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students majoring in Finance and International Trade**

International Trade Policies

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General Introduction

International trade occupies a central position at the heart of the global economy, as it represents the means through which countries interact with one another to exchange goods, services, and capital. It is also a key tool for achieving growth, diversifying production, and improving living standards. Contemporary trade has gone beyond the traditional concept based on the exchange of surplus goods between countries, becoming a strategic tool related to the interests of major powers, and sometimes used as a means of pressure, as a bridge for economic integration, or as a tool for achieving political influence.

In this context, the importance of this publication comes, which is directed primarily toward students in the fields of economics, commerce, and management sciences, and more specifically those specializing in finance and international trade. As They are the group that will, in the future, bear the responsibility of understanding the complex dynamics of the global economy and contributing to the formulation of national and international economic policies. This work aims to provide a simplified and comprehensive scientific and academic reference that assists students in understanding the theoretical frameworks and fundamental concepts of international trade policies, while also presenting the most prominent contemporary issues related to them.

This publication is based on several interconnected axes, starting with the theoretical framework of international trade through the presentation of classical theories such as Ricardo's theory of comparative advantage and the Heckscher and Olin's theory of factors of production, leading up to modern theories. The publication then moves on to the reasons for the establishment of international trade, international specialization as a bridge to move to the concept of foreign trade policy, by addressing the discussion of the definition of foreign trade policy,

its tools, which include customs duties, quotas, subsidies, non-tariff restrictions, and bilateral and multilateral trade agreements.

The publication also addresses the role of the mechanism for evaluating foreign trade policies within the international economic system, by defining it, highlighting the historical background of its emergence, and thus the role it plays in the global economy.

The publication also addresses the development of international trade institutions, particularly the World Trade Organization, and analyzes their roles and challenges, and their impact on global trade disputes. In addition to the international economy through the concept, features and its impact on the economies of countries, especially developing ones such as Algeria.

Through this approach, students will become familiar with the economic and social impacts of international trade on both developed and developing countries. They will also engage with vital topics such as fairness in trade exchanges and the impact of globalization on economic sovereignty. The publication places particular emphasis on the role of developing countries and the challenges they face in integrating into the global trading system, In light of the imbalance of power and weakness of negotiating capacity, and disparities in the level of technological development.

This work has been carefully prepared to address the student in a gradual and systematic manner, balancing the theoretical aspect with practical analysis, and integrating abstract concepts with applied examples all with the aim of bringing the concepts closer and making them more connected to the student's surrounding reality.

INTRODUCTION

In a rapidly changing world, there is a growing need for a generation of students and researchers capable of critical thinking and deep analysis. From this perspective, this publication is not merely a cognitive material, but rather a tool for preparing students to consciously interact with the issues of their time and a key to a broader understanding of the rules of the global economic game, from which no country can isolate itself.

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First axis

Lecture One: The Concept of International Trade

International trade represents the cornerstone of all international economic relations—and indeed, of global relations as a whole. It plays a decisive role in shaping the political, economic, and even security positions of nations. This is because international trade drives economic growth, enhances the efficiency of national economies, and attracts foreign investment, thereby contributing to the reduction of unemployment.

In essence, international trade serves as a fundamental pillar upon which the global economy relies to stimulate growth and improve societal welfare. Over time, it has undergone profound transformations—evolving from early mercantilist theories to modern analytical frameworks that incorporate scientific and technological progress, as well as the dynamic nature of global developments.

Accordingly, this lecture will explore the concept of international trade by examining its definition, the major theoretical approaches that explain it, and its economic significance in promoting global development and prosperity.

➤ The concept of international trade :

International trade refers to the economic activity that entails the exchange of goods and services between two or more nations across their respective borders. It differs from domestic trade in several dimensions, including the use of multiple currencies, variations in customs procedures, and the diversity of legal and regulatory frameworks governing such exchanges. International trade is widely recognized as one of the fundamental pillars for promoting specialization and fostering the international division of labor, thereby enhancing global economic efficiency.

Over time, numerous definitions of international trade have emerged, reflecting the diversity of scholarly perspectives and the specific objectives of different studies. Historically, it has been regarded as one of the most significant forms of economic interaction through which countries engage in the exchange of goods and services in the form of exports and imports. Other definitions of international trade emphasize that it encompasses international transactions in their three main forms — the movement of goods, individuals, and capital — that occur between persons residing in different political entities. Moreover, foreign trade may transform into domestic trade in cases of economic integration, as exemplified by the European Union.

