A Decade of the World Trade Organization and the Trade Performance of Muslim Countries

Ruzita Mohd. Amin

Abstract

The World Trade Organization (WTO), established on 1 January 1995 as a successor to the General Agreement on Tariffs and Trade (GATT), has played an important role in promoting global free trade. The implementation of its agreements, however, has not been smooth and easy. In fact this has been particularly difficult for developing countries, since they are expected to be on a level playing field with the developed countries. After more than a decade of existence, it is worth looking at the WTO's impact on developing countries, particularly Muslim countries. This paper focuses mainly on the performance of merchandise trade of Muslim countries after they joined the WTO. I first analyze their participation in world merchandise trade and highlight their trade characteristics in general. This is then followed by a short discussion on the implications of WTO agreements on Muslim countries and some recommendations on how to face this challenge.

Introduction

Globalization is generally defined as the integration of production, distribution, and use of goods and services among the world's economies. It implies a free flow of these goods, services, and capital accompanied by a flow of technology, information, and ideas among the world's countries.

Free trade is an essential element in a world that is fast becoming a "borderless world" or a "global village." It is deemed beneficial since the gains from such trade can be obtained through increased specialization, the real-

Ruzita Mohd. Amin is a faculty member at the Kulliyyah of Economics and Management Sciences, International Islamic University Malaysia. The author can be reached at ruzita@iiu.edu.my.

ization of comparative advantages, the diffusion of international knowledge, and increased efficiency in the domestic economy. Trade openness can drive growth both directly, through its impact on resource allocation and efficiency, and indirectly, by raising the returns to investment.[1] Consequently, any sort of protection that restricts trade is considered a source of distortion in international markets and should "ideally" be eliminated.

The establishment of the World Trade Organization (WTO) on 1 January 1995, as a successor to the General Agreement on Tariffs and Trade (GATT), seeks to increase international trade by promoting lower trade barriers and providing a platform for trade negotiations. The WTO discussions ought to follow the fundamental principles of trading, where[2]:

i. A trading system should be free of discrimination in the sense that one country can neither privilege a particular trading partner above others within the system discriminate against foreign products and services.

ii. A trading system should tend toward more freedom, that is, toward fewer trade barriers (tariffs and non-tariff barriers).

iii. A trading system should be predictable, with foreign companies and governments reassured that trade barriers will not be raised arbitrarily and that markets will remain open.

iv. A trading system should tend toward greater competition.

v. A trading system should be more accommodating for less developed countries, giving them more time to adjust, greater flexibility, and more privileges.

After seven ministerial conferences, the latest held in Geneva during 2009, the WTO has come under strong criticism with regard to its ability to promote free trade and stimulate economic growth. WTO treaties[3] have also been said to have a partial and unfair bias toward multinational corporations and wealthy nations. Steinberg (2002),[4] for instance, argues that although the WTO's consensus governance model provides law-based initial bargaining, trading rounds close through power-based bargaining favoring Europe and the United States. Examples of such bias can be seen from the following: (a) rich countries are able to maintain high import duties and quotas in certain products, thereby blocking imports from developing countries (e.g., clothing); (b) the increase in non-tariff barriers, such as anti-dumping measures, allowed against developing countries; (c) high protection of agriculture is maintained in developed countries while developing countries are pressed to open their markets; (d) many developing countries do not have the capacity to follow the negotiations and participate actively in the Uruguay Round; and (e) intellectual property rights ban developing countries from incorporating technology that originates abroad in their local systems (including medicines and agricultural products).[5]

The bias against developing countries, which is also reflected in the failure of various ministerial conferences, has made it even harder for them to be on a level playing field with the developed countries. Muslim countries are essentially categorized as either "developing countries" or "least developed countries." Among the fifty-seven members of the Organization of Islamic Conferences (OIC), forty are WTO members. On 11 December 2005, Saudi Arabia became the latest country to gain accession. Twelve OIC countries are currently observer governments, while five are neither members nor observer governments (see appendix 1).

More than a decade later, it is time to examine if the "freer trade" that is supposed to come with WTO membership has brought about the desired improvements in the trade performance of developing countries, particularly Muslim countries, given the problems and biases that persists in the WTO trading system. The main objective of this paper, however, is to overview the performance of merchandise trade by Muslim countries since becoming WTO members. Although trade in services has become more important, that area is beyond the scope of this paper. We define Muslim countries as the OIC countries, and the terms "Muslim" and "OIC" are used interchangeably. I first look into their participation in the world merchandise trade and highlight their trade characteristics in general. This is followed by a discussion of the WTO agreements' implications on Muslim countries and some recommendations on how to face this challenge.

Participation of Muslim Countries in World Trade

Muslim Countries' Share in World Trade

Muslim countries account for about 24.4% of the world's total area, 1.34 billion of the world population (2005), and 44% of the world's oil production (1993-2003). Their gross domestic product (GDP), however, is only 4.7% of the world's GDP,[6] while their exports and imports are 7.87% and 6.32% of the world's exports and imports, respectively (2004; see tables 1 and 2). It ranks fourth after Europe, Asia, and North America in both export and import shares of the world. Its export growth in 2004 was comparable to other country groupings, and it ranked the fifth in 2004 at 26%, surpassing the export growth of North America at 14%, Europe at 19%, Asia at 25%, and that of the World at 21%. Growth in imports, on the other hand, ranked third from below in 2004, at 26% before North America at 17%, Europe at 5%, and the World at 21%. Almost all groupings experienced higher growth in both exports and imports in 2004 as compared to 2003. From these figures, it can be seen that Muslim countries are performing as well as other country groupings in world trade, with the growth in their share of world imports registering a higher increase from 2003 to 2004 by 10% as compared to the growth in the share of world exports for the same period by 7 percent.

