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Lebanon's WTO Accession: The Facts

Mike Pullen

Thursday, 02 July 2009 23:25



The World Trade Organization (WTO) is often misunderstood and misrepresented. Earlier this week, the International Trade Union Confederation (ITUC) suggested that WTO membership would erode the sovereignty of the Lebanese government and damage the economy, generating unemployment and threatening the livelihoods of the poor.

Right now, 153 countries are members of the WTO and 29 others, including Lebanon, are lining up to join. This is a clear vote of confidence in the multilateral trading system. If the WTO was detrimental to national interests, would 93 percent of the world's governments, representing more than 5 billion citizens, really want to be members? The truth is, trade and investment make countries richer and their citizens better off.

The benefits of WTO membership stem from the cumulative impact of the hundreds of legislative, policy and institutional changes that countries make in order to join. Membership disciplines Governments in their dealings with the private sector, and, since WTO commitments are binding, creates a more predictable, secure and enticing business environment for domestic producers and investors, both at home and abroad.

Membership has generated countless success stories, but take Saudi Arabia for example. The extensive process of legal and institutional reforms that took place in the 10 years preceding the country's accession in 2005 stimulated record GDP growth rates and huge increases in international trade and investment, which in turn, created jobs, lots of them. There is no denying that stimulus of this kind would be of enormous benefit to Lebanon's reconstruction effort.

WTO membership would provide Lebanese businesses and consumers with a broader range of competitively priced goods and services, and enable them to benefit from greater competition and much-needed investment in the local market. Such investment would stimulate innovation and the more efficient allocation of capital throughout the economy.

Given the reciprocal nature of the WTO, membership would also benefit Lebanese exporters who would be subject to fewer export and foreign investment restrictions and have a more stable and secure business environment in which to operate. This would be safeguarded by access to the WTO's dispute settlement system, which can provide an effective means for resolving trade-related disputes that cannot be settled through normal commercial and diplomatic channels.

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The WTO is not a world government. Membership of the organization will not erode Lebanon's sovereignty or limit its ability to regulate effectively. If the WTO did not exist, people would be crying out for a forum where governments could negotiate rules, ratified by national parliaments that promote freer trade and provide a transparent and predictable framework for business. And they would be crying out for a mechanism that helps governments avoid coming to blows over trade disputes. That is what the WTO is. It does not lay down the law, it upholds the rule of law. It does not tell governments what to do, it acts on governments' wishes. That is how it should be.

The ITUC suggests that WTO membership, and Lebanon's tariff reduction commitments in particular, would lead to an increase in imports, stimulating a decline in domestic industrial production and greater levels of unemployment. This is highly unlikely. Lebanon's average applied tariff is 6.9 percent and 83 percent of all tariffs are equal to or below 5 percent. Only the agricultural sector receives significant protection, with an average tariff of 19.4 percent. The market access proposals currently on the table are for tariff bindings well above these levels and allowances can, and will be made for sensitive sectors in the economy. If implemented, the tariff bindings would create a stable and transparent environment for business, whilst leaving the Lebanese Government with ample policy space to prevent import surges and respond to any other domestic crisis that may occur.

Critics of free trade often say that imports costs jobs. This is an odd claim and one that the Cato Institute dispelled in a recent study. It found that since 1973, there has not been a single year when falling imports have been associated with a falling unemployment rate in the US. What is more, America's openness to foreign investment is credited in the study for creating jobs. One in eight manufacturing workers now works for a foreign-owned company. Had America been closed to foreign investment, those jobs would have been lost.

The WTO is the guardian of free trade and free trade is not an ugly concept. On the contrary, free trade helps pay for the things we value most: jobs, health, education, a cleaner environment. More trade, not less trade, is the surest way to improve people's lives and working conditions. More trade, not less trade, is the surest way to promote freedom, security and peace. For these reasons, the Lebanese people should support the considerable efforts of the Government to ensure that the country accedes to the WTO on the most advantageous terms possible.

Global Arab Network

Mike Pullen is a partner at DLA Piper and head of the firm's International Trade Practice in Europe, the Middle East and Asia. He is also a board member of the UK Middle East Association. The article above was first published by the Daily Star - May 16, 2009

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