International trade is also defined as the exchange of goods and services between countries in accordance with rules and practices commonly recognized worldwide. It generally takes two principal forms:

Exporting: the movement of goods and services out of a country's borders.

Importing: the movement of goods and services from abroad into the domestic market.

Some scholars further describe it as “the process of commercial exchange that takes place between a country and the rest of the world.” From these various definitions, it can be concluded that foreign trade refers to the transfer of goods, services, and other factors of production between nations.

➤ **Advantages of international trade:**

From the previous definitions, it can be concluded that international trade is characterized by the following features:

- It operates within monetary and banking systems that primarily involve either the exchange of goods for foreign currency or the exchange of foreign currency for foreign goods.
- It is conducted using multiple currencies.
- It is governed by specific laws and regulations that organize and control foreign trade activities.
- It provides opportunities for the formation of trade blocs and monopolies.
- It is marked by variations in market opportunities and influencing factors across countries.

➤ **The importance of international trade:**

The importance of international trade can be summarized as follows:

- It promotes economic growth and facilitates the transfer and diffusion of technology.
- It expands domestic markets, enabling countries to access and compete in the global marketplace.
- It contributes to improving the efficiency of resource allocation and generating new employment opportunities.
- It enhances competition, which in turn leads to higher quality goods and services

➤ **Theories explaining international trade:**

The Historical Evolution of International Trade Liberalization

As previously mentioned, international trade is as old as the emergence of nations and states themselves. Since the inception of cross-border trade, numerous scholars have sought to explain and interpret this phenomenon through various analytical frameworks. These contributions collectively constitute what is known today as the theories of international trade.

▪ **The Theory of Absolute Advantage (Adam Smith):**

The concept underlying this theory is straightforward. It is based on the idea of international exchange between two countries and two goods, where each country holds an absolute advantage in the production of one of the goods. For example, one country may possess an absolute advantage in producing good “A,” which it trades with another country for good “B,” in which that country, in turn, has its own absolute advantage. On this basis, international trade occurs, allowing both nations to benefit from specialization and exchange.

Nevertheless, this theory has been subject to numerous criticisms and has gradually lost much of its scientific relevance over time.

▪ **The Theory of Comparative Advantage (David Ricardo):**

This theory is primarily grounded in economic reasoning and emphasizes the potential gains derived from applying the principle of the division of labor at the international level.

According to the principle of comparative advantage, country (A) may be more efficient than country (B) in producing two goods — for example, goods X and Y. Thus, country (A) can produce both goods at lower costs and export them at lower prices. However, its overall gains from international trade will be greater if it specializes in the production and export of the good in which it has a comparative advantage — that is, the good it can produce at a relatively lower opportunity cost compared to the other.

It is worth noting that this theory was later developed and refined by John Stuart Mill, who addressed several of the criticisms directed at Ricardo’s original formulation. Subsequent economists of the British classical school further expanded and elaborated upon this theoretical framework, establishing it as one of the cornerstones of classical international trade theory.

▪ **The Heckscher–Ohlin Theory and the Evolution of International Trade Theories**

The contribution of Heckscher and Ohlin aimed to explain the underlying causes of differences in comparative advantages. In Heckscher’s writings, there is a clear link between Ricardo’s original theory and his own interpretation of the reasons behind variations in relative production costs. However, this was not entirely the case for his student Ohlin, who criticized the Ricardian principle of measuring value solely on the basis of labor. Ohlin argued that using commodity prices rather than production costs provided a more logical explanation for the existence of international trade.

These ideas collectively became known as the Heckscher–Ohlin Theory, and were regarded as a single framework often referred to as the “Modern Theory of International Trade.” This theory was considered a complement rather than a replacement for Ricardo’s theory of comparative costs.

Subsequent theories sought to refine and challenge this approach. Among them was Leontief’s paradox, which cast doubt on the validity of the Heckscher–Ohlin model. Later, Alfred Marshall’s analysis further explored how the international terms of trade are determined, building upon John Stuart Mill’s reciprocal demand theory.

In the years that followed, several new or corrective theories emerged, offering more suitable explanations for the realities of international economic relations — notably the Linder Hypothesis, the Learning Curve theory, and the Product Life Cycle theory. Overall, all these theories shared a common goal: to explain the foundations of international exchange and affirm that no nation can exist in isolation from the global economy. Consequently, diverse perspectives have emerged regarding whether countries should restrict or liberalize their foreign trade policies.

