WTO SUCCESSOR TO GATT: IMPLICATIONS FOR THE MUSLIM WORLD

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Within a short span of time a number of economic blocs have emerged on the world horizon. In this race, all countries—developed, developing and underdeveloped—are included. Members of the North America Free Trade Agreement (NAFTA) and the European Economic Community (EEC) are primarily of the developed countries, while the Economic Cooperation Organization (ECO) and the Association of South East Asian Nations (ASEAN) are of the developing and underdeveloped Asian countries.

The developed countries are scrambling to create hegemonies through the General Agreement on Tariff and Trade (GATT). In these circumstances, economic cooperation among Muslim countries should be on the top of their agenda.

> Muslim countries today constitute about one-third of the membership of the United Nations. There are around 56 independent Muslim states with a population of around 800 million covering about 20 percent of the land area of the world. Stretching between Atlantic and the Pacific Oceans, the Muslim World straddles from North Africa to Indonesia, in two major Islamic blocs, they are concentrated in the heart of Africa to Indonesia, in two major blocs, they are concentrated in the heart of Africa and Asia and a smaller group in South and Southeast Asia.[1]

GATT is a multilateral agreement on tariffs and trade establishing the code of rules, regulations, and modalities regulating and operating international trade. It also serves as a forum for discussions and negotiations

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regarding trade barriers and other trade distorting measures which linger on trade among countries. The agreement was conceived to encourage and liberalize world trade.

The present study consists of three sections. Section 1 reviews the potential strengths of the Muslim world. Section 2 highlights historical perspectives on GATT and the main agreements which were taken up during the Uruguay round of talks on GATT. Section 3 analyzes the effects of the Uruguay round of talks on GATT on the Muslim world.

RESOURCES OF THE MUSLIM WORLD

Natural Resources

The Muslim world is rich in natural resources. The longest river of the world, the Nile (6,671 km. long), flows through Sudan and Egypt. The largest desert, the Sahara (9,000,000 sq. km.), is encompassed by Muslim countries. The northern gateway of the Mediterranean is guarded by Turkey, the master of the Bosphorus and Dardanelles. The Mediterranean's eastern gateway is controlled by Egypt through Suez and Port Saeed. The Mediterranean is almost 60 percent a Muslim lake, and the Gulf is almost 100 percent under Muslim countries' jurisdiction. So also is the Red Sea. There are important Muslim outposts in the Atlantic and the Pacific, too.

Over 50 percent of the known petroleum reserves are believed to lie in the Muslim world. It also has large amounts of other natural and agricultural resources. For instance, barley (75 percent of the world's production [wp]), cocoa (25 percent of wp), copra (30 percent of wp), cotton (40 percent of wp), dates (93 percent of wp), groundnut (25 percent of wp), jute (48 percent of wp), livestock (40 percent of wp), natural rubber (70 percent of wp), rice (40 percent of wp), pepper (40 percent of wp), coal (huge reserves), natural gas (tremendous reserves), phosphate (35 percent of wp), tin (52 percent of wp), and heavy reserves of iron ore. No doubt, the Muslim world is rich in natural resources. They have been explored, trenched, and refined by the technically advanced Western countries. The Muslim world on its own is unable to benefit adequately from the bounties of nature.

Manpower Resources

Another argument being extended for the economic cooperation of the Muslim world relates to manpower. It is noted that the population of the lower income economies of the Muslim world is large: Bangladesh (110.6 million population), Pakistan (115.8 million), Indonesia (181.3 million), Egypt (53.6 million) and Sudan (25.8 million). The population of the lower-middle-income countries of the Muslim world is also quite large. For example, Morocco has a population of 25.7 million, Turkey 57.3, Algeria 25.7 million, and Iran, 57.7 million. On the whole, the Muslim world has a surplus of human resources.

Land Resources

The Muslim world occupies vast land reserves. Because land is a factor of production, it may be used for increasing output. The vastness of the land masses of the Muslim world can be understood by having a glance at statistics. For example, Chad has an area of 1,284,000 sq. km., Indonesia 1,905,000 sq. km., Sudan 2,506,000 sq. km., Algeria 2,382,000 sq. km., and Saudi Arabia 2,150,000 sq. km.