Table 1: Merchandise Exports by Region and Selected Economies

Country Groupings	Value (billion dollars) 2004	Share of World Exports 2004	Annual Percentage Change in Value 2003	2004
World	8907	100.00	17	21
North America	1327	14.9	5	14
South and Central America	276	3.1	13	30
Europe	4035	45.3	19	19
CIS	267	3.0	27	37
Africa	232	2.6	25	32
Middle East	392	4.4	20	29
Asia	2387	26.8	18	25
OIC Countries*	701	7.87	19	26

Source: Extracted from *International Trade Statistics 2005*, pg. 32
* Computed from *International Financial Statistics* CD-ROM 2006 for 22 OIC countries only due to unavailability of complete data.

Table 2: Merchandise Imports by Region and Selected Economies

Country Groupings	Value (billion dollars) 2004	Share of World Exports 2004	Annual Percentage Change in Value 2003	2004
World	9250	100.00	17	21
North America	2017	21.8	8	17
South and Central America	241	2.6	5	27
Europe	4144	44.8	20	20
CIS	176	1.9	27	30
Africa	213	2.3	22	27
Middle East	250	2.7	13	27
Asia	2220	24.0	19	27
OIC Countries*	584.6	6.32	16	26

Source: Extracted from *International Trade Statistics 2005*, pg. 32
* Computed from *International Financial Statistics* CD-ROM 2006 for 22 OIC countries only due to unavailability of complete data.

The Competitiveness of Muslim Countries

The overall growth in imports for Muslim countries from 1997 to 2004 was found to be lower than the overall export growth during the same period (see table 3). Growth rates in exports, however, were found to be higher than growth in imports for only three (viz., 1999, 2000, and 2003) out of the eight years shown. This implies a rather high dependence on imports relative to exports. Another point that needs to be highlighted is that the growth rates of both exports and imports have fluctuated over time, as shown by table 3, thereby reflecting the instability of their external sector.

Table 3: Annual Percentage Change in Total Export and Total Import of OIC Countries

Year	Annual % change in export	Annual % change in import
1997	5.64	7.26
1998	-15.54	-9.16
1999	9.34	-11.09
2000	32.15	26.35
2001	-6.66	-1.90
2002	-2.90	-2.19
2003	18.65	16.40
2004	25.92	26.07
Overall growth rate (1997-2004)	65.25	43.70

Source: Computed from *International Financial Statistics* CD-ROM 2006 for 22 OIC countries.

The individual member countries' export competitiveness for 1983-94 can be seen in appendix 2. Unfortunately, similar data for recent years are no longer available in order to make comparison over the years. The growth of nominal exports over both periods (1983-84 to 1988-89 and 1988-89 to 1993-94) were decomposed into three factors: (a) growth due to expansion of the world market for the country's traditional exports, (b) growth due to expansion of its market share for its traditional exports, and (c) growth due to diversification into nontraditional exports (measured as a residual). Table 4 summarizes the average growth of exports and each of the three growth factors for two groups of Muslim countries: those that suffered a loss in nominal exports and those that increased their exports during these two periods. The data suggest that most of the Muslim economies that gained in exports managed to do so by expanding their traditional markets (world demand), while those who experienced a decline in exports suffered through losing their share of traditional markets. This holds true for both periods. Both gainers and losers experienced lower diversification in the second period; however, the lower diversification was more striking for the gainers, falling from 4.49% to 0.37 percent. On the average, the Muslim countries as a whole gained in exports by expanding their traditional markets while simultaneously losing their share of traditional markets for both periods. As a whole, they also experienced a lower diversification in the second period. Data for all economies for that period show a similar pattern as the Muslim countries, whereas the first period saw an increase in their share of traditional markets.

Table 4: Annual Average Growth of Exports and Export Growth Factors, 1983-1994

Country group	Total exports	World demand	Market share	Diversification
	1983-84 to 1988-89			
Positive growth	13.33	5.96	2.61	4.49
Negative growth	-5.54	0.21	-6.44	0.95
OIC economies	5.38	3.54	-1.20	3.00
All economies*	11.2	8.3	1.6	1.0
	1988-89 to 1993-94			
Positive growth	8.92	5.80	2.81	0.37
Negative growth	-9.43	4.48	-13.84	0.61
OIC economies	3.12	5.38	-2.45	0.44
All economies*	6.7	7.0	-0.9	0.6

Note: Computed from Appendix 2 unless otherwise stated.
Extracted from *World Development Indicators 1997*, Table 5.7a, p. 258.

Degree of Openness of Muslim Countries

Trade openness is measured by the trade-to-GDP ratio. For the Muslim countries as a whole, the ratio shows a fluctuating trend over the years, with trade ranging from 47% to 79% of GDP (see table 5). For individual countries, however, this ratio shows a wide variation in the degree of openness, with Malaysia showing the highest ratio of 205.9% of GDP and Burkina Faso showing the lowest ratio of only 30.2% of GDP in 2003 (see appendix 3). The value of trade for Malaysia, Bahrain, Brunei, Suriname, Azerbaijan, Gabon, and Togo exceeded their value of GDP. Appendix 3 also shows the ranking of individual countries based on their export-to-GDP and import-to-GDP ratios. The data show that only eight countries had exports exceeding 50% of GDP and five countries had imports exceeding 50% of GDP.

Table 5: OIC Countries' Trade Share of GDP

Year	X/GDP	M/GDP	Trade/ GDP
1996	0.24	0.23	0.47
1997	0.25	0.24	0.49
1998	0.43	0.36	0.79
1999	0.32	0.24	0.55
2000	0.36	0.27	0.62
2001	0.33	0.27	0.60
2002	0.30	0.25	0.55
2003	0.29	0.24	0.53
2004	0.31	0.27	0.58

Source: Computed from *International Financial Statistics* CD-ROM 2006 for 22 OIC countries.

The majority of Muslim countries are very dependent on exports of fuels, as shown in table 6.[7] Egypt, Syria, and the UAE showed an increasing dependence from 1990 to 2003, while Indonesia, Malaysia, Oman, and Tunisia showed a decline in their percentage of fuel exports. Manufacturing is also important in many Muslim countries, particularly Bangladesh, Pakistan, Turkey, Tunisia, and Malaysia, where it represents more than 70% of their respective total exports. These countries, as well as Jordan, Morocco, Togo, Indonesia, and others show an increasing share of total exports, while Egypt, Syria, and the UAE show a marked decrease. Gambia, Sierra Leone, and Uganda are highly dependent on food exports, while Mauritania, Mozambique, and Niger were dependent upon ores and metals in 2003. Agricultural raw materials made up the largest percentage share of exports from Benin and Mali.