The evolution of international trade theories thus mirrors the historical and economic transformation of relations among nations. While classical theories focused on resource endowments and production efficiency, modern approaches emphasize the roles of technology, innovation, and market size. Understanding this theoretical progression is therefore essential for designing effective trade policies in today’s interconnected global economy.

Lecture two: Reasons for the emergence of international trade and its relationship to international specialization

In this lecture, we will examine the main theoretical explanations for the emergence of international trade, explore additional contributing factors, and analyze the relationship between foreign trade and international specialization — a key pillar in the development of global trade

1. The Economic Foundations of International Trade and Its Relationship with International Specialization

The explanation for why international trade arises among nations can be traced back to the fundamental economic problem what economists refer to as the issue of relative scarcity. It is widely acknowledged that, regardless of the political or economic system in place, no country can pursue a policy of complete self-sufficiency indefinitely.

A policy of self-sufficiency implies that a nation must produce all of its needs independently, even when its economic, natural, and geographical conditions do not allow it. However, no nation—no matter how strong its desire for autonomy—can remain isolated from the rest of the world. Just as individuals cannot produce everything they consume, countries too must engage in specialization, producing only those goods and services that their natural and economic environments allow them to produce efficiently. These goods are then exchanged for other products that cannot be produced domestically or that can be obtained from abroad at lower cost.

Hence, international specialization and the global division of labor are inherently linked to the existence of international trade. One of the main driving forces behind trade is, therefore, the principle of international specialization. Yet, before addressing the relationship between specialization and trade, it is necessary to review the principal theories of international trade, which explain the underlying causes of cross-border exchange. These theories fall into two broad categories :

1. **The Classical Theories**, developed by **Adam Smith** and **David Ricardo**, which explain international trade in terms of relative production and cost advantages. According to these theories, a country imports goods whose relative production costs (and consequently, relative prices) are higher domestically, and exports those goods that it can produce more efficiently. Thus, relative costs determine the pattern and structure of international trade.

2. **The Modern Theories**, formulated by **Eli Heckscher** and **Bertil Ohlin**, which attribute international trade not to differences in labor productivity—as suggested by Ricardo—but rather to differences in factor endowments, such as labor, capital, and natural resources. These variations lead to cost differentials across countries and hence motivate international exchange.

It is important to note that the rationale for foreign trade is fundamentally similar to that of domestic trade: both aim to enhance the standard of living. Two key facts illustrate why international trade contributes to improved welfare levels:

- **First**, no country possesses all the resources or capabilities required to produce every good and service. The world is characterized by diversity—some nations are rich in natural and human resources, while others are relatively poor.
- **Second**, due to environmental, technological, and institutional differences, production costs vary widely across countries. These disparities in cost structures form the essential basis of international trade.

Beyond these core reasons, several additional factors also encourage the expansion of trade among nations:

- The increase in productive capacity resulting from technological progress and large-scale production, which often exceeds the absorptive capacity of domestic markets.
- The rising cost of capital investments in machinery, equipment, and production technologies, especially in developing countries, which necessitates integration into global markets.
- The strategic ambitions of some nations to expand into and dominate foreign markets, often resulting in economic dependence, a phenomenon particularly evident in many developing economies, especially in Africa.

I. International Specialization and Its Relationship with Trade

It is evident that international specialization and trade are closely intertwined. Early economists consistently emphasized this relationship, arguing that specialization increases productivity and overall welfare. When an individual focuses on a single task, their efficiency and skill improve; by analogy, when a nation specializes in producing certain goods and services in which it has a comparative advantage, it achieves higher productivity and can trade its surplus with other countries.

▪ **International specialization is influenced by several key determinants:**

1- Natural Resources

Climate, soil quality, and environmental conditions play a vital role in determining the goods a country can produce efficiently. While technological innovation has reduced the dependency on natural factors—through artificial climate control, greenhouses, and synthetic substitutes—natural endowments remain significant. For example, **Egypt** specializes in cotton, **Brazil** in coffee, and **Indonesia** in rubber, owing to their distinct climatic and resource advantages.

