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Technical Committee on Liberalization of Foreign Trade, Economic
Globalization and Financing for Development in the Countries of the ESCWA Region
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**REVIEW OF ACTION TAKEN IN THE FIELDS OF LIBERALIZATION OF FOREIGN TRADE,
ECONOMIC GLOBALIZATION AND FINANCING FOR DEVELOPMENT
SINCE THE SIXTH SESSION OF THE COMMITTEE****ACTIVITIES RELATED TO ECONOMIC GLOBALIZATION AND FINANCING
FOR DEVELOPMENT UNDER ESCWA PROGRAMME OF WORK****Summary**

Since the sixth session of the Technical Committee on Liberalization of Foreign Trade, Economic Globalization and Financing for Development in the Countries of the ESCWA Region, the Economic and Social Commission for Western Asia (ESCWA) implemented a set of activities under subprogramme 3 on economic development and integration of the ESCWA programme of work for the biennium 2010-2011. The activities focused on: (a) conducting studies; (b) organizing expert group meetings and workshops; and (c) providing technical assistance and capacity-building services to member countries.

This paper reviews the activities related to economic globalization and financing for development. It is submitted to the Technical Committee on Liberalization of Foreign Trade, Economic Globalization and Financing for Development in the Countries of the ESCWA Region for review, discussion and proposal of recommendations on the implementation follow-up.

Introduction

1. The activities undertaken by the Economic and Social Commission for Western Asia (ESCWA) in relation to liberalization of foreign trade, economic globalization and financing for development are included in subprogramme 3 on economic development and integration of ESCWA programme of work. Under the programme of work for the biennium 2010-2011, the main objective of subprogramme 3 consists of achieving sustainable economic development for reducing poverty through regional integration in a globalizing world. This subprogramme is implemented by the Economic Development and Globalization Division (EDGD) of ESCWA.
2. Under subprogramme 3 for the biennium 2010-2011, the activities related to economic globalization and financing for development in the countries of the ESCWA region pertain to expected accomplishments (b) and (d). Expected accomplishment (b) consists of enhancing the capacity of member countries to formulate and/or implement policies and measures recommended by the Monterrey Consensus, taking into consideration the outcome of the Follow-up International Conference on Financing for Development held in Doha in 2008. Expected accomplishment (d) consists of enhancing the capacity of member countries to negotiate and implement subregional, regional and multilateral trade agreements designed to increase intraregional and international trade.
3. This paper reviews the activities related to economic globalization and financing for development, which were implemented by ESCWA under subprogramme 3 of its programme of work for the biennium 2010-2011, since the sixth session of the Technical Committee on Liberalization of Foreign Trade, Economic Globalization and Financing for Development in the Countries of the ESCWA Region (Beirut, 6-7 July 2009). Those activities include conducting studies, organizing expert group meetings and workshops, and providing technical assistance and capacity-building services to member countries.

I. STUDIES

Annual Review of Developments in Globalization and Regional Integration in the Arab Countries, 2009 (E/ESCWA/EDGD/2009/7)

4. The eighth Annual Review of Developments in Globalization and Regional Integration in the Arab Countries for the year 2009 examines the impact of the global financial crisis on the Arab economies. It assesses the performance of the Arab countries in achieving regional economic integration and integration into the global economy by analyzing the core indicators of economic integration in the Arab region, namely Arab intraregional trade, Arab intraregional investment, Arab intraregional tourism, intraregional remittances of Arab workers, and Arab intraregional official development assistance. The Annual Review also highlights the developments in a number of key sectors in the achievement of regional integration, namely the transport, energy, water and information and communications technology sectors.

Progress Made by ESCWA Member Countries in the Implementation of the Monterrey Consensus (E/ESCWA/EDGD/2010/2)

5. This study addresses the leading actions called for in the Monterrey Consensus adopted by the International Conference on Financing for Development held in Mexico in 2002, and the issues discussed at the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, held in Qatar in 2008. The leading actions of the Monterrey Consensus cover six areas, namely: mobilizing domestic financial resources for development; mobilizing international resources for development, including foreign direct investment and other private flows; international trade as an engine for development; increasing international financial and technical cooperation for development; external debt; and addressing systemic issues by enhancing the coherence and consistency of the international monetary,

financial and trading systems in support of development. The study discusses the progress achieved by member countries in those areas since 2002 with a focus on 2008. It reviews the impact of the global financial crisis on the performance of member countries in several aspects of financing for development, in addition to emerging challenges hindering the full implementation by member countries of the Monterrey Consensus. The study concludes with 17 recommendations to member countries to expedite the implementation of the Monterrey Consensus.

