

Trade is not in itself an objective; it is a means to achieve local and international sustainable, equitable and balanced development—*human* development. It is therefore necessary to reconsider the inaccurate paradigm that relates trade liberalisation to development, poverty eradication, and the improvement of peoples' lives.

An ideal international trade system would be a balanced economic framework that takes into consideration the huge differences in productive, industrial and commercial capacities of developing and developed countries. It would consider the domestic features that differentiate each country from others without applying one formula to all countries. The global trade system needs to re-assess its objectives and mechanisms, so as not to lead developing countries to incur deficits that ultimately lead to debt traps.

Privatisation of services

The ideas derived from the Washington Consensus had a huge impact on the economic reforms of many developing countries. The way these countries interpreted these ideas, however, and how they chose to implement them, varied significantly. The applications and consequences of liberalisation and privatisation policies as analysed by eight Arab countries² are the core of the following discussion.

Before discussing the common trends found in the experiences of these countries, it is important to note that there are some differences from country to country in the impact of liberalisation and privatisation policies. The effects differ according to the position of each country in the international financial market (such as being members of the WTO, or Gulf Co-operation Council or EUROMED³), the nature of the economic system (strong state interference, institutionalised liberalisation or economic transition) and the date of application of liberalisation policies. Furthermore, there are noted differences in the political systems of each country in terms of judiciary, electoral and association laws and also their institutional regard to political parties. The institutional structure of each country determines the public participation in the decision-making process of liberalisation and privatisation.

Liberalisation and privatisation policies: characteristics and applications

A common trend noted in the design of liberalisation and privatisation policies is the absence of a unified and strategic vision of policies. Indeed, liberalisation and privatisation policies are observed differently in each sector and each privatisation case is treated differently. It is perceived that the service and non-productive sectors (such as real estate) are more subject to liberalisation regulations than the industrial sector (for example, in Egypt and Morocco); the lucrative service sector is often the first to be auctioned off.

Another trend is viewed in governments accepting double standards when establishing economic partnerships with regional organisations such as EUROMED. Although they promote the GATT agreement, such organisations still exercise protection on the free transfer of labour, local agricultural production and the textile industry, thus establishing differential benefits after closing such agreements (as in Egypt).

Furthermore, it is noted that through the process of liberalisation of economies and privatisation of public assets, the State is increasingly institutionalising its disengagement from the public sectors (Egypt, Morocco). This goes hand in hand with a systematic re-questioning of the universal entitlement to state services such as education and health.

The application of these policies lacks consistency and uniformity as the conditions and the beneficiaries of the privatisation deals are not made clear to the public (Bahrain, Tunisia). In this regard, corruption could also be mentioned, which can derail the whole process and lead to the misuse of revenues. Furthermore, some countries have reversed policies from public auctioning to nationalisation and back to auctioning, which causes international institutions to mistrust the local economies and diminishes their interest in the auctioned public assets (Lebanon).

The main goals of the privatisation policies are to sell off public assets to activate the economic cycle and to ensure growth. However, the paradox of such policies is the incapacity of the State to recreate jobs in the growing job

² Sudan, Egypt, Lebanon, Morocco, Palestine, Tunisia, Jordan and Bahrain.

³ Euro-Mediterranean Partnership.

market due to its increasing disengagement from the economic sphere and its loss of control of its most lucrative sectors.

A trend common to most privatisation policies is their inability or unwillingness to include local civil societies in the decision-making process. This is best perceived in the lack of transparency noted in the closing of the privatisation deals, as well as in structural political problems (lack of democracy, lack of adequate organisation and mobilisation) that impede the development of critical voices and the presentation of alternatives to privatisation (Palestine, Bahrain, Jordan).

Observed consequences

The effects of liberalisation and privatisation are not yet fully apparent on national levels. While initial statistics on the direct results of the application of such policies are obvious, a long-term assessment on the results is not clear. This is mainly due to the relatively recent application of the policies, whose effects will be perceived only in the future. It is worth mentioning that privatisation is taking place under the pressure of budgetary deficits that require immediate cash flows. This leads to random privatisation without even evaluating feasibility. Moreover, most of the privatised sectors were rehabilitated and restructured in order to be profitable before being sold. The absence of general strategic remarks on the effects of these policies is related to the inability of the local civil societies and NGOs to monitor the privatisation process and acquire reliable data.