Table 6: Structure of Merchandise Exports of Selected Muslim Countries

Country	Food % of Total		Agri. Raw Materials % of Total		Fuels % of Total		Ores & Metals % of Total		Manufactures % of Total	
	1990	2003	1990	2003	1990	2003	1990	2003	1990	2003
Algeria	0	0	0	0	96	97	0	0	3	2
Bangladesh	14	8	7	2	1	1	-	0	77	89
Benin	15	33	56	59	15	0	0	0	13	8
Cameroon	20	20	14	20	50	49	7	4	9	7
Chad	-	-	-	-	-	-	-	-	-	-
Egypt	10	9	10	7	29	44	9	3	42	31
Gabon	-	-	-	-	-	-	-	-	-	-

Country	Food % of Total		Agri. Raw Materials % of Total		Fuels % of Total		Ores & Metals % of Total		Manufactures % of Total	
	1990	2003	1990	2003	1990	2003	1990	2003	1990	2003
Gambia	-	100	-	0	-	0	-	0	-	0
Indonesia	11	11	5	5	44	26	4	6	35	52
Iran	-	4	-	0	-	88	-	1	-	8
Iraq	-	-	-	-	-	-	-	-	-	-
Jordan	11	15	0	0	0	0	38	16	51	69
Kuwait	1	0	0	0	93	92	0	0	6	7
Lebanon	-	19	-	2	-	0	-	10	-	68
Libya	0	-	0	-	94	-	0	-	5	-
Malaysia	12	9	14	2	18	10	2	1	54	77
Mali	36	17	62	42	-	0	0	1	2	40
Mauritania	-	8	-	2	-	1	-	68	-	21
Morocco	26	21	3	2	4	1	15	7	52	69
Mozambique	-	23	-	4	-	10	-	55	-	8
Niger	-	30	-	4	-	2	-	55	-	8
Nigeria	1	-	1	-	97	-	0	-	1	-
Oman	1	5	0	0	92	80	1	1	5	14
Pakistan	9	10	10	2	1	2	0	0	79	85
Saudi Arabia	1	1	0	0	92	89	0	0	7	10
Senegal	53	37	3	3	12	20	9	3	23	34
Sierra Leone	-	92	-	1	-	-	-	0	-	7
Sudan	61	18	38	6	-	72	0	0	1	3
Syria	14	14	4	3	45	71	1	1	36	11
Togo	23	15	21	17	0	0	45	9	9	58
Tunisia	11	8	1	1	17	9	2	1	69	81
Turkey	22	10	3	1	2	2	4	2	68	84
Uganda	-	67	-	23	-	0	-	0	-	0
UAE	8	1	1	0	5	92	39	4	46	4
Yemen	75	-	10	-	8	-	7	-	1	-

Source: Extracted from *World Development Indicators 2005*, Table 4.5, pp. 214-216.

Notes:

i. Only reported data are included.

ii. Merchandise exports are the f.o.b. value of goods provided to the rest of the world, valued in US dollars.

iii. Food corresponds to the commodities in SITC section 0 (food and live animals), 1 (beverages and tobacco), and 4 (animal and vegetable oils and fats) and SITC division 22 (oil seeds, oil nuts, and oil kernels).

iv. Agricultural raw materials corresponds to SITC section 2 (crude material except fuels) excluding division 22, 27 (crude fertilizer and mineral excluding coal, petroleum, and precious stones), and 28 (metalliferous ores and scrap).

v. Fuels correspond to SITC section 3 (mineral fuels).

vi. Ores and metals correspond to the commodities in SITC divisions 27, 28,68 (nonferrous metals).
vii. Manufactures correspond to the commodities in SITC section 5 (chemicals), 6 (basic manufactures), 7 (machinery and transport equipment) and 8 (miscellaneous manufactured goods), excluding division 68.

The importance of oil exports from these countries, in terms of Muslim countries' share in world oil production and exports, is shown in table 7. The share of crude petroleum production from Muslim countries alone stands at 44.03% of world oil production in 2003, while their share of oil exports stands at 56.14% of world exports of oil in 2003.

Table 7: Muslim Countries' Share in the World Production and Exports of Oil

	Crude Petroleum Production '000 (mt)		Crude Petroleum Exports (thousand dollars)		
	1993	2003	2001	2002	2003
World	2985362	3431864	319066800	328539800	385323000
Albania	620	375	36	-	-
Algeria	35086	55683	7132900	7956400	11346300
Azerbaijan	10295	15251	1725479	1476266	1816098
Bahrain	2029	9408	-	-	-
Bangladesh	30	85	-	-	5
Benin	302	-	-	-	-
Brunei	7869	9769	1556500	1688900	2022100
Cameroon	6210	6419	809516	824598	999321
Egypt	46266	30549	297619	316736	340920
Gabon	15068	11056	2154500	2217100	2405700
Indonesia	74158	53773	5714700	5227600	5621000
Iran	170920	187814	18997200	23919600	28179000
Iraq	32298	65270	15648600	13030900	15556500
Jordan	3	1	-	-	-
Kazakhstan	19289	45376	4268100	5267000	7012500
Kuwait	94530	106782	9586800	9148500	11488800
Kyrghyzistan	88	69	-	-	-
Libya	65487	68182	7230600	8386300	10300000
Malaysia	31586	38318	2999100	3114300	4184300
Morocco	10	10	-	-	-
Nigeria	95260	113914	17731400	15051800	17075300
Oman	38571	42999	7632800	7533400	7762000
Pakistan	2937	3032	77576	62575	27564
Qatar	18786	33594	5610500	2881400	3520400
Saudi Arabia	401132	435328	55290200	53271100	58467600
Surinam	271	-	-	-	-

	Crude Petroleum Production '000 (mt)		Crude Petroleum Exports (thousand dollars)		
	1993	2003	2001	2002	2003
Syrian	26767	28000	3410900	4044600	3583600
Tajikistan	39	18	-	-	-
Tunisia	4650	3136	484913	504361	399617
Turkey	3892	2351	2928	3217	2772
Turkmenistan	4900	9600	-	-	-
UAE	99058	109846	16607200	17297900	20540800
Uzbekistan	2404	4328	-	-	-
Yemen	11460	20639	2897400	2990100	3664200
Total	1322271	1510975	187867467	186214653	216316397
% of World Total	44.3	44.03	58.88	56.68	56.14

Source: *IEA Energy Statistics* (www.iea.org/Textbase/stats/index) and *International Trade Statistics Yearbook*, 2003, vol. 2, pp.144-145.