Economic Structure

Most Islamic countries' economies are based on agriculture. Even though the industrial and manufacturing sectors' share of the GDP has considerably increased recently, the agricultural sector remains dominant. Except in a few countries, the backbone of the economy is either agriculture or services. Nearly all Muslim countries of the African continent are primarily agrarian. Some have significant services sectors, too (among those that do not are Egypt and Nigeria). The industrial contribution to the GDP accounted for around 38 percent and 30 percent in Nigeria and Egypt, respectively, which is relatively better than the rest of the continent but unfavorable to world levels. In the case of Nigeria, its relatively large industrial sector is attributed to an abundance of mining reserves.

The Asian Muslim countries have a little more industrial base than the Muslim African countries, especially those that are members of ASEAN—Malaysia and Indonesia. The accumulated share of industrial and manufacturing sectors to GDP in Indonesia is estimated at around 65 percent, while in Malaysia, it is nearly 40 percent. In the South Asian region, Pakistan and Bangladesh have recently augmented the contribution of their industrial and manufacturing sectors to GDP. In both countries, services and agriculture are the two biggest sectors, but the industrial and manufacturing sectors are sizable, too.

In terms of capital-intensiveness, financial reserves, and mining resources, the countries of the Middle Eastern region have a distinct advantage. The members of the Gulf Cooperation Council (GCC) mainly rely on their oil reserves.

The economic position and structural distribution of the economies of Turkey, Iran, Algeria, Morocco, Syria, and Jordan are satisfactory. In fact, in these countries prospects for further improvement are fairly high. The countries of the Muslim world are based either on agriculture, industry cum service, or oil exports.

Looking at their diverse potentials, one may conceive of economic integration and cooperation among the Muslim countries. In any case, their dependence on the West may be scaled down in terms of trade and commodity assistance.

Manufacturing distribution indicates that most Muslim countries have attained capable manufacturing levels in (a) consumer products including food items, beverages, and tobacco; and (b) textile and clothing. This is particularly true of Pakistan, Egypt, and the six Central Asian republics, which have an abundance of cotton. Nevertheless, their technical know-how in the field of manufacturing is limited. They therefore export sizable quantities of raw cotton. Almost all of them spend large sums of foreign exchange to import medium and heavy machinery.

Strategic Importance

The Muslim belt is strategically located. It begins from Morocco and ends in Indonesia, almost touching Australia. The region can be more closely linked together by the principal arteries of communications, i.e., by air, rail, road, and sea. This natural benefit gives it an overriding edge over other regions.

GATT–HISTORICAL PERSPECTIVES

The inception of GATT took place in 1948 with 23 original signatories, including Pakistan. The current signatories account for around 90 percent of total world trade. The objective of the agreement is to help facilitate world trade through substantial reduction of tariffs and other trade barriers among the signatory countries. Seven rounds of negotiations had been completed before the Uruguay round.

The first round of the agreement was held in 1947 in Geneva (Switzerland). This round saw the creation of the General Agreement on Tariffs and Trade. In 1949, the second round took place at Annecy (France). It involved negotiations with nations that desired GATT membership. During discussions special emphasis was laid on tariff reduction. The third round, in 1951, was held at Torquay (England). It continued accession and tariff reduction negotiations. Five years later, the fourth round was held in 1956 in Geneva.

The next round spread over a period of two years (1960-62). It was held in Geneva and was popularly dubbed the Dillon Round. It was concerned with revision of the GATT and the addition of more countries.

Succeeding rounds seemed to take more time to arrive at conclusions. The sixth round covered a period of three years (1964-67) and was again held in Geneva. This round was a hybrid of an earlier product by product approach to negotiations and the new formula tariff reduction approach with across the board tariff reductions. This round is famous as the Kennedy Round. The seventh round of talks, known as the Tokyo Round, was initiated in 1973 and completed in 1979; it also took place in Geneva. It focused on the negotiations of additional tariff cuts and developed a series of arrangements governing the use of a number of nontariff measures. It is considered significant because dynamic measures were tabled and approved. The eighth round was again held in Geneva in September 1986. This round is popularly dubbed the Uruguay Round and its significance is realized by the fact that, in addition to the measures taken for expanding and liberalizing trade, some new areas and disciplines were introduced to strengthen the role of GATT and widen its scope.