2- Differences in Labor and Capital Availability

A country's specialization is also shaped by its **human and capital resources**. Developing countries, which typically have abundant unskilled labor but limited capital, tend to engage in **labor-intensive industries** such as textiles, food processing, and agricultural production. Conversely, industrialized nations, where capital is abundant and labor relatively scarce, specialize in **capital-intensive industries** that rely on advanced technology and technical expertise.

a- Transportation Costs

Transportation costs significantly affect the extent and pattern of trade since they add to production costs and influence final prices. Nations that locate industries near ports and coastlines can expand their trade more easily, as maritime transport is less costly than air or land transport. Lower transportation costs thus create a relative advantage, allowing these countries to compete more effectively in global markets.

b- Technological Advancement

Technological innovation grants a country the ability to produce high-value and complex goods unavailable elsewhere, at least initially. Such nations—like the United States, the United Kingdom, Germany, France, and Russia—gain a dominant position in world trade through the export of advanced machinery, industrial equipment, and high-technology goods.

c- Price Differentials

Ultimately, international trade is driven by differences in prices between domestic and foreign markets. Consumers seek to maximize satisfaction by purchasing goods from the cheapest sources, while producers aim to sell at the highest possible prices. The difference in price levels between exporting and importing countries gives rise to trade flows. However, transportation costs, tariffs, and exchange rate fluctuations can influence these price differences and, consequently, the volume of trade.

➤ **Conclusion**

From the foregoing discussion, it is clear that specialization forms the foundation of international trade. Nonetheless, specialization should not be viewed as a static concept. For instance, the existence of fertile land and favorable climate does not mean that a country must remain forever dependent on agriculture. With appropriate economic and industrial policies, it can diversify its production base toward manufacturing and services. Likewise, a shortage of domestic capital does not permanently prevent a nation from entering capital-intensive industries; through the attraction of foreign investment and the development of a conducive business environment, it can overcome such constraints.

The same applies to other production factors—labor, expertise, and knowledge—which can be enhanced through education, technological transfer, and international cooperation. Ultimately, the dynamics of specialization and trade are shaped not only by a country's natural endowments but also by its ability to adapt, innovate, and integrate effectively into the global economy.



Second axis

Lecture One : The concept and objectives of foreign trade policy

The attitudes and trade relations of countries differ from one country to another, and sometimes even from one period to another within the same country, depending on the level of economic development it enjoys and the economic conditions it is going through, whether at the local or international level. This divergence in attitudes, especially those related to the economic aspect, is particularly notable, and more specifically, the trade aspect is related to what is known as foreign trade policy. This is what we will elaborate on in the second section by exploring the concept of foreign trade policy, its different types, and the potential benefits that may result from the implementation of each type.

❖ The Historical Development of Foreign Trade Policy:

The period extending from ancient times until the 17th century was characterized by the prevalence of free trade, during which the state did not interfere in international trade exchanges, for reference, during that period, customs tariffs had a financial nature and were not concerned with protective measures. The appearance of the modern state and the commercial school had a significant impact on the emergence of protectionism, which primarily aimed to increase the State 's wealth and power, promote industry, and protect it from foreign competition.

The period from 1846 to 1873 is considered a time of prosperity and support for the school of economic liberalism, during which the economic policy of that era supported the principle of free trade both locally and internationally, many were influenced by the doctrine of Adam Smith, who called for granting individuals the freedom to manage economic activity without state intervention. He also considered international division of labor and specialization as the foundation of international economic relations, It is worth noting that these ideas It was embodied on the ground in both England and France, starting in May 1846, when England repealed laws " Crops". This was followed by the signing of the Cobden-

Chevalier Treaty in 1860 between the two countries, which led to the complete abandonment of protectionist policies by the French government¹.

It must be said that this policy clearly contributed to the expansion of international trade, giving it a global character especially under the gold standard. However, on the other hand, But on the other hand, this policy has brought with it great conflict and disappointment as a result of the exploitation of the developed countries by the underdeveloped countries.

Naturally, as a reaction to this, some economists in both the USA and Germany called for the need to protect the national economy from the invasion of English goods, and this is indeed what happened in reality, which accelerated the return to protectionist policies starting from 1873 until the outbreak of the First World War. It is worth noting that during the period from 1923 to 1929, the world which was witnessing a phase of economic prosperity. As a result, industrialized countries adopted a policy of trade liberalization to exploit raw materials from developing countries, while the latter demanded industrial goods from the developed states. In an attempt to curb the looming crisis, most countries resorted to protectionist policies, these protectionist policies came to be known as the most severe and intense in the history of international trade, characterized by the imposition of quantitative restrictions, exchange control systems, as well as price controls. Naturally, these measures enabled the developed countries and at the top of it is the "USA" to reorganize the global economy again and once again promote trade liberalization. This was reflected in reality by the signing of the GATT agreement in 1947, which promoted the principle of free trade in international commerce². This, in general, covers the historical development of foreign trade policy and its fluctuation between liberalization and restriction.