The present structure of merchandise exports for Muslim countries shows that there still exists a certain degree of dependence upon oil and primary commodity exports. Although manufacturing exports have shown an increased contribution, its share of total exports is substantial only in several of the thirty-five selected Muslim countries. From looking at the factors that contribute to growth in the previous section, the low contribution to growth due to diversification implies that not much has been done to improve the export structure for the majority of Muslim countries.

WTO Participation: Implications on Muslim and Developing Countries

The WTO, a continuation of the GATT's institutional ideas, practices, and agreements achieved in the Uruguay Round, is expected to do many things, such as prevent the misuse of subsidies, countervailing duties, and technical barriers as well as tighten anti-dumping rules, eliminate certain restrictive trade-related investment measures, regulate the misuse of the safeguard action, strengthen and clarify procedures for trade dispute settlements, and increase the transparency of national trading practices and policies.[8] WTO agreements commit signatory countries to complying with the new trading rules and obligations and, consequently, to ensuring the conformity of their national laws, regulations, and administrative procedures. Some of the major areas that have important implications on developing countries in general, and on Muslim countries in particular, are discussed below.

Trade Liberalization

Under the WTO, trade liberalization agreements are expected to increase market access for all countries involved in international trade. Among the main agreements in terms of market access as a major outcome of the Uruguay Round are the developed countries' agreement to lower their average tariff rates on industrial products by 40%, the contracting parties' agreement to replace various border taxes with tariffs (also called "tariffication") in agriculture, and the contracting parties' agreement to integrate the Multifibre Arrangement (MFA) in textiles and apparels into the WTO in ten years.[9]

The consequent significant tariff reductions negotiated on industrial products by the "Quad" countries (Canada, the United States, the European Union, and Japan) are expected to enable developing countries to secure greater access to the developed countries' markets. Most developing countries also had to make substantial tariff concessions, as part of their commitment under the Round and also as part of their unilateral domestic liberalization policies, and bound their tariffs to a considerable extent.[10]

Appendix 4 shows the trade policies adopted by selected Muslim countries in 1990-93.[11] The data show that most Muslim countries had high mean tariffs, the highest being Bangladesh: 84.1% for all products, 79.6% for primary products, and 26.2% for manufactured products. By 2004, however, the mean tariffs had been reduced to 16.5% for all products, 16.4% for primary products, and 16.5% for manufactured products. Apart from Bangladesh, Indonesia, Iran, Jordan, Morocco, and Pakistan also experienced large reductions in mean tariffs for all three categories. Although it may be argued that these reductions would have occurred even if the countries were non-signatories of the WTO, their speed and extent would not have been possible without the driving force of the WTO agreements. Despite the pressures posed by these agreements, four countries recorded an increase in mean tariffs for the three categories: Mozambique (5-12.9% for all products, 5-15.8% for primary products and 5-12.3% for manufactured products from 1994 to 2003), Nigeria (26-26.7% for all products, 33.4-40.1% for primary products and 25.3-24.9% for manufactured products from 1998 to 2002), Oman (5.5-8% for all products, 7.2-9.5% for primary products and 5.1-7.6% for manufactured products from 1992-2002), and Sudan (5-21.5% for all products, 12-28.8% for primary products and 4.4-20.8% for manufactured products from 1996-2002).

Table 8 shows the export and import duties as percentages of exports and imports, respectively. The data show that most of the countries experienced a reduction in export duties as a percentage of exports from 1980 to

1995, except for Syria. Import duties as a percentage of imports, however, increased for Cameroon, Indonesia, Oman, Pakistan, Syria, and Turkey during the same period. In 2003, the percentage share declined for Indonesia and Pakistan. Bangladesh and Iran recorded a high share of import duties out of imports, namely, 34.9% and 43.2%, respectively.

Table 8: Tax Policies of Selected OIC Countries

Country	Export Duties % of exports			Import Duties % of imports		
	1980	1995	2003	1980	1995	2003
Bangladesh	3.5	-	0.0	16.5	-	34.9
Benin	2.2	-	-	-	-	-
Cameroon	6.5	1	-	19	29.3	
Egypt	5.3	0	-	26	16.1	-
Gabon	1.7	-	-	38.3	-	-
Gambia	12.7	0.1	-	22.1	17	-
Indonesia	0.9	0.2	0.3	5.1	5.9	4.7
Iran	-	-	-	20.8	13.6	43.2
Jordan	-	-	-	15.8	15.4	15.9
Kuwait	-	-	-	2.7	3	-
Malaysia	9	0.9	1.9	8.9	3.9	5.6
Oman	-	-	-	1.6	2.7	10.3
Pakistan	1.8	0	-	22.4	23.9	13.2
Syria	1.7	6.7	-	11.6	23.9	-
Turkey	-	-	-	8.9	3.2	-
Yemen	-	-	-	-	30.1	-

Source: Extracted from *World Development Indicators 1997*, Table 5.8, pp. 260-262, *World Development Indicators 2005*, Table 5.6, pp. 290-292.
Note: Only countries with data are included.

During the WTO's first few years, many experts predicted that in the post-Uruguay Round era some formidable barriers would remain for developing countries: the demand for anti-dumping was likely to increase and remain a favored device of protectionists in the developed countries,[12] world agriculture would remain highly protected and subsidized, and the MFA would continue to be a major distortion. Eliminating MFA quotas and committing to reduce tariffs to zero by 2010 could result in a shift on the part of the affected import competing countries toward anti-dumping and other forms of contingent protection.[13] After ten years, a string of failed negotiations prove that these predictions were not far wrong.