Agreements of Uruguay Round

The World Trade Organization (WTO), which replaced GATT on January 1, 1996, is a new trade body with much wider scope and powers. First, the legal status and enforcing power of the earlier GATT was very weak. It could use only moral persuasion to redress disputes over dumping or discriminatory tariffs that may be imposed by powerful traders who had special laws like super 301. The WTO has greater powers for arbitration and enforcement of its principles. The speed and automaticity of dispute settlement procedures are greatly increased. Second, as agreed upon by 117 nations after 7 years of negotiations under the Uruguay Round, the purview of the WTO extends into several new areas. The salient features of the WTO charter are listed below.

Trade Liberalization

The intrinsic and prime motive of the new organization is indeed liberalization of trade through scaling down tariff rates and improving other trade distorted measures—cutting tariffs on industrial goods over the next 5-10 years by 40 percent on the average. Some high-tech industrial items will have tariffs cut by 70 to 100 percent.

MFA (Multi-Fiber Agreement)

The textile quota restrictions under the MFA, which was introduced and brought under the purview of the GATT in 1974 for regulating world trade in textiles and clothing, will be phased out in 10 years—16 percent on January 1, 1995, 17 percent in 1998, 18 percent in 2002, and the remaining 49 percent by January 1, 2005.

Trade in Agricultural Commodities

Agriculture was the most crucial and long debated sector in the Uruguay Round of talks. Agriculture, which remained virtually untouched in all of the GATT's earlier negotiations, has come for the first time under WTO purview. Strong market orientation to trade of agricultural commodities has been envisaged through (a) reducing direct export subsidy by 36 percent and indirect support to farmers by 20 percent over a 6-year period; (b) converting all nontariff barriers into tariffs and then steadily reducing the latter by 36 percent over the next 6 years in the case of developed countries and by 24 percent over the next 10 years in the case of developing countries; and (c) requiring countries with farm markets closed to foreigners to import at least 3 percent of domestic consumption, which will rise to 5 percent over a period of 6 years.

Trade in Services

Like trade in agriculture, trade in services has also been brought under GATT/WTO purview for the first time. The most favored nation (MFN) treatment clause has been extended to trade in services. It prevents countries from discriminating among foreign suppliers of services. The services include financial, telecommunications, transportation, construction, audio visual, tourism, and professional services, as well as the movement of workers.

Trade-Related Intellectual Property Rights (TRIPS)

The owners of intellectual property have been improved and protected by providing patents for 20 years and copyrights for 50 years.

> The Agreement provides for improved levels of protection for the rights of the owners of all types of intellectual property. These levels are achieved principally by requiring countries to i) grant national treatment, ii) provide certain minimum standards of protection for all types of intellectual property, and iii) institute procedures and remedies under national laws so that foreigners can enforce their rights.[2]

Trade-Related Investment Measures (TRIMS)

> TRIMS refer to those measures which governments apply to local investors. These include the use of local materials, the obligation to export a certain proportion of output, the obligation of the investor to export to certain countries or regions, trade balancing or the use of export earnings to pay for imports, the commitment to supply a certain proportion of output to the local market, etc. Many countries, especially the developed countries, regard TRIMS as a form of protection because these measures suppress market forces, divert trade, and encourage inefficient production. On the other hand, many developing countries maintain that TRIMS are necessary for economic development. The Agreement requires the elimination of certain restrictive measures (such as local content and foreign exchange balancing requirements) that violate the GATT principles of national treatment and prohibition of quantitative restrictions.[3]

Anti-Dumping Safeguards

The rules allow a government to put tariffs on imports that are being dumped, especially when it is causing serious injury to domestic industry.

Subsidies

In order to enhance the competitiveness of their products in the international market, nearly all governments provide export subsidies. However, the efficient suppliers in the international market complain about export subsidies because they suppress the international prices of their products. The Agreement defines three categories of subsidies: i) the prohibited subsidies—those contingent on export performance or the use of domestic over imported goods; ii) the actionable subsidies—those that have demonstrably adverse effects on other member countries; and iii) the non-actionable subsidies, including those provided (with stipulated limitations) to industrial research and precompetitive development activity in disadvantaged regions, or to the existing facilities in order to enable them to adapt themselves to new environmental requirements. These subsidies will be prohibited except for civil aircraft, programs of industrial research, and precompetitive development activity defined in the agreement on agriculture. The Agreement also puts restrictions on the use of countervailing measures introduced in response to competitors' subsidies.[4]

Technical Barriers

The Agreement seeks to ensure that technical negotiations and standards, as well as the testing and certification procedures, do not create unnecessary barriers to trade. To this end, it encourages countries to use international standards, but does not include a harmonization of standards. At the same time, it does recognize the right of countries to establish protection—for example, for human, animal, or plant life, health, and the environment—at levels they consider appropriate, and specifies that they should not be prevented from ensuring that their desired standards are met.[5]

DOES WORLD TRADE EXPAND THROUGH GATT AGREEMENTS?