¹ - Soutani Selma, *The Role of Customs in Foreign Trade Policy – The Case of Algeria*, Master's Thesis, Faculty of Economic, Commercial and Management Sciences, University of Algiers, 2002–2003, p. 21.

² - Fawzi Al-Khenawi, *The Global South and the International Economic Crisis*, New Culture Publishing House, Egypt, 2000, p. 168.

It is worth mentioning that foreign trade policy has various objectives economic, political, and even social which we will address in detail later when we discuss the different types of trade policies.

In what follows, we will discuss the factors that influence its formulation, the most important of which are¹.

- **Level of Economic Development:** Level of Economic Development:
- The level of economic development of a country significantly influences the type of trade policy it may adopt whether liberal or restrictive. If a country suffers from underdevelopment and stagnation in its national economy, this makes the country more keen to develop a more complex foreign trade policy, hence, more tendencies towards protection policy, In contrast, another country that enjoys a diversified national economy and an advanced level of technological development All these reasons make it follow a policy of freedom in foreign trade. This is because such a country has a strong economic base and sufficient economic diversification, which enables it to engage in global market competition without facing severe problems, Moreover, free trade is considered the most effective means of penetrating global markets, allowing either the disposal of products or the acquisition of various factors of production to increase the production.
- **Prevailing Economic Conditions:**

The economic conditions experienced by a country whether at the local or international level play a significant role in determining the foreign trade policy it may adopt. The following provides further detail:

A- At the Local level: Here, we can refer to two situations. The first is related to the general economic policy of the state as previously mentioned, trade policy is a part of the overall economic policy of a country. For example, if a country is experiencing inflation, it may resort to implementing a protectionist policy by adopting a policy of replacing imports with exports, for example or the adoption of tariff and non-tariff restrictions aims to maintain price stability and high

¹ - Sadek Bouchnefa, *The Potential Impacts of Algeria's Accession to the World Trade Organization on the Pharmaceutical Industry – The Case of Sidal Group*, Doctoral Dissertation in Economic Sciences, Specialization in Planning, University of Algiers, 2006–2007, p. 54.

employment rates. Conversely, in the case of economic recession, the opposite approach may be taken for example. The second case relates to the structure of the local economy. If a country has a wide range of local industries with significant needs for raw materials, this requires the state to follow a policy of freedom in order to obtain what these industries need to expand further. Conversely, if a country's local industries are fragile and unable to compete, it is forced to adopt a protectionist policy to safeguard them from foreign competition, which could otherwise lead to their decline and eventual disappearance.

Local demand also plays a significant role in shaping foreign trade policy, depending on its elasticity and necessity in the domestic market.

B- At the international level: At the international level, an increase in demand, for example, may encourage a country to adopt a policy aimed at increasing the volume of exports on one hand, and reducing local consumption on the other hand. It is also important to note that foreign trade policy is increasingly influenced by ongoing global economic operations and international economic relations, Perhaps the most significant of these influences is the rapid internationalization of production and capital, which Influenced in turn by the scientific and technological revolution. This is clearly reflected in the massive expansion and remarkable development of the activities of multinational corporations, the intensification of international economic dependency, in addition to the growing imbalance in the balance of payments, all under what is called economic globalization.

❖ **The concept of foreign trade policy:** It would not be an exaggeration to say that all books and references dealing with international economics must address foreign trade policy. They all agree that foreign trade policy refers to the set of measures and actions taken by a given country to achieve specific objective in foreign trade. but there is no harm in highlighting some definitions of foreign trade policy, including the following:

First definition¹ .

"A set of measures taken by the state within the scope of its trade relations with other countries with the aim of achieving specific objectives."

Second definition² .

"A set of means used by the state in its foreign trade with the aim of achieving specific objectives."

Accordingly, based on all the previous definitions, it can be said that:

"Foreign trade policy is the approach adopted by a state in all matters related to international trade, in service of specific objectives that align with its particular circumstances, and by "circumstances" here, we mean the level of economic development, economic and social conditions, as well as political orientations. Before delving into the types of foreign trade policies and the possible tools for their implementation, it is important to first address the historical development of foreign trade policy.