Foreign Direct Investment in the Countries of the ESCWA Region
(Technical paper)

6. This technical paper addresses the performance of ESCWA member countries in the field of foreign direct investment and reviews the most important legislative developments and legal amendments related to foreign direct investment flows and activities. It evaluates the investment climate and highlights the major challenges hindering investment flows to member countries as well as the main factors considered before engaging in any investment. The study focuses on foreign direct investment statistics available from the project on *Strengthening Expertise and Networking in the Field of Foreign Direct Investment in ESCWA Member Countries*, which was launched by ESCWA in eight member countries in 2002 based on a comprehensive survey of companies benefiting from foreign direct investment.

Guide on Bilateral Investment Agreements

7. The guide analyzes the core concepts of bilateral agreements regulating investment, the investment law in general, and challenges faced by the parties negotiating those agreements which are now a main tool to protect international investments. The guide aims to enable participants of training courses organized by ESCWA to acquire the necessary theoretical knowledge that helps them understand the core concepts of bilateral investment agreements.

8. The guide highlights challenges faced by the parties negotiating bilateral investment agreements at two levels, namely: (a) in negotiations, especially that in the absence of a legal basis for negotiation and with countries striving to defend their interests, negotiating positions vary between investment host countries and investment source countries and according to their economic, monetary and geographical conditions; (b) in dispute resolution, since developing countries have scarce competent human resources to manage disputes with foreign investors or to develop the necessary dispute-resolution strategies. The guide comprises ten sections related to the following issues: understanding the core concepts of international agreements; areas of implementation of investment agreements; national treatment; most-favoured nation treatment; fair and equitable treatment; free transfer of funds; exceptions to international investment treatment; expropriation; securing investments against non-commercial risks; dispute resolution; and bilateral investment agreements.

II. MEETINGS

**Expert group meeting on the role of the financial sector
in the regional integration**
(Beirut, 21-22 October 2009)

9. The meeting aimed to evaluate efforts made to achieve regional economic integration with a focus on financial services. It was attended by local, regional and international experts as well as representatives of official bodies and the private sector. Participants exchanged views about their expertise and discussed obstacles hindering Arab economic integration in general, and integration in the area of financial services in particular. They also considered ways to develop financial services in order to support regional integration.

10. Eight sectoral studies were presented at the meeting about the roles of: the Islamic banks; the Islamic Development Bank; the Arab banks; the private banks; and the Arab stock markets and financial markets in promoting regional cooperation and achieving regional integration.

11. Experts drew out a set of recommendations to decision makers in ESCWA member countries to contribute to Arab regional integration in the field of financial services.

**Dubai International Conference of Endowments on Innovative Sources to Finance
Small and Medium-Sized Enterprises**

(Dubai, 16-17 February 2010)

12. ESCWA organized this conference in cooperation with the Awqaf and Minors Affairs Foundation (Dubai government), to provide a platform to Arab and international experts to examine the role of small and medium-sized enterprises (SMEs) in the Arab countries and identify the most promising sectors for future investments. The conference particularly aimed to assist the endowment institutions in the Arab region in identifying the opportunities currently offered in the SME sector worldwide, and in determining the best ways to finance SMEs. It provided an opportunity to promote cooperation between the endowment institutions and other regional and international organizations. Discussions addressed the following topics: current status and prospects of SMEs in the Arab region; the role of multilateral financial institutions, endowment foundations and Islamic banks in financing SMEs; national and international experiences in financing SMEs; new methods and ways to support and finance SMEs; and building partnerships between endowment foundations and regional development funds.