Although the principles and policies of trade liberalization were maintained and improved upon at the Uruguay Round, as mentioned earlier, WTO negotiations in the trading rounds often close through a power-based bargaining favoring Europe and the United States. In addition, several escape clauses allow some countries to delay, restrict, or deny market access to the developing world in general. These are not necessarily tariff barriers, but rather non-tariff barriers. For example, the developed countries keep changing the International Organization for Standardization (ISO) standards and making them more stringent without consulting the developing/exporting countries or taking into account the resulting problems. Although such standards are supposed to ensure the quality of goods being imported, at times technicalities and obscure clauses are used to deprive the exporters of their legitimate access to the developed countries' markets, in effect violating the principle of free trade.

Another introduced standard is eco-labeling, which seeks to discourage methods of production that threaten or damage the environment. However, it is almost certain that this labeling would create problems for many developing countries that do not have the technology or the financial means to ensure that their exports are produced by environment-friendly industries. Other non-tariff barriers include denying market access through allegations of child labor, prison labor, and the violation of human rights. In the past, these have been used as instruments to threaten countries with the loss of their Most Favored Nation (MFN) status.[14]

Agriculture

Extensive negotiations were held during the Uruguay Round on agriculture. Most of the negotiations, however, were conducted primarily between the United States and the European countries and concentrated on agricultural subsidies. Even though Muslim countries are not major players in this field, they are net importers of agricultural products, especially staple foods. Food prices have been relatively stable in the past partly due to heavy agricultural subsidies. If these were removed, there could be a decrease in production that would cause prices to rise. Efforts for self-sufficiency in food production may also be hindered by imposing restrictions on transferring high quality seeds and seed technology to developing countries.[15]

Another outcome is that developed countries are required to reduce tariffs by at least 36%, while the developing countries must reduce theirs by 24 percent. Certain agricultural sectors may benefit from this reduction; others may see a worsening in their trade performance.

Tariff escalation involving higher duties for more processed products is still present in major developed countries, such as the EU and Japan. This discourages diversification into the export of processed products instead of primary commodities. Therefore, even if tariffs and subsidies are reduced in the agricultural sector, their net impact depends on where the affected countries are in terms of agricultural exports as well as their domestic consumption of food products.

Recommendations and Conclusion

The post-Uruguay Round trading order is not making life easier for developing countries, including Muslim countries. First, the distribution of the gains from trade between the developed and developing countries is unequal due to pre-existing imbalances in economic power. Second, the protection of infant industries is far more difficult to implement while tariff and nontariff barriers are being sharply reduced. Third, the corresponding benefits in the form of greater market access to developed countries' markets have not been substantial. Fourth, globalization's asymmetrical nature in general does not favor developing countries.

Muslim countries, therefore, must seek to take advantage of the existing benefits in terms of greater market access, however small, for various industrial and agricultural products. Countries that are already producing the products that will experience tariff reductions should try to improve their output capacity and penetrate further into these markets. On the other hand, countries that are still lagging behind in the production of these goods (e.g., manufacturing goods) should quickly plan to develop the advantaged sectors. This goes hand-in-hand with their need to diversify into non-traditional exports, such as the manufacturing sector, in order to improve export performance.

Given that higher production efficiency is closely associated with technological capability, Muslim countries have to develop their own indigenous technology, as they cannot rely on technology transfer in the long-run. In order to do this, the development of human capital must be intensified in strategic areas and the necessary infrastructure for scientific development must be provided. Serious efforts must also be taken to prevent any brain drain, as this represents a loss in terms of technological know-how. All of this will not only help in terms of higher production efficiency, but will also serve to improve product quality and going a long way toward establishing a country's competitive edge in international trade. Invention and innovation should also be encouraged to improve product quality. Once countries have established good reputations in terms of the quality of their exports, they will not lose much in terms of market access even when there is erosion in preferential treatment, such as with the MFN setup.

Despite the problems in negotiations at the ministerial conference level, Muslim countries have undertaken efforts to reduce their tariffs, as reflected in their trade policies. They must now learn to coordinate their actions with other developing countries in order to enable themselves to compete successfully in today's international trading order, which is more competitive than ever before.

Endnotes

1. K. Kesavapany, "Debating the Merits of Trade Liberalization," Seminar on the World Trade Organization (Kuala Lumpur: Institute of Diplomacy and Foreign Relations, 4 December 1997): 1.
2. Online at http://en.wikipedia.org/wiki/World_Trade_Organization. Retrieved 12 August 2006.
3. The WTO oversees about thirty different agreements that have the status of international legal texts.
4. Richard H. Steinberg, "In the Shadow of Law or Power? Consensus-based Bargaining and Outcomes in the GATT/WTO," *International Organization* 56, no. 2 (2002): 339-74.
5. Online at http://en.wikipedia.org/wiki/World_Trade_Organization.
6. Computed from the *International Financial Statistics* CD-ROM 2006.
7. Data for Iran, Iraq, Gabon, Nigeria, and Sierra Leone as regards the percentage of fuel exports are not available in *World Development Indicators 2005*. However, an earlier report shows that the percentage of fuel out of total exports were 93%, 99%, 100%, 97%, and 35%, respectively, in 1980, and 93%, n.a., 85%, 94% and 45% in 1995 (*World Development Indicators 1997*, Table 4.8, pp. 158-160).
8. Syed Nawab Haider Naqvi, "Globalization, Regionalism, and the OIC," *Journal of Economic Cooperation among Islamic Countries* 19, no. 1-2 (1998): 285-308.
9. Mohamed Aslam and K. S. Jomo, "Implications of the GATT Uruguay Round for the Malaysian Economy" (paper presented at the International Conference on Globalization and Development: Lessons for the Malaysian Economy, Kuala Lumpur, August 1996), 3.
10. United Nations Conference on Trade and Development, *World Investment Report*, 1994.
11. Since the tariff bounds under the Uruguay Round will be phased over five years (beginning in 1995), the rates shown are generally representative of current levels of protection.