➤ **The Objectives of Trade Policy**

Trade policy constitutes one of the most critical instruments of economic governance, as it reflects a nation's approach to integrating into the global economy while safeguarding its domestic interests. The objectives of trade policy are inherently multidimensional, encompassing economic, social, and strategic dimensions that collectively aim to promote sustainable development, enhance competitiveness, and preserve national sovereignty.

1. Economic Objectives:

From an economic perspective, trade policy serves as a vital mechanism for ensuring macroeconomic stability and fostering industrial development. The principal economic objectives include:

- **Maintaining Balance of Payments Stability:**

¹ - Mohammed Ibn Muslim Radhadhi, *Foreign Trade and the Stages of International Finance, with a Special Study on the Economic Relations Between the GCC Countries*, Dar Hafidh for Publishing and Distribution, 2011, p. 115.

²- Thamer Khadem Ryan, *Foreign Trade Policies: Jordan as a Model*, Amwaj for Publishing and Distribution, Amman, Jordan, First Edition, 2012, p. 68.

One of the foremost goals of trade policy is to achieve and sustain equilibrium in the balance of payments. A favorable balance ensures that a country can finance its imports and external obligations without resorting to excessive borrowing or depleting its foreign reserves. In this context, trade policy measures such as export promotion schemes, import substitution strategies, and the diversification of export markets are often employed to stabilize external accounts and strengthen the national currency.

- **Protecting Domestic Industries:**

Governments often adopt protective measures—such as tariffs, import quotas, and subsidies—to shield local industries from excessive foreign competition. The rationale behind such protectionism lies in the desire to nurture domestic manufacturing, preserve employment, and reduce economic dependence on imports. This protection becomes particularly crucial in developing economies that seek to build productive capacities capable of competing internationally.

- **Mitigating External Economic Shocks:**

Trade policy also functions as a defensive tool to protect the national economy from external fluctuations—such as global recessions, inflationary waves, or commodity price volatility—that occur beyond domestic control. By regulating imports and exports, governments can moderate the transmission of these shocks and maintain internal economic stability.

- **Supporting Infant Industries:**

Rooted in the classical argument proposed by Friedrich List, the infant industry argument asserts that newly established industries in developing nations require temporary protection until they achieve economies of scale and technological maturity. Trade policy thus plays a developmental role by providing such industries with the supportive environment—through subsidies, tax incentives, and selective import restrictions—necessary for long-term competitiveness.

- **Preventing Dumping and Unfair Trade Practices:**

To ensure fair competition, trade policy seeks to counteract dumping, where foreign producers sell goods at artificially low prices, often below production costs, to capture market share. Anti-dumping regulations and safeguard measures are therefore essential to prevent market distortions and protect domestic producers from predatory pricing strategies.

2. Social Objectives:

Beyond purely economic considerations, trade policy also serves a social function by addressing issues of equity, welfare, and social justice. Its social objectives can be summarized as follows:

- **Protecting Vulnerable Social Groups:**

Trade measures often aim to safeguard the livelihoods of certain social segments—such as small-scale farmers, rural producers, or workers in traditional industries—whose economic survival may be threatened by liberalized trade regimes. By maintaining tariffs on essential agricultural imports or providing targeted subsidies, trade policy helps preserve employment and social stability.

- **Ensuring Access to Essential Goods:**

Trade policy can be oriented toward ensuring the availability and affordability of essential commodities, particularly food, medicine, and basic consumer goods. This objective gains importance in developing countries, where external dependence on imports for critical items can pose risks to national welfare and public health.

- **Redistributing National Income:**

Through its influence on prices, wages, and employment patterns, trade policy indirectly contributes to the redistribution of income among different social groups. By promoting labor-intensive exports, supporting rural industries, or protecting domestic employment, trade policy can help narrow income disparities and foster inclusive economic growth.

3. Strategic Objectives:

At a higher level, trade policy embodies the strategic aspirations of the state, linking economic decisions to broader goals of national security, energy independence, and geopolitical stability.

- **Safeguarding National Security:**

A nation's trade policy is closely intertwined with its security considerations. Ensuring a stable supply of food, energy, and essential raw materials is vital for maintaining sovereignty and resilience in times of crisis. Strategic trade controls, export restrictions on sensitive technologies, and import diversification are among the instruments used to achieve this objective.

- **Ensuring Energy and Resource Security:**

Given the pivotal role of energy in economic development, many states pursue trade policies aimed at guaranteeing a minimum level of domestic production of strategic resources—such as petroleum, natural gas, and critical minerals. This objective reflects the understanding that energy independence is a cornerstone of both economic and national security.

