

Union of Arab Chambers Release a New Report on the Difficulties facing Intra-Regional Trade

Arab Regional traders face rising and new surfacing barriers

According to a new study released by the Union of Arab Chambers about the obstacles facing intra-Arab regional merchandise trade transactions within the Pan Arab Free Trade Area (Pafta), the new economic and geo-political pressures have deeply affected trade exchanges that are already modest at 10% of total external Arab foreign trade.

The study is about “**The Results of the Union of Arab Chambers’ Questionnaire on Pan Arab Free Trade Area for 2019 – Report No. 26**”. The Report will be submitted to a specialized Committee meeting of the League of Arab States that is going to be held at its headquarters in Cairo during June 2019 to reflect the voice of the Arab private sector about the difficulties that are encountered and suggest tangible recommendations and practical solutions.

The Report reflects that tariff and non-tariff barriers that face the intra-Arab merchandise trade. It designates a section for intra-regional e-commerce and its related constraints. The results are based on analyzing a Questionnaire that was distributed to concerned companies and Chambers of Commerce.

92 companies or other related parties participated in the Questionnaire, mainly from the industrial sector as shown below.

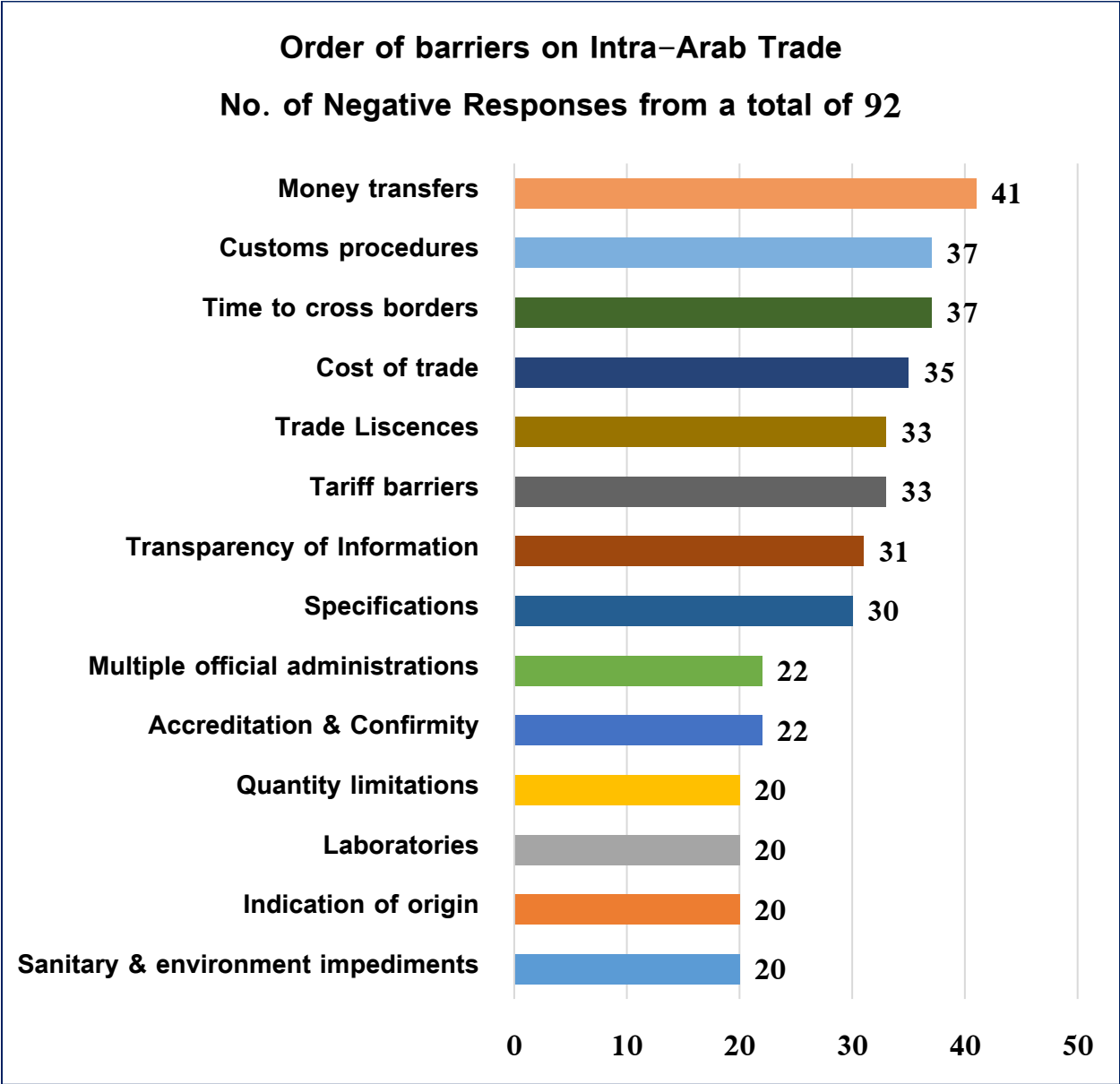
Participants, Kind of Trade & Means of Transport (In Numbers)

