

Issued by the Department of Trade Negotiations and World Trade Organization

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12

Which countries submitted applications to conclude FTAs with the GCC States?

Hong Kong



Chile



Malaysia



11



Which countries and blocs are included in the GCC's FTA negotiations agenda?

The GCC States are currently negotiating FTAs with the following countries and economic blocs:

The EU



Turkey



Australia



Korea



Japan



China



India



Pakistan



The Mercosur



10

What are the FTAs that have been signed by the GCC States to date?

- FTA with Singapore - Signed on 15 December 2008
- FTA with the European Free Trade Association (EFTA) member states - Signed on 22 June 2009
- FTA with New Zealand initial signature on 31 October 2009.





What are the main issues covered by FTAs?

- Goods
- Services
- Investment
- Rules of Origin
- Intellectual Property rights
- Dispute Settlement
- Government Procurements
- Competition
- Sanitary and Phyto-Sanitary (SPS)
- Technical Barriers to Trade (TBT)



8

How are FTAs signed?

Signing an FTA in a short period of time is not an easy task. In most cases, FTA negotiations are a long and strenuous process that could last for years.

At the onset, the parties evaluate the benefits of signing an FTA through conducting a feasibility study followed by identifying the main themes of the agreement. Once that is done, the negotiating teams begin the negotiation process to discuss and study the various issues covered by the agreement as well as the transitional periods required prior to the opening of the markets.

During the first rounds, the parties exchange ideas about the text and provisions of the agreement and also exchange offers and demands. During this phase, the parties become familiarized with the level by which each party is willing to liberalize bilateral trade. In the negotiation rounds that follow, each party works on converging its viewpoints with the other regarding most issues. That is followed by both parties working jointly on drafting the various provisions and reaching a settlement with regards to the offers and demands.

The negotiations end through reaching a draft agreement which is reviewed legally, and then signed by the party states. It is then presented before the legislative authorities in each state for ratification and endorsement before it becomes in effect in accordance with the agreed upon conditions and the date stipulated for its commencement.





What are the benefits gained by GCC member states from signing FTAs with other countries?

There are several benefits that depend on the wishes of the negotiating sides. They can be summed up in:

- Reducing Custom Duties:
An FTA between two parties helps eliminate or reduce custom duties on goods, thus contributing towards increasing the volume of trade (imports and exports) and widening access to markets.
- Increasing the Volume of Investments
FTAs open the door for investments to parties economies through creating a suitable environment for businessmen to carryout economically beneficial investment projects, thus creating job opportunities for the citizens of those countries.
- Protecting the Investor and Service Provider
These agreements oblige the signatory states to abide by the laws and policies that guarantee investor and service provider rights and provide transparency in commercial transactions.
- Benefits offered to companies
FTAs, each according to its own provisions, provides benefits for companies operating in the signatory states. Such benefits strengthen local production abilities and increase the chances of penetrating markets.
- Guaranteeing Intellectual Property Rights
FTAs include bylaws that protect patents and trademarks, thus reinforcing the protection of intellectual property rights.
- Government Procurements
FTAs promote business deals with the governments of both parties and create an environment suitable for fair competition and treatment with regards to procuring such deals.

6

What leads the member states to conclude FTAs?

FTAs are beneficial to all signatory parties. Countries carry out prior assessments of an FTA's prospective benefits and study its feasibility. Both economic and political aspects are taken into consideration when conducting the assessments due to the fact that FTAs work on strengthening these aspects between countries.

Some of the main motives to sign FTAs:

- Strengthening the Balance of Power in Negotiations:

The GCC Member States constitute a single prominent economic bloc, an important market and investment destination. This is an important factor during negotiations with other parties that allows GCC States to use their political and economic clout to positively influence the direction of negotiations to better serve their interests, thus rendering singular arrangements not very beneficial in comparison, and this can be clearly seen in the many FTAs currently being negotiated between the GCC and foreign countries plus economic blocs.

Due to the above, GCC States decided to enter many negotiations that surpassed regional boundaries with an outlook to

reach outside markets under preferential conditions that were previously unobtainable in such a speed and with such benefits - if had been the framework of trade policies been confined to multilateral negotiations.

- Achieving Stable and Comprehensive Cooperation

In comparison to multilateral trade liberalization offered within the framework of the World Trade Organization (WTO), regional trade agreements make possible the achievement of deeper cooperation that is both harmonious and more organized.

Therefore, these agreements lead to obtaining more benefits and facilitations that would be much more difficult to obtain within the framework of multilateral trade negotiations.

- Efficiency

FTAs offer a better environment to proceed with negotiations due to the fact that there is a smaller number of negotiating parties, thus avoiding the complications and problems of multi-lateral negotiations and saving on time plus increasing the effectiveness of negotiations.



Must Gulf Cooperation Council States join FTAs?

FTAs are based on the broader fundamental principle of the sovereignty of states, but more specifically on the principle of absolute control over national decisions, all states retain the complete right with regards to making a decision to sign an FTA or not. Such a decision is made based on an assessment of the benefits the state's economy would reap from signing such an agreement, and on how it would improve the standard of living of its citizens.

Countries also retain the right to exclude certain topics from the agreement on the condition that such a move would not render it irrelevant in its essence.



4

What is the scope of an FTA?

FTAs used to be only limited to the abolition of customs duties on trade in goods. However recently, regional trade agreements are going beyond the elimination of tariffs to include a wide range of topics that include, among other things, non-tariff barriers, services, investments, intellectual property rights, competition policies and disputes settlement.