12. Rokiah Alavi, "Trade Protectionism under the WTO: The Impact on Muslim Countries," *Journal of Economic Cooperation among Islamic Countries* 23, no. 4 (2002): 1-32.
13. Suat Oksuz, "Globalization – Global Integration – With or Without Regional Economic Integration? Challenges Confronting the OIC Countries," *Journal of Economic Cooperation among Islamic Countries* 19, nos. 1-2 (1998): 269-70.
14. Imam ul Haque, "Implications of the Uruguay Round of Trade Negotiations for the External Trade of the OIC Member States," *Journal of Islamic Cooperation among Islamic Countries* 16, no. 3-4 (1995): 44-45. The first principle of the WTO trading system requires non-discrimination among trading partners. Hence, any trade advantages (e.g., low tariffs or high import quotas) accorded to a "Most Favored Nation" must be granted to all other trading partners.
15. Ibid., 47.

APPENDIX 1

OIC Countries' Membership in the WTO as at December 2006

Countries	Status	Date of Accession	Countries	Status	Date of Accession
Afghanistan	observer gov't.		Malaysia	member	1/1/95
Albania	member	11/23/96	Maldives	member	5/31/95
Algeria	observer gov't.		Mali	member	5/31/95
Azerbaijan	observer gov't.		Mauritania	member	5/31/95
Bahrain	member	1/1/95	Morocco	member	1/1/95
Bangladesh	member	1/1/95	Mozambique	member	8/26/95
Benin	member	2/22/96	Niger	member	12/13/96
Brunei	member	1/1/95	Nigeria	member	1/1/95
Burkina Faso	member	6/3/95	Oman	member	11/9/00
Cameroon	member	12/13/95	Pakistan	member	1/1/95
Chad	member	12/19/96	Palestine	-	
Comoros	-		Qatar	member	1/13/95
Cote D'Ivoire	member	1/1/95	Saudi Arabia	member	12/11/05
Djibouti	member	5/31/95	Senegal	member	1/1/95
Egypt	member	6/30/95	Sierra Leone	member	7/23/95
Gabon	member	1/1/95	Somalia	-	
Gambia	member	10/23/96	Sudan	observer gov't.	

Countries	Status	Date of Accession	Countries	Status	Date of Accession
Guinea	member	10/25/95	Suriname	member	1/1/95
Guinea-Bissau	member	5/31/95	Syria	-	
Guyana	member	1/1/1995	Tajikistan	observer gov't.	
Indonesia	member	1/1/95	Togo	member	5/31/95
Iran	observer gov't.		Tunisia	member	3/29/95
Iraq	observer gov't.		Turkey	member	3/26/95
Jordan	member	4/11/00	Turkmenistan	-	
Kazakhstan	observer gov't.		Uganda	member	1/1/95
Kuwait	member	1/1/95	U.A.E.	member	4/10/96
Kyrgyztan	member	12/20/98	Uzbekistan	observer gov't.	
Lebanon	observer gov't.		Yemen	observer gov't.	
Libya	observer gov't.				

APPENDIX 2

Export Competitiveness of Selected Muslim Countries

Country	Nominal Export Growth 1983-84 to 1988-89				Nominal Export Growth 1988-89 to 1993-94			
	Annual Average %	From World Demand %	From Market Share %	From Export Diversi-cation	Annual Avr. %	From World Demand %	From Market Share %	From Export Diversi-cation
Algeria	-6.5	-1.8	-5.2	0.5	2.2	5.5	-2.8	-0.2
Bangladesh	14.5	8	6.2	-0.2	16.4	7	8.8	0
Benin	-4.8	-3.4	-4.9	3.6	10.6	4.9	7.3	-1.7
Burkina Faso	6.8	10.4	-4	0.7	-2.5	5.4	-7.6	0.1
Cameroon	-3.4	-3.1	-1	0.7	-0.4	4.2	-4.2	-0.2
Chad	-13	5.2	-18.6	1.7	-2.3	5.5	-11.3	4.3
Egypt	-3.6	-0.7	-4.6	1.8	7.5	5.2	-1.7	4
Gabon	-5.8	-3.5	-2.6	0.3	11.2	4.1	6.9	-0.2
Gambia	24.4	13.6	9.1	0.4	2.4	8.8	-8	2.3
Guinea	3.1	13	-9.5	0.8	31.2	6	24.8	-0.8
Guinea-Bissau	5.1	11.3	-6.1	0.6	3.6	4.5	-2	1.1
Indonesia	1.1	-4.7	1	5	12.1	4.3	0.3	7.1
Iran	-10.9	-2.7	-8.8	0.4	10	4.6	4.3	0.8