There is almost total consensus among economists that liberalization of world trade provides countries an opportunity to better themselves by specializing in the production of goods and services that they can produce relatively cheaply and in which they have a comparative advantage. Professor Paul Krugman of Massachusetts Institute of Technology writes: "One of the things that almost all economists agree on is the desirability of free trade: Adam Smith said it; David Ricardo provided its mathematical justification; and ever since, every economist emphatically describes it." Or, as the Nobel laureate Paul Samuelson puts it: "The concept of comparative advantage that underlines the economist's case for free trade is one of the few ideas in economics that is both important and right without being obvious."

Trade liberalization and improvement, and rectification of trade distorting measures would raise the efficiency of the world economy and in turn elevate living standards in the trading nations. Studies conducted independently by the World Bank and the Organization for Economic Cooperation and Development estimate, respectively, that the accord will bring about an overall increase in yearly global output of about $213 billion and $274 billion. Undoubtedly, tariff reduction, the elimination of nontariff and other trade distorting measures, and the like will result in increased world growth and trade. However, the pertinent questions that arise are these: Do all of the nations reap the benefits, or only some? Are some nations better off at the expense of others? The rest of the paper focusses on the agreement from this angle.

Implications for Less Developed Countries (LDCs), Including Muslim LDCs

On the completion of Uruguay Round, Praful Bidwai commented:

> For the South (Third World Countries) the issues go much beyond trade and directly concern long term policies on investment, agricultural growth, food subsidies for the poor, intellectual property rights and patents, and the potential for development itself. At stake is not just the sovereign rights of governments to make domestic policies, but also the skewed nature of the prevalent foreign trade regime, with its strong, built-in protectionist bias.[6]

The UN Development Program estimated that in 1991, Northern protectionism cost the Southern countries $30 billion in lost export alone.

As for TRIPS, the GATT agreement compels the members to legislate a regime of intellectual property protection, including patents, that inhibits innovation and invention, but legitimizes old, established monopolies. Less than 5 percent of the world's 30 million or so patents originate in the South. "This will mean innovators in the South are effectively barred from putting to use novel ideas and processes, however appropriate they might be to their societies or economies, on the ground that they are already patented elsewhere, and that even the importation of patented products from North to South amounts to the 'working' of the patent."[7] The Third World now will be forced to permit and strengthen the North's monopolies in the fields of drugs, food, and health-related goods. Additionally, it will further raise health cost in the LDCs. Today, countries like India and China have been producing pharmaceutical products at one-half or less of their cost in the West. Such countries not only meet their domestic demands, they earn lucrative foreign exchange because of the competitiveness and cost-effectiveness of their products. This measure will hurt the competitiveness of Third World exporters, such as South Korea, Taiwan, Malaysia, and Indonesia. The measure will invariably injure the agricultural sector of the Third World, too. Growth in agriculture is attributed to good quality seeds and sophisticated research in plant breeding.

Analogously, the repercussion of the GATT agreement on service will be hostile and ill-conceived for the Third World.

> The agreement would allow multinational firms to invade newly developed service sectors by demanding treatment on at par with fledgling domestic firms. Potentially, this poses a threat to Third-World insurance, banking and media, which national governments have no way of meeting once they sign on the dotted line. This is a recipe for unfettered cultural imperialism and finance capital domination.[8]

In compensation for the "memorandum of humiliation and discrimination," the North pledged to give the South greater access to its textiles and to phase out the discriminatory MFA. Even if the West were to fulfill its promise, it would take seven to ten years to get it implemented.

The Agreement also attempts to bar Asian companies, which are competitive in the international market owing to their cost-effective techniques, which include the use of low-wage workers, children, and labor-intensive techniques. The United States is also attacking their competitiveness by passing rules against child labor.