Nowadays, there are even more contemporary issues that can be added to the scope of free trade agreement negotiations, such as regulating foreign investments in the manufacturing and services sector, as well as the protection of intellectual property rights from infringements resulting from the increased leakage of counterfeit products into several markets.

Therefore, the concept of FTAs has changed fundamentally to extend beyond its traditional confines of trading only in commodities, to dealing with public policy issues that transcend local boundaries far into those of partner states.





Do FTAs contradict WTO regulations?

It may seem that free trade agreements are contrary to WTO rules since they provide only their contracting parties with preferential treatment and exclude by the WTO members and other countries, but in reality, such agreements are pursuant to the rules of the organization itself as indicated in article 24 of GATT 1994. Therefore, FTAs are considered exceptions that conform to the rule. Among the main motivations for this exception emerge the strategic objective of the WTO which is the achievement through regional trade liberalization of global liberalization in trade. Therefore, the organization considers that regional agreements have a positive impact and are a source of serious motivation for the liberalization of commerce on a multi-party level.



2

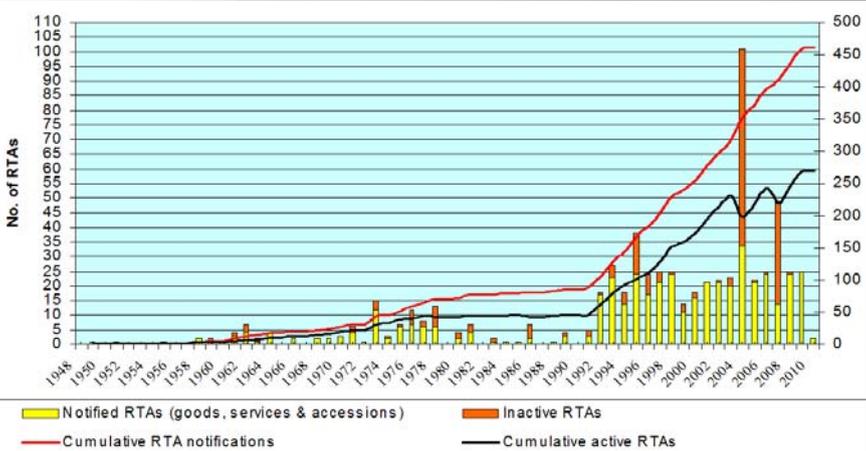


The Progress of Regional Trade Agreements 1948 - 2010

The number of regional trade agreements has been relentlessly and rapidly progressing since 1990. The WTO has been notified in february 2010 of 467 agreement such agreements. The Organization has been informed of 345 regional and trade agreements under article number 24 of the GATT for the years 1947 or 1994, with 31 under the enabling or rehabilitation clause, and 86 under article 5 of the GATT agreement. To

that date, the organization has observed 271 agreements that are still valid.

RTA trends & characteristics
RTA proliferation



- As of 1 May 2010, 467 RTAs have been notified to the GATT/WTO of which 276 are currently in force
- Approximately 100 RTAs in the pipeline (signed, not yet in force/under negotiation) - Unaccounted number of RTAs in force but not yet notified

1



What is meant by the term “Free Trade Agreements”?

Free Trade Agreements are when two or a group of states sign an international agreement for the purpose of completely or at least partially removing restrictions into their markets in all fields, such as in the trade of goods, services, trade-related aspects of intellectual property rights, trade-related investment measures, trade in agricultural commodities and other fields. Under these agreements, all acquired benefits are solely restricted to their signatory states. Moreover, each party retains the right to organize its trade arrangements such as tariffs, custom duties, and other arrangements with non-signatory parties.



FREE TRADE AGREEMENTS

Free Trade Agreements (FTA) are categorized within the framework of Regional Trade Agreements as well as custom unions.

They play a central role in national economies and are considered of the essentials of economic success as they open up new horizons through allowing access to, and competition in, global markets.

During the first half of the 20th Century, world trade contracted due to wars and economic recession, resulting in an increase in the isolationist tendencies of states and their adoption of protectionist trade measures – thus hampering international commerce. It wasn't long however, with the advent of the second half of the 20th Century, that states started to show interest in opening up and signing FTAs.

It's worth noting that FTAs are not an invention of our time, but rather a long-known old practice adopted by neighboring states wishing to liberalize trade in goods. It was only with time that FTAs started to liberalize trade in services and

other fields.

Economists deem that FTAs are one of the tools that liberalizing global trade, thus completing the work of the World Trade Organization (WTO).

The provisions of the WTO require member states to notify the adopted agreements in order for them to be examined and to check their conformity with WTO rules.



Introduction

Stemming from the Ministry of Foreign Trade's Trade Negotiations and World Trade Organization Department's keenness on increasing awareness about FTA and WTO-related issues, and within the framework of its initiative to communicate with the Public and Private sectors and increase public awareness about its scope of work, the Trade Negotiations and World Trade Organization Department issued this handbook, which addresses the subject of Free Trade Agreements with the aim of shedding light on the content and methodology of the Free Trade Agreements that the State implements within the framework of the Gulf Cooperation Council.

This handbook is considered the first of a series of handbooks that will be issued by the Department on global trade issues, in addition to the regular newsletters and analytical articles.



UNITED ARAB EMIRATES
MINISTRY OF FOREIGN TRADE

FREE TRADE AGREEMENTS



Trade Negotiations and World Trade Organization Department