Country	Nominal Export Growth 1983-84 to 1988-89				Nominal Export Growth 1988-89 to 1993-94			
	Annual Avr. %	From World Demand %	From Market Share %	From Export Diversi-cation	Annual Avr. %	From World Demand %	From Market Share %	From Export Diversi-cation
Iraq	5.5	-2.7	8.2	0.2	-47.3	5.4	-49.9	-0.1
Jordan	7.8	3.4	5.5	-1.2	-2.8	5.3	-8.4	0.8
Kuwait	-1	-3.5	2.3	0.3	1.7	5.5	-3.5	-0.1
Lebanon	1.2	15	-13.5	1.8	1.2	6.6	-6.6	1.7
Libya	-8.2	0.5	-8.9	0.2	2.9	5.4	-2.6	0.2
Malaysia	10.2	0.8	5.4	3.7	17	8.7	1.9	5.6
Mali	7.2	11.7	-5.6	1.6	7.6	4.3	1.5	1.7
Mauritania	10.4	-1.6	12	0.2	-2	6.1	-7.6	0
Morocco	13.2	14.1	-1.1	0.3	7.1	6.4	0	0.6
Mozambique	14.8	5.1	2.7	6.4	-13	4	-14.4	-2.3
Niger	8.6	-2.2	8.9	2	-17.2	3.1	-20.4	0.9
Nigeria	-6.2	-5.1	-1.4	0.3	5.1	4.2	0.6	0.3
Oman	-3.1	3.5	-6.9	0.7	6.3	8	-2.4	0.9
Pakistan	18.3	7.5	11.5	-1.3	8.4	6.4	1.2	0.7
Saudi Arabia	-8.4	4	-13	1.2	8.9	6.3	2.5	0
Senegal	9.1	9.4	-1.4	1.1	-8.3	3.4	-11.5	0.2
SierraLeone	8.2	3.1	4.2	0.7	0.1	3.1	-4.1	1.2
Sudan	-2.5	6.7	-9.6	1.1	-5.4	2.9	-9.6	1.8
Syria	-2.6	-0.4	-3.2	1	23	6.2	16.2	-0.4
Togo	7.5	9.6	-3.9	2.1	-9.4	4.6	-13.3	-0.1
Tunisia	10.9	-0.7	9.3	2.1	9.8	5.8	3.4	0.3
Turkey	19.9	-0.1	15.6	3.8	7.4	5.9	-1.2	2.7
Uganda	-4.3	9.4	-12.6	0.1	-2.6	3.8	-7.9	1.9
UAE	-4.4	-1.7	-4	1.3	8.5	5.4	1.4	1.5
Yemen	85.4	7.1	3	67.9	9.7	7.7	26.8	-19.7

Source: Extracted from *World Development Indicators 1997*, Table 5.7, 256-258.

Note:
1. Total export growth is the compound annual rate of growth in the value of merchandise exports.
2. Export growth from world demand measures the compound annual growth in exports due to growth of the world market for the country's traditional exports. Traditional exports are defined as the ten largest three-digit commodity groups or the groups that made up at least 75% of the country's trade in the base year, whichever is greater.
3. Export growth from market share measures the compound annual growth in exports due to growth in the country's share of the world market in its traditional exports.
4. Export growth from export diversification measures the compound annual growth in exports due to growth of nontraditional exports.

APPENDIX 3

Export and Import Share of GDP of Selected Muslim Countries in 2003

Countries	Export/ GDP	Countries	Import/ GDP	Countries	Total trade/ GDP
Malaysia	1.134	Malaysia	0.925	Malaysia	2.059
Brunei	0.933	Azerbaijan	0.655	Bahrain	1.418
Bahrain	0.798	Suriname	0.646	Brunei	1.213
Gabon	0.624	Bahrain	0.619	Suriname	1.188
Oman	0.565	Togo	0.593	Azerbaijan	1.076
Suriname	0.542	Tunisia	0.476	Gabon	1.034
Kuwait	0.540	Albania	0.458	Togo	1.015
Kazakhstan	0.500	Kyrgyz Repub.	0.453	Kazakhstan	0.945
Nigeria	0.484	Kazakhstan	0.445	Oman	0.944
Cote d Ivorie	0.467	Nigeria	0.431	Nigeria	0.914
Saudi Arabia	0.461	G-Bissau	0.428	Tunisia	0.914
Libya	0.443	Gabon	0.410	Kuwait	0.897
Tunisia	0.438	Oman	0.379	Kyrgyz Repub.	0.839
Togo	0.423	Sierra Leone	0.366	Cote d Ivorie	0.826
Azerbaijan	0.420	Cote d Ivorie	0.359	Libya	0.778
Kyrgyz Repub.	0.387	Kuwait	0.357	G-Bissau	0.753
G-Bissau	0.325	Yemen	0.353	Saudi Arabia	0.702
Yemen	0.311	Libya	0.335	Albania	0.665
Indonesia	0.301	Mali	0.334	Yemen	0.664
Morocco	0.279	Morocco	0.321	Mali	0.605
Turkey	0.274	Benin	0.311	Morocco	0.599
Iran	0.272	Turkey	0.307	Turkey	0.580
Mali	0.271	Chad	0.286	Iran	0.529
Mozambique	0.249	Brunei	0.280	Indonesia	0.529
Chad	0.221	Niger	0.277	Benin	0.520
Egypt	0.216	Uganda	0.272	Mozambique	0.511
Benin	0.210	Mozambique	0.262	Chad	0.507
Albania	0.207	Iran	0.257	Sierra Leone	0.505
Pakistan	0.169	Egypt	0.242	Egypt	0.458
Niger	0.164	Saudi Arabia	0.241	Niger	0.441
Bangladesh	0.142	Indonesia	0.227	Uganda	0.401
Sierra Leone	0.139	Burkina Faso	0.214	Bangladesh	0.342
Uganda	0.129	Bangladesh	0.200	Pakistan	0.332
Burkina Faso	0.087	Pakistan	0.163	Burkina Faso	0.302

Source: Computed from *International Financial Statistics* CD-ROM 2006.

APPENDIX 4

Trade Policies of Selected OIC Countries (I)