- **Preserving Strategic Autonomy and Regional Influence:**

Trade policy also functions as a tool of economic diplomacy. By strengthening trade relations with key partners and participating in regional trade blocs, a country can enhance its geopolitical influence and safeguard its strategic interests. Moreover, maintaining diversified trade relations reduces vulnerability to external coercion and enhances national autonomy.

- **Promoting Sustainable Resource Utilization:**

Finally, modern trade policy increasingly integrates environmental and sustainability considerations. Ensuring the efficient use of natural resources, reducing ecological footprints, and aligning trade patterns with sustainable development goals have become central components of the strategic vision underpinning contemporary trade policy.

At the end, it can be said that foreign trade policy is part of the overall economic policy of the state, and thus it varies according to the differences in economic systems, and the level of conditions, and the economic development experienced by one country or another, in socialist countries, it is not the same as that followed in the capitalist system, and the same applies to advanced and underdeveloped countries. However, it always remains non-absolute, whether in capitalism or socialism, and the judgment is made only based on the prevailing character.

In general, foreign trade policy has two main directions: either a free trade policy or a protectionist trade policy, which we will attempt to elaborate on in the next lecture.

Lecture two: Types of international trade policy and the factors influencing it

As we said, foreign trade policy has two directions and no third, which we will detail in the following.

❖ Freedom of foreign trade policy.

The principle of freedom in foreign trade policy is the principle that calls for non-state interference in foreign trade, we mean the absence of the state's legal authority to control foreign trade, whether in terms of volume, direction, or even favoring one country over another.

It is also defined as ¹ . “A set of measures and procedures aimed at making the foreign trade sector neutral, meaning not leaving field for the state to intervene in exports and imports”.

It is also defined as the return once again to applying the ideal principles of economic theory, which considers the main function of the market to be achieving competition. This latter includes economic efficiency and social justice This, Economic efficiency ensures maximum production and optimal allocation of resources, while social justice provides consumers with various alternatives, low prices, competition, and a wider range of choices² .

Regardless of the different concepts of freedom politicians, they all agree in their belief that freedom is the best. And They justify this belief with a set of arguments, the most important of which are³ .

A- There is a correlation between trade liberalization and economic growth.

Supporters of the principle of foreign trade policy affirm that economic openness, especially that related to foreign trade, has been an important factor in increasing economic growth rates. Their evidence for this is the experience of the Southeast Asian countries, where the main reason for the rise in economic growth in these

¹- Abdelmadjid Gadi, *Introduction to Macroeconomic Policies – An Analytical and Evaluative Study*, University Publications Office, Algeria, 2003-2004, p. 249

² - Mostafa Roshdy Sheha, *International Markets – Concepts, Theories, and Policies*, New University House, Alexandria, 2003, p. 158

³ - Pierre Berthaud, *Introduction to International Economics – Trade and Investment*, 2nd edition, De Boeck Supérieur, Paris, 2017, p. 17

countries was the increase in exports. The growth in the volume of international trade exchanges led to the expansion of the local markets, Consequently, local production increased. And they, who in turn benefited from the savings of economies of scale, which led to intensified competition among them and, therefore, the absorption of a larger labor force.

All of this resulted in achieving positive economic growth rates, and all of it is attributed to openness and the policy of foreign trade liberalization.

It should be noted that advocates of freedom don't oppose protection in the field of foreign trade, when it comes to customs duties, but provided that its purpose is financial only and its percentage is also be low.

B- Liberalizing foreign trade helps countries specialize and evaluate internationally:

The expansion of the international market leads to an increase in competition among countries, and consequently, each country tends to specialize in the goods in which has a comparative advantage. This, in turn, results in the division of work and international specialization.

C- Freedom leads to a decrease in international goods prices:

As we mentioned earlier, trade openness for each country leads to the expansion of the consumer market and, consequently, to increased production. When production is carried out in large quantities, this puts pressure on total costs through the constancy of fixed costs. Hence, the reduction in costs leads to a decrease in prices.

D- The policy of freedom stimulates technical and technological progress:

According to the supporters of this principle, the policy of freedom in foreign trade, and thus trade openness, leads to intensified competition among suppliers. This means survival for the strongest, and therefore, anyone who wants to remain must keep up with developments by adopting productive improvements and modern means in other words, technological advancement. Accordingly, liberalization stimulates technical and technological progress.