While it is hoped that privatisation will inject foreign currencies into local budgets, the first noted direct consequence of these policies is the increase in budget deficits due to the decrease in revenues (Lebanon, Tunisia, Egypt, and Jordan). The decrease in the budget revenues is attributed to the full application of the GATT agreement that exempts general transactions and customary tariffs from taxes (Egypt, Morocco). In some cases, these revenues were replaced by a new tax system such as the Value Added Tax, which has heavy social impact on the population.

Privatisation or economic growth does not necessarily mean social improvement or sustained social development. The prevalence of the profit motive in the privatisation process exerts a pressure to increase the profit margins and decrease salaries. The decrease in salaries directly affects the living standards of the middle and lower classes that are more sensitive to the increases in the cost of health and education, which are now private or semi-private services in some countries (Lebanon, Tunisia, Morocco).

Another consequence of the liberalisation and privatisation policies is the inability of the public sector to compete with foreign institutions due to the structural problems encountered by this sector in terms of capital inflow, efficiency, and service provision. Examples of this would be the tourism and service sectors in Egypt, which are suffering from severe competitive disadvantages with international organisations that benefit from experience, planning and an abundance of cash. This leads to the loss of shares of the local public services in the local markets, which directly sets them out of the economic sphere (Egypt, Morocco, Bahrain, and Lebanon).

The participation of women in the Arab workforce is still weak, but it is improving, with a few exceptions (Sudan). The negative effect of privatisation on the participation of women in the country's workforce is quite evident. This is due to the necessity of shrinking the number of employees in the hope of improving efficiency. The correlation between number of employees and general efficiency is not always valid, especially when other variables (like appointment on basis of political affiliation rather than merit) affect the productivity of workers. Nevertheless, in aiming at eliminating surplus labour, privatisation policies that tackle especially the health and education sectors, where women are predominant, affect women directly and unfairly. Women are the first to be

laid off in crisis times, mainly because of cultural reasons that ascribe to women specific gender roles (Tunisia, Morocco).

Another noted consequence of privatisation is its negative effect on the environment. Due to the growing disengagement of the State from the economic spheres, it is less able to enforce laws that protect the environment. Moreover, due to the increasing absolute poverty levels (90% in Sudan), the population is forced to look for alternative means of survival, usually at the expense of environmental sustainability.

Some country-specific models of privatisation and liberalisation

This year's Palestinian Social Watch report states that the political debate on privatisation is currently on hold as a result of that country's unique dependence on either private or public sources for the provision of basic services such as health and water. Because of the historical absence and chronic inability of the State to provide services for the population, Palestinians rely on foreign NGOs for provision of health-related services and on the Israeli government for the provision of water for sanitation and irrigation.

Internal strife has a direct effect on the privatisation pattern of some countries, like Sudan. The federal government of Sudan started liberalisation and privatisation as early as the 1970s. Although the country was meeting its deadlines for debt servicing, international financial institutions like the World Bank and the International Monetary Fund were being prevented from insuring debt service rescuing and alleviations due to external political and economic vetoes against the Sudanese ruling regime. The negative effects of international sanctions coupled with negative consequences of privatisation were only worsened by internal civil strife that increased extreme poverty to alarming levels.

Towards an international alliance against war and an alternative globalisation

In light of this complex reality and the dangerous geopolitical changes the region is facing, there is a need for Arab civil society organisations, through social movements and NGOs, to play a role in political decision-making and monitoring national policies leading to more liberalised economies and services. They have to struggle in order to achieve social justice based on the respect of human rights, democracy, participation, the autonomy of the judiciary system and institutions, and the protection of the environment.

The major consequence of privatisation and the inadequate, inconsistent and opaque transfer of ownership to private sector programmes is the increase of people's suffering. Accordingly, a re-formulation of national policies based on transparency and accountability is needed. Civil society organisations should be strengthened and democratic systems should be established to ensure that ownership is not transferred to parties closely related to the governing officials, and that revenues are not misused.

In addition, the relationships between NGOs, social movements, and civil societies of the North and those in the Arab Countries should be reinforced. Strong and sound regional alliances with large international organisations are needed based on a clear understanding of liberal globalisation and its threats. This should be coupled with a vision of the possible alternatives set by popular coalitions.

Efforts should be made to build a different world where peace, justice, freedom and democracy rule.

Another Arab World is still possible. ■