Expert group meeting on the role of workers' remittances in financing development

(Beirut, 28-29 September 2010)

13. The meeting aimed to provide a forum to international, regional and national experts and official bodies to exchange expertise and analyze the inflows and outflows of workers' remittances in the ESCWA region and their economic impact on financing development. The topics addressed included the overall trends of migrant workers' remittances and their impact on financing development; workers' remittances in ESCWA member countries; and the impact of workers' remittances at the macroeconomic level in source countries, with a focus on Kuwait, Saudi Arabia and the United Arab Emirates and their impact on recipient countries namely Egypt, Jordan, Lebanon, the Sudan, the Syrian Arab Republic and Yemen.

14. Experts drew out a set of recommendations to decision makers in ESCWA member countries about ways to enhance the role of remittances in financing development, including channelling workers' remittances into high value-added economic sectors that play an efficient role in achieving sustainable development.

**Expert group meeting on financing transport and road safety infrastructure
in the countries of the ESCWA region**

(Manama, 1-3 February 2011)

15. ESCWA organized this meeting in cooperation with the Ministry of Transportation in Bahrain. The meeting focused on the following topics: (a) successful experiences of partnerships between the public sector, the private sector and financial institutions in financing infrastructure projects in some developed countries; (b) experiences of regional investment banks and development funds in financing transport infrastructure projects; (c) proposals to member countries about building partnerships between government institutions, the private sector and regional investment banks and development funds to finance transport infrastructure projects; (d) national awareness-raising campaigns targeting road users, especially youth, regarding road safety; and (e) possible road safety measures to be taken in the framework of the Decade of Action for Road Safety 2011-2020.

16. Several recommendations were reached at the end of the meeting namely, calling upon development funds and banks to build partnerships with the public sector to finance transport infrastructure projects; creating new mechanisms to mobilize and use the excess liquidity of commercial banks to finance long-term projects, especially in infrastructure; and establishing legal and institutional frameworks encouraging public-private partnerships.

III. PROVIDING TECHNICAL ASSISTANCE AND CAPACITY-BUILDING SERVICES TO MEMBER COUNTRIES: WORKSHOPS

Negotiations of bilateral investment agreements

17. ESCWA organized four national workshops on negotiations of bilateral investment agreements in Damascus (1-5 August 2010), Amman (7-11 November 2010), Beirut (14-18 March 2011) and Khartoum (9-15 April 2011). The workshops aimed to identify the basic concepts and rules of foreign direct investment and enhance the theoretical knowledge of participants about relevant issues and problems through hands-on exercises and simulated negotiations of investment agreements. Participants were able to understand the legal and organizational framework required for investment, the mechanism of negotiating investment agreements and contracts, and the stakes and challenges related to concluding such agreements. The workshops included hands-on exercises where participants discussed clauses of investment agreements or contracts, conducted potential negotiator role-playing, drafted specific clauses and analyzed case studies to enhance their knowledge about investment agreements.

Negotiations of double taxation avoidance

18. ESCWA organized two national workshops on double taxation avoidance and the international fiscal law in Damascus (23-27 May 2010) and Amman (19-23 December 2010). Both workshops aimed to upgrade the negotiation skills of negotiators in Jordan and the Syrian Arab Republic by analyzing issues covered by negotiations of double taxation avoidance and relevant economic policies; explaining fiscal concepts and aspects of the international fiscal law; introducing the general principles of international agreements on double taxation avoidance and ways to avoid double taxation; and understanding the fiscal problems of several international activities such as harmful tax practices, tax fraud and evasion, tax havens/preferential tax regimes and exchange rate. The workshops included an analysis of several bilateral agreements signed by Jordan and the Syrian Arab Republic to identify their strengths and weaknesses and point out the best mechanisms to sign such agreements.

Collection and calculation of foreign direct investment statistics

19. ESCWA organized two workshops at the national level on collecting foreign direct investment statistics; the first in Muscat (26 February-2 March 2011) in cooperation with the Ministry of National Economy, and the second in Abu Dhabi (6-10 March 2011) in cooperation with the National Bureau of Statistics. Both workshops aimed to inform participants of the international standards and indices used to measure foreign direct investment; present the best practice in surveying the companies benefiting from foreign direct investment and in data collection; and highlight ways to address challenges related to investments of sovereign funds, migrant workers' remittances and real estate. The form used for the survey of companies benefiting from foreign direct investment was also reviewed.