No. of Participants	Kind of Trade				Means of Trade Transport		
	Raw Materials	Industry	Agriculture	Services	Land	Air	Sea
92	14	64	16	40	57	37	48

Constraints on money transfers on top of barriers

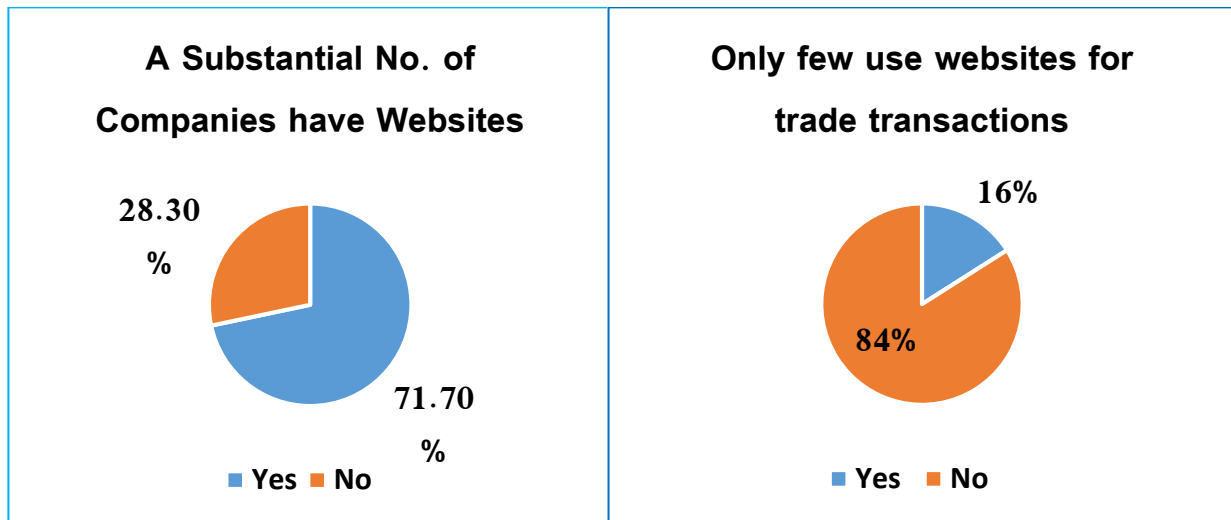
The major findings of the study reflect major changes in the order of obstacles that were until recently headed by the disparities in standards and specifications. Now

the stringent constraints on money transfers step up as the major obstacle to regional trade. Customs procedures comes in the 2nd place, followed by time to cross the borders, the cost of trade, cost and difficulties associated with obtaining trade liscences, besides the new rise in tariff barriers in a number of countries, in addition to the lack of transparency of trade related information, and the impediments pertaining to specifications of commodities.