Implications for the Muslim World

The Muslim world in general, and the less developed countries (LDCs) in particular, will be adversely affected by the Agreement's

Table 1

Summary of the More Important Uruguay Round Decisions for Developing Countries

Decision Area	Main Features of Decision	Implications for Developing Countries
Agriculture	Decisions in three areas limit agricultural policies (i) export subsidies reduced (ii) domestic supports restrained (iii) border measures "tariffied"	Improved access for agricultural exporters, but (i) concerns over uneven product coverage (sugar, meats); (ii) agricultural net importers fear losses from higher prices.
Textiles and Apparel	10-year phase-out of the MFA with elevated growth rates in quotas and sequential elimination of product coverage, but with temporary selective safeguards	Potentially major gains to developing countries in the areas of prominent trade interest, but (i) concern that adjustments in industrial countries concentrated in later years; (ii) concern over potential replacement by protective regime (antidumping); (iii) concerns of many countries that they will be uncompetitive against other supliers and will lose.
Tariffs and Grey Area Measures (VERB)	Tariffs to be cut a comparable percentage to Kennedy and Tokyo Rounds. VERB measures to be phased out (specifics of "how" not yet clear)	Tariff cuts will improve developing country access, but (i) will likely be small in areas of special developing country interest (textiles and apparel); (ii) tariffs already low (except apparel) in most developed countries; (iii) African countries concerned over erosion of margin of preference under Lome.
Services	Broad principles agreed with sectoral exceptions and conditionality (MFN). Market access and national treatment embodied, with access commitments tabled	Relatively few specific concessions tabled at this stage which is more likely to prove the beginning of a process toward liberalization, rather than substantive liberalization in its own right.

Note: Nawab Haider Naqvi, "Developing Countries and the Uruguay Round Agreement," *Journal of Economic Cooperation Among Islamic Countries* 15 no. 1-2 (Ankara: SESRT-CIC, 1994): 100. (For details see: Hamilton, C., and Johil Whalley, Evaluating the Impact of the Uruguay Round Results on Developing Countries, paper presented at the ESCAP/UNDP/KDI Regional Symposium on the Uruguay Round Agreements, Seoul, Korea, November 30-December 3, 1994.)

implementation. As long as the United States and other potential importers of textiles and clothing do not provide free access to their markets, the Muslim world's share of textile exports will drastically decline. Until the MFA is enacted, increasing the volume of textile exports seems unlikely.

Analogous to textile exports are carpet exports. This industry extensively employs children under 15 years of age. The likelihood of raising its magnitude seems slim in the prevailing sociopolitical scenario. However, if the so-called child abuse and environmental issues are incorporated into the Agreement, these already disadvantaged countries will suffer all the more.

After the culmination of the Uruguay Round, one thing is quite obvious for all the developing countries including the Muslim world, i.e., the oncoming cutthroat competition in international markets. In this scenario, it is essential that the Muslim world search for new markets for its products, diversify its exports, enhance the quality of its products, and increase economic cooperation and integration within its regions. If the Muslim world succeeds in doing these things, then the chances for increasing its share of world trade is bright; otherwise, maintaining even its existing meager share will be difficult.

The characteristics of the new trade order are market openness, trade liberalization, cutthroat competition, price and quality competitiveness and technical sophistication. Thus, while it opens up new avenues of world trade, only those who are efficient and technologically advanced are ensured benefits. Special treatment at any level and at any cost is no longer part of the emerging system. Against this backdrop, the implications for the Muslim world have been assessed.

Tariff Cuts

The universal reduction in tariffs will lead to a greater opening of global markets for all nations, including the Muslim nations, and thus provide an opportunity to expand exports.

It seems that the implementation of this provision of the WTO is not going to pose any problem to Muslim countries because most of them have already liberalized their trade under their own preferences—they have embarked upon a path of tariff reduction prior to WTO reforms. Most of the South and Southeast Asian economies of the Muslim world are rapidly reducing tariff rates. For instance, in Pakistan, the maximum rate of tariff (including para tariffs) was brought down to 72 percent in the 1994-95 budget, with plans to reduce it further, to 50 percent in the 1995-96 budget and to 35 percent in the 1996-1997 budget. Thus, within a two-year period, tariffs in Pakistan will range from a minimum of 10 percent to a maximum of 35 percent. An analogous situation exists in other countries, including Turkey and Egypt. However, in some African

Another perception of the situation is that the demand for imports from the Muslim world will decrease because their goods do not adhere to standards and quality. Naturally, this further deteriorates their balance of payments position. The short-term impact may be discouragement of nascent domestic industries. In the long term, the process of their industrialization may be stalled.

