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## The concept of an Arabian Common Market

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in December, 1966, the first surcharge-free month, imports of manufactured goods were very high indeed, though no conclusion can be drawn from that one item of monthly information.

To the extent of the actual import saving the surcharge achieved its purpose: a relief to the balance of pay-

ments. Whether behind its temporary protection British industry has become more competitive still remains to be seen. In many categories of imports that would certainly be the best—and in the long run perhaps the only—way to a balance of payments improvement and to a state of affairs making trade barriers unnecessary.

## INTEGRATION

# The Concept of an Arabian Common Market

By Hassan Mustafa, Wattenscheid

Also in the Near East the example of the European economic integration within the EEC has given rise to the idea of founding an "Arabian Common Market". The establishment of this Arabian Market was for the first time discussed at a meeting of the Arabian League on June 3, 1957. Such a market might bring about a free exchange of Arabian products between the individual countries—avoiding customs regulations and administrative measures. It would as well enable free transports and transit trade between the member countries, and finally the Arabian world would only need a common tariff wall vis-à-vis outside countries. Therewith the co-ordination of the Arabian economic systems would be promoted and unfavourable inter-Arabian competition eliminated.

After various consultations the Arabian League's Economic Committee authorised a Commission to work out statutes. In spite of this initiative negotiations on problems as e.g. facilitation of payment transactions, abolition of import barriers, standardisation of tariffs mostly did not obtain any results. Egypt's fast industrialisation is the reason for this development. Since the Egyptian market is not yet very receptive, Egypt is of course very much interested in the Arabian Common Market. On the other hand, the other Arabian countries are apprehending that in future they would have to orientate their economies towards Egypt and with regard to their own products would have to consider Egypt's requirements even more.

### **Free Exchange of Goods**

However, in autumn, 1964, an arrangement was finally concluded, in which the creation of an Arabian Common Market within the next years was agreed on. The United Arab Republic, Iraq, Kuwait, Jordan, and Syria attended this meeting. The agreement provides that agricultural products, raw materials and manufactures will be exchanged freely among the member states in accordance with certain guidelines.

Restrictions, levies and taxes are to be fixed accurately for imports and exports so that no member state will be able to collect higher levies. The member countries will mutually apply the principle of most-favoured nation treatment as regards their

trade with other states not belonging to the Arabian League and in their mutual trade are not to collect levies and tariffs that do not exist for such goods in their domestic market, too. In trade between member states no export duties are to be collected on agricultural produce, raw materials and manufactures.

If these products have been traded within the Arabian Common Market, the purchasing country must not export them to outside countries unless the country of origin agrees, or after they have been industrially processed and may be considered manufactures of the importing country. Furthermore no member state shall connect direct financial subsidies with exports of its own products to other member states if the importing country is producing similar goods.

A transitional provision foresees an annual reduction by 10% of duties and other levies from January 1, 1965, on. With regard to various products this reduction by 10% is carried through in addition to the reduction as fixed in the agreement, thus certain industrial products, to which a total reduction by 25% is applying, will be free of duty after 7½ years, while with manufactures getting a reduction by 50% this will be the case in five years.

Every member state supplies the Council for Economic Union precise data on restrictions in imports and exports of farming produce and raw materials as well as of industrial manufactures, particularly taxes and other levies on imports and exports. The member states are to enter into a special list those farming products and raw materials of the 20% group in whose case restrictions will be abolished with the next stage of the Common Market. The same applies to the 10%-group of industrial manufactures. Moreover, the member states are to submit a catalogue of their subsidised products and the volume of aids. The Economic Council is to be informed of all changes in this catalogue.

### **Important Problems Not Yet Solved**

Transitional regulations are to be introduced until an Arabian Payments Union and Arabian Monetary Fund for the convertibility of currencies has been estab-

lished. Claims from business transactions among the member states will be liquidated through special Sterling accounts that have been opened at the Central Banks of the respective countries.

The invoices for such trading operations will also be made out in Sterling. The accounts will be settled every half year and the remaining balances are to be offset vis-à-vis the creditor with goods or in currency in the following half-year. If the payment is not carried through correspondingly the creditor may demand settlement in any convertible currency. The Central Banks of the member states may arrange for the execution of these regulations between themselves.

At present a Committee of Experts is dealing with the problems of a uniform tariff legislation, a common external tariff, free flow of capital, free movement as regards professional practice and entrepreneurial activities as well as freedom of transport and transit. The co-ordination of foreign trade policies and an adjustment of the Arabian Common Market's policies vis-à-vis the European Economic Community are further points which have to be negotiated between the Arabian states.

Further agreements may be concluded between individual member states if they bring about an accelerated realisation of the economic community. The member states are also authorised to conclude economic agreements with non-members. However, they should only enter into an arrangement with a customs union or a free trade zone after they have discussed the matter with the other partners of the Arabian Common Market.

On no conditions must such an agreement impair the interests of the Arabian Common Market. The members of the Arabian League who did not yet sign the agreement on the Arabian Economic Community, may join the Common Market any time. The same applies to Arabian and Afro-Asian countries who do not belong to the Arabian League.

Its early realisation is to be wished for the planned Arabian Common Market. Since the member states are countries with a common language, a common religion and the same customs and habits the conditions are quite favourable. Therefore we might justifiably expect the project to work even better than the European Economic Community.

## RUMANIA

# Independence Through Foreign Trade

By Professor Dr Kurt Wessely, Vienna

**O**f all the socialist member countries of the Council for Mutual Economic Aid (COMECON) special attention is being paid, apart from the Soviet Union, to Rumania's economic development. This country whose economy is based on sound foundation has, as the first of all the members, secured for itself a certain freedom in foreign trade. This influences COMECON's whole economic activity and directs it into new channels.

### **No Fundamental Economic Reform**

To prevent any misinterpretations, it must be stated forthwith that there can be as little doubt as to Rumania's adherence to the socialist camp as to the Communist Party's claim to supremacy. Despite all national aims it follows a clear totalitarian course. So far Rumania has not joined those COMECON countries who, through a reform of the economic system, have introduced new market aspects, are now emphasising the independence of enterprises, have made the profit motive the most important feature of economic development and thus shaken off the shackles of a centrally controlled economy.

With the exception of agriculture, practically nothing has changed in Rumania's economic organisation in the last few years. True enough, there is the effort to raise the power of the economy. There is talk of low-

ering cost of production, of raising effectiveness and applying material stimulants which are suited to improve economic direction. But a decision towards a systematic change of the whole economic organisation is still absent.

This does not exclude, however, that Rumania will not follow up its foreign trade policy and adapt new forms of economic direction, thus applying its avant-gardist ideas of foreign trade to its whole economic policy. But it is emphasised in Rumania that in view of the high rate of growth in industrial production and, it is true, of a rather low standard of living there is no compelling reason to rush into any reforms. Even without them, it is argued, the economy proceeds according to plan and expectation.

### **Solidarity But Independence**

Thus the break through in Rumania to a new economic policy is confined, for the time being, to foreign trade, though it also applies to a certain extent to the selection and execution of investments. This is closely linked up with the concept of foreign policy which stresses the solidarity with the other socialist countries but rejects any interference and claim of supremacy by Moscow. Consequently COMECON had to drop the plan, still conceived by Khrushchew, to establish joint development targets for its whole area and carry them out jointly.