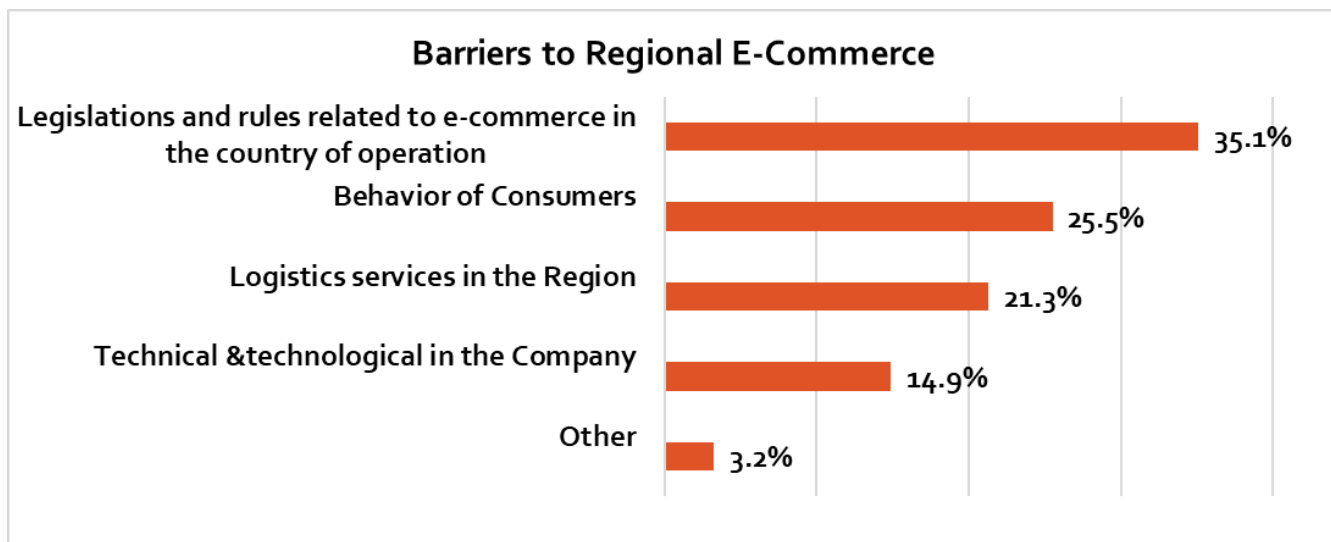


Regional E-Commerce

Most of the traders participating in the Questionnaire have a web site, as 66 out of 92, i.e. 72% responded positively. However, barely 16 of them, i.e. 17.4% use the website for selling and purchasing transactions, while only 39% use other websites to conclude trade transactions.



Four major obstacles to e-commerce were identified, namely technical and technological obstacles in the company itself, behavior of consumers, legislations and rules relating to e-commerce in the country, and logistics services in the Region. The results of the Questionnaire show that the legislations and rules relating to e-commerce in the country of operation stand as the major obstacle. In the second place comes the barrier related to the behavior of consumers, then those related to the weak logistics services in the region as a whole, followed by the technical and technological barriers in the company itself.



The Report identifies and details the various impediments and obstacles related to tariff and non-tariff barriers and to regional e-commerce, as reflected by participants in the Questionnaire. It concludes with many recommendations categorized by the type of obstacle and suggests solutions and new procedures, the main of which are as follows:

1. Addressing non-tariff barriers, which greatly hinder trade integration, should remain a priority. It is crucial to collaborate efforts to facilitate financial transfers, remove constraints on foreign exchange, eliminate fees or at least decrease charges on trade transactions, enable and simplify opening commercial credit accounts and banking transfers.
2. Facilitate and speed up customs clearance and improve efficiency through digitalization and automation of operations and capacity building and skills development, in addition to establishing “one stop shop” whereby multiple official trade services are offered.
3. Improve cost efficiency by lowering administrative and financial fees and investing in transport-related infrastructure on a pan-Arab level, especially

in maritime shipping lines. Magnitude of Arab trade flows is significantly lower than it would otherwise be as a result of high trade costs.

4. Licenses for intra-regional merchandise trade must be abolished, as they are usually used to obstruct trade and violate the rules established for Pafta.
5. Arab countries must pursue and commit to unified measures to eliminate tariff-barriers to trade, encourage regional partnerships and assist many disconnected markets in linking in with the Arab region.
6. Pafta can be highly supplemented with transparency provisions to ensure that uncertainties decrease and trade opportunities increase. This can be achieved by establishing an online common site, hosted by the League of Arab States, that enables timely access to trade information, especially with respect to TBT & SPS notifications. Such facility can allow Pafta member countries to notify other members and the private sector before adopting new measures and provide an opportunity for comments. It will also facilitate dialogue amongst the public and private sector in addressing potential trade problems at an early stage.
7. Speeding up coordination and unification of standard and specifications of commodities and certification of conformity that are assigned to the Arab Organization for Industrial Development and Mining (Aidmo), and more importantly applying them by Pafta member countries.
8. Effective dispute settlement mechanisms, monitoring and evaluation systems are still needed in Pafta to ensure its commensurate implementation.
9. It is essential to improve market awareness so that suppliers are informed about measures affecting trade and rules are implemented and predictable.

10. Although it is clear that there is a wide spread of the Internet in the Arab world, there is still a big gap in the use of the Internet effectively in commerce and business. The legal framework for e-commerce varies significantly between the Arab countries with only few countries, namely UAE, making considerable strides in this respect. Therefore, it is very important to establish legal regimes that address the issues raised by the electronic nature of ICTs to ensure trust in online transactions, ease the conduct of domestic, regional and international trade online, and offer legal protection for users and providers of e-commerce and e-Government services.