> In addition, a large number of developing countries are large importers of cereals and other temperate food products from the developing countries. As the developing country exporters continue to flood their markets with agricultural products below their market price, there will be little incentive for these countries to become more self-sufficient in food. Furthermore, the reduction in export subsidies will have the (adverse) effect of increasing the price that the developing countries must pay for some of their food imports from the developing countries. This eventuality was recognized by the UR negotiators, and the Agreement on agriculture has a provision to compensate net-importers for possible price increases. However, most developing countries feel this provision is too weak because the compensation will be no bigger than is currently available from exporting countries.[9]

Competition

The universal reduction in tariffs would erode the tariff benefits under the GSP (generalized system of preferences), implying greater competition. The manufacturing sector of the Muslim world, which is in its embryonic stage of growth, will have to compete with the advanced and developed economies of the West. Doubtless, in fierce international market competition it will be difficult for the Muslim world to maintain its present share, and to increase its share will be even more difficult. The Muslim world will face multidimensional competition not only from the advanced nations of the West, but also from the countries of the Pacific Rim and the Western Hemisphere.

Looking at the prevailing trends in the manufacturing sector in the Muslim world, we find that they reflect that the manufacturing sector is still in its primary stage. It centers round consumer products only. For instance, in Bangladesh 25 percent of manufacturing comes from food, beverages, and tobacco. Figures for some other countries are: Mali, 36 percent; Uganda, 40 percent; Nigeria, 36 percent; Pakistan 30 percent; Indonesia, 25 percent; Sudan, 39 percent; Egypt, 31 percent; Morocco, 31 percent; Jordan, 26 percent; Syria, 24 percent; Algeria, 32 percent; and Iran, 30 percent.

Cutthroat competition may force them to improve the standard of their consumer goods, which ultimately means not to proceed toward semi- and high-technological industries. If they decide to immediately move toward high technology, they may further lower their present standard. Eventually, their own domestic consumers may switch to imported goods.

Textiles

Over the last few years, the MFA clause concerning textiles in international trade has seriously injured the interests of the Muslim world. The Muslim countries have a significant share in the international market. In some Muslim countries, textile and clothing sectors contribute around 40 percent to their manufacturing sectors. The contribution of textiles and clothing to manufacturing is 35 percent in Bangladesh, 40 percent in Mali, 26 percent in Nigeria, 20 percent in Pakistan, 34 percent in Sudan, nearly 20 percent in Egypt, 20 percent in Algeria, and 20 percent in Iran.

The six Central Asian Republics together with Pakistan, Bangladesh, and Egypt capture around 50 percent of the cotton for clothing and textiles in the international market. Being technologically backward, Muslim countries cannot add much value to the cotton fiber they grow; therefore, raw cotton is exported to the advanced countries, which receive multiple earnings out of the arrangement. The removal of textile quota restrictions is expected to benefit the textile exporting countries—including Pakistan, which is guardedly optimistic.

First, the phasing out of MFA quotas has been spread out over a 10-year period, thus delaying its full benefits for 10 years. Second, competition will become more fierce, causing any gains to be dependent on efficiency. Third, the provision of antidumping safeguards empower an importing country to take unilateral action to curb textile imports. Moreover, the phasing out has been linked to the lowering of tariffs against textile imports by the developing countries themselves.

Nevertheless, the Muslim countries have somehow been afforded an opportunity, before quotas are fully phased out, to restructure their textile industry and specialize in sectors like yarn, fabrics, and premade clothes where they have an advantage. In most Muslim countries, the textile, clothing, and cotton industries employ many children, owing to its cost effectiveness. If the so-called child abuse issue is linked with international trade, it may adversely affect the textile industry.

Agriculture

Agriculture remained the most controversial issue during the Uruguay Round of talks. Japan showed a very keen interest in the issue. However, this was the first occasion it was brought into the purview of GATT. Since 3 to 5 percent of the rice market in Japan and Korea will now be open to foreign exporters, Muslim countries in general and Pakistan, Bangladesh, and Egypt in particular, which are capable of producing good quality rice, can benefit. America and Thailand will be the larger beneficiaries. The Agreement provides an opportunity to compete and get a share. However, the question is, Can these Muslim countries produce more rice with better quality? If they can, then chances are they will benefit; otherwise, little advantage will be obtained.