Country	All Products			Primary Products			Manufactured Products		
	Mean tariff	SDTR	CNB %	Mean tariff	SDTR	CNB %	Mean tariff	SDTR	CNB %
	90-93	90-93	90-93	90-93	90-93	90-93	90-93	90-93	90-93
Algeria	24.8	19.6	9.5	21.6	20.5	26.8	26.2	19.4	2.8
Bangladesh	84.1	26.1	-	79.6	37.4	-	85.6	22.3	-
Benin	37.4	-	17	35	-	24.3	38.3	-	14.2
Cameroon	18.7	12	-	21.3	9.6	-	18	12.6	-
Egypt	28.3	28.9	45.2	26.6	45	43.8	29.5	24.2	45.6
Guinea	8.9	-	38.2	9.2	-	46.9	8.8	-	35.1
Indonesia	19.4	16.1	2.7	17.4	12.5	4.6	20.3	17.1	2
Iran	20.7	-	99.3	16.8	-	99	22.2	-	99.4
Jordan	13.8	-	12.9	7.2	-	37	16.2	-	3.6
Kuwait	-	-	3.5	-	-	6.8	-	-	1.8
Libya	18.3	-	10.3	14.2	-	15	19.7	-	8.4
Malaysia	14.3	14	2.1	11.9	13.2	1.2	15.2	14.3	2.4
Mali	3	2.4	-	3.9	2.1	-	2.8	2.5	-
Morocco	24.5	13.2	-	23.7	15.4	-	25.3	12.4	-
Mozambique	5	0	-	5	0	-	5	0	-
Nigeria	34.3	25	8.8	32.2	22.5	22.7	35.1	25.6	3.1
Oman	5.7	9.2	-	8.1	19.5	-	5.1	3.3	-
Pakistan	51	21.9	14.5	44.4	23.1	6.8	53	21.2	17.3
Saudi Arabia	12.1	3.3	3.9	12	3.6	4.4	12.2	3.2	3.4
Senegal	34.2	-	7.2	38.9	-	8.4	32.3	-	6.1
Sierra Leone	25.8	-	100	19.4	-	100	28	-	100
Sudan	56.6	-	10	56.6	-	12	56.4	-	9.4
Syria	14.8	-	36.6	13.1	-	30.7	15.5	-	38.7
Tunisia	30	11.7	32.7	30.3	13	37.3	30.2	11.2	30.5
Turkey	9.5	5.7	96.4	9.9	9.1	93.9	9.5	4.4	97.3
Uganda	17.1	9.1	-	20.9	10.5	-	16.3	8.5	-
UAE	4.5	-	1	3.2	-	2.9	4.9	-	0.3
Yemen	16.2	-	28.7	17.9	-	25.2	15.6	-	30.2

Source: Extracted from *World Development Indicators 1997*, Table 5.6, 252-254.
Note: SDTR: Standard deviation of tariff rates.
CNB: Covered by nontariff barriers.

Trade Policies of Selected OIC Countries (II)

Country		All Products %			Primary Products %		Manufactured Products %	
	Year	SMT	WMT	AVE NB	SMT	WMT	SMT	WMT
Algeria	1993	21.9	15.4	-	22.5	8.9	21.7	18.7
	2003	18.4	12	1.1	18.5	10.5	18.3	12.5
Bangladesh	1989	106.5	88.4	-	79.8	53.6	109	109.9
	2004	16.5	15.9	1.7	16.4	13.1	16.5	17.4
Benin	2001	14.3	12.7	-	15.5	12.9	14.1	12.4
	2004	14.3	12.7	-	15.4	12.9	14.1	12.5
Cameroon	1994	19.2	13.8	-	23.5	14.7	18.7	13.5
	2002	18.3	15.1	0.1	21.5	19.1	17.9	14.2
Egypt	1995	24.4	16.7	-	26	7.7	24.1	22.2
	2002	19.1	13.7	0.1	18.3	7.7	19.1	16.7
Indonesia	1989	19.2	13	-	18.2	5.9	19.2	15.1
	2003	6.4	5.2	0.5	8	3.1	6.1	5.8
Iran	2000	37.5	22.7	-	23.9	6.6	38.2	28.6
	2004	17.8	14.8	-	14.3	13.6	18	15
Jordan	2000	24	18.9	-	28	16.9	23.4	19.8
	2003	14.5	11.4	10.2	20.2	11.9	13.6	11
Kuwait	2002	3.5	3.9	-	1.5	3.7	4	4
Libya	1996	23	21.3	-	24.9	9.6	22.5	25.6
	2002	20	25.2	-	19.2	15	19.9	28.6
Malaysia	1988	14.5	9.7	-	10.9	4.6	14.9	10.8
	2003	7.3	4.2	1.7	4.5	2.1	7.8	4.6
Mali	1995	16.3	10.3	-	19.3	13.4	16	8.5
	2004	13.1	10.6	-	15.7	11.5	12.7	10.3
Morocco	1993	64.4	45.4	-	55	30.2	65	55.2
	2003	28.9	24.9	0.5	33.7	25.4	28.4	24.6
Mozambique	1994	5	5	-	5	5	5	5
	2003	12.9	9.9	-	15.8	9.9	12.3	9.9
Nigeria	1988	26	23.8	-	33.4	32.3	25.3	21.4
	2002	26.7	16.9	0.4	40.1	20.6	24.9	15.5
Oman	1992	5.5	7.5	-	7.2	14.2	5.1	5.4
	2002	8	13.6	0.9	9.5	31.6	7.6	6.5
Pakistan	1995	50.1	44.4	-	40.5	36.1	51.3	49.2
	2004	15.9	13	-	13.9	8.9	16.1	15.7
Saudia Arabia	1994	12.3	10.9	-	12	9.1	12.4	11.5
	2004	6.6	7.3	0.9	5.9	10.5	6.7	6.6
Senegal	2001	13.9	9.4	-	14.5	8.3	13.8	10.4
	2004	13.9	9.2	0.00	14.8	8.1	13.8	10.5
Sudan	1996	5	3.7	-	12	3.3	4.4	3.9
	2002	21.5	19.6	-	28.8	24	20.8	18.9

Country		All Products %			Primary Products %		Manufactured Products %	
	Year	SMT	WMT	AVE NB	SMT	WMT	SMT	WMT
Syria	2002	14.7	15.5	-	14.4	11.7	14.5	16.6
Tunisia	1990	28.1	25.8	-	25.1	17.4	28.3	28.4
	2004	25.6	23.2	0.8	36.8	21.8	24.5	23.5
Turkey	1993	7.3	6.1	-	6.3	7.9	7.4	5.3
	2003	2.6	2	0.2	11.6	3.5	1.7	1.5
Uganda	1994	17	13.6	-	19.3	17.4	16.7	12.3
	2004	7.3	5.5	0.1	9.6	5.7	7	5.3
Yemen	2000	13	11.7	-	14.3	9.8	12.8	12.9

Source: Extracted from *World Development Indicators 2005*, Table 6.6, 338-340.
Data for Guinea, Sierra Leone, and the United Arab Emirates are not reported.

Notes: SMT: Simple mean tariff.
WMT: Weighted mean tariff.
AVENB: *Ad valorem* equivalent of nontariff barriers.