> Commodity prices are likely to rise over the longer term with freer trade, which is good news; but LDCs will also face increased competition among themselves. As tariffs on farm products are lowered, a number of Muslim countries shall also lose the benefits now drawn from preferential tariffs accorded under the GSP. Nevertheless, subsidies on rice and cotton, maintained by the United States, the European Community, Japan and South Korea, would be reduced, opening these markets to other countries. Yet the prospects of getting a share of the rice markets in Southeast Asia are not immediately bright. After the reduction in agricultural subsidies on wheat, LDCs may have to spend more on wheat imports.[10]

Services

In Muslim countries, the services sector has achieved a tremendous importance in terms of its share in GDP. The minimal contribution by this sector in any economy is 26 percent and may be as high as 58 percent. In most countries it is about 40 percent of GDP. Although the Muslim world has an abundance of human resources, its population is relatively uneducated and unskilled. Most of its labor force work in unskilled and nontechnical jobs. Nevertheless, in some Muslim countries, including Pakistan, Iran, Turkey, and Bangladesh, the labor force may undertake some low-level managerial task. The Muslim world can only take some share in simple nontechnical tasks, particularly in construction. There is likely to be an onslaught of multinationals in the services sector. The Muslim world can benefit at least from the opening of trade in construction services where it has some advantage due to abundant cheap labor. The service industry of the Muslim world, especially telecommunications, financial services, and maritime services, will be under great pressure, especially when they have to extend similar concessions to foreign firms that they accord to local firms.

TRIPS and TRIMS

In several areas, the Uruguay negotiations were engineered to serve the interests of the developed countries exclusively. These included TRIPS and TRIMS. These were the longest debated, arrogant, and controversial issues upon which consensus was reached after lengthy and acrimonious discussions. China and India were among those who criticized the proposals, on behalf of nations likely to be adversely affected by the Agreement. The TRIPS may retard technology advancement in developing countries, including the Muslim world. It makes the transfer of technology difficult. TRIMS would erode flexibility in adopting policy instruments to support investment objectives by the developing countries.

Due to the effective use of the regulation on intellectual property rights, patent seed would especially affect small farmers. This is because the reusing of patented seed would not be allowed. This will constrain the productivity of the agricultural sector. The Agreement may restrict the Muslim world's access to scientific and technological knowledge for a period of twenty years or so. This would mean that Muslim countries will be at the mercy of the transnational corporations for access to modern technology, at a rising price.

CONCLUSIONS

The Muslim world's present trade structure and trade policies are not adequately equipped (except for a couple of Southeast Asian countries) to meet the challenges posed by the new world trade order. As it is, the Muslim world's share in world trade is meager. Exports have stagnated and in some cases declined.

In the emerging world trade system, the Muslim world faces severe difficulties in even the maintenance of its meager share.There is a lack of export diversification, and export markets are limited. Almost 60 to 80 percent of exports are agricultural and semimanufactured. The quality of the products is low. Very few Muslim businesses obtain quality product certificates. At present, quality certification is not recommended as prequalification for selling on the international market. However, within the next few years, quality certification is likely to become an essential precondition.

The antidumping safeguard provision is one of the two weakest points of the WTO; the other is the threat posed by increasing enthusiasm for regional cooperation, particularly in developed countries, like NAFTA and EEC. Both of these tend to restrict global trade rather than promote it.

In the emerging new trade system, the cutthroat competition in the international market will make it quite difficult for the developing countries. Muslim countries will have to establish long-term policies instead of the usual short-term policies to make them more competitive. To be and to remain active participants in global trade, they need to evolve a policy that encourages restructuring of production processes to make them efficient and cost effective; provides for quality upgrade and control; promotes exports which are intensive in design, technology, and human skill; ensures protection of their nascent domestic industries; and leads to export diversification, especially in the manufacturing of those products in which the Muslim world has an advantage, in particular, cotton and cotton goods.

Notes

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4. Ibid., p. 98.
5. Ibid., p. 99.
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9. Ibid., p. 104.
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