E- The policy of freedom prevents the emergence of monopolies: Freedom, unlike protectionism, prevents the creation of monopolies. Protectionism that may be applied by a certain country helps some companies to monopolize a particular industry or sector, thereby command in prices. Whereas freedom makes monopolization extremely difficult.

F- The policy of freedom, unlike protectionism, does not lead to the impoverishment of others: International trade is essentially the exchange of goods and services between countries. Therefore, if a country applies a protectionist policy in order to reduce imports, this means a reduction in the exports of another country, or in other words, a decrease in another country's revenues. In this sense, protectionism leads to a policy of impoverishing others, unlike freedom, where survival is for the strongest and there are no barriers to international trade, that is, to the exchange of goods and services between all the countries of the world.

In fact, what is noticeable, through all the real events and so that we can be as objective as possible, is that these arguments are possible and realistic, but they remain in one country over another, and this depends on the degree of development that the country is experiencing, or in a better sense, according to the type of administration and political will that is applied in this country. The more transparency and governance there is in the country's system as a whole, this may be a factor that helps the gains of liberation to be foreign trade has more than its disadvantages, and the evidence for this is, for example, Algeria and Saudi Arabia - Master's graduation noted by student Belkheir Fatima under the title of “on the impact of liberalizing financial services trade on the Arab banking sector”¹ .

The comparison we conducted in the banking field of the two countries shows that in Algeria, liberalization led to problems and setbacks in the banking sector, whereas in Saudi Arabia, the liberalization of trade in financial services resulted in positive outcomes across all levels.

¹- Fatima Belkheir, *The Impact of Liberalizing Trade in Financial Services on the Arab Banking Sector*, Master's thesis in Commerce, specializing in International Trade, Institute of Economic, Commercial and Management Sciences, University Center of Ghardaïa, 2012–2013, pp. 144–147.

It should also be noted that the policy of freedom is not possible to implement at all, just like the policy of protection. There has never been in history a country that has implemented 100% freedom or even 100% protection. Rather, what is meant by the policy of freedom remains that what prevails in the country's policy for its foreign trade is liberalization, and the practical reality is by saying this:

For example, one of the nations that most strongly advocates and encourages its allies to adopt free trade policies, such as the USA, have provided support for their agricultural products, and this is considered a means of protection.¹

In general, we say that the degree of trade freedom differs from one country to another not only in terms of how extensively it is applied in each country, but even over different time periods within the same country. This variation depends on the prevailing global economic conditions, particularly regarding foreign trade liberalization policy, which is not necessarily successful for all countries, nor is it a failure for all; it has its advantages as well as some shortcomings. That is why there is another policy protectionism which has supporters who present their arguments and evidence, as it is considered the opposite of the policy of freedom. So, which one is better: freedom or protection?

❖ Protection policy in foreign trade:

As we mentioned earlier in the historical development of foreign trade policy, the policy of protection (restrictive policy), came in conjunction with the policy of freedom, i.e. with the emergence of the capitalist system, as it came as a reaction to the policy of freedom called for by the developed capitalist countries at that time, while protection came from the less developed countries in order to protect their local industries and economies in general from the invasion of foreign products This is done by taking a set of procedures and measures that ensure this, and therefore it can be said that the policy of protection in foreign trade is:

¹ - Rania Mahmoud Amara, opcit, p. 115.

Any policy adopted by the state to protect domestic industries from the threat posed by competition from foreign imports.

It is also defined as ¹ : ” a condition in which the state uses its public authority to influence, in one way or another, the direction, volume, or pricing or all of these aspects of international trade exchanges. Thus, one can say that protectionism in foreign trade is the approach by which a state employs a set of measures and practices in its external trade policy to affect the volume of its international trade, “Both in terms of direction and volume and especially concerning the import side because countries, particularly developing ones, generally attempt to restrict imports either to protect local industries or to avoid a deficit in the balance of payments. As for the export side, there are usually no restrictions on it.”

❖ **Arguments of supporters of the foreign trade protection policy:** Like the freedom policy, the protection policy has its supporters who called for the implementation of this policy, explaining this with a set of arguments divided between those characterized by an economic or even non-economic nature to take into account the social and security aspect. Perhaps the most prominent of these arguments we find:

✓ **The Economic Arguments: Economic Arguments:** The truth is that proponents of protectionist trade policies have presented numerous well-founded economic arguments in this area. These arguments are deeply rooted and can be outlined as follows:

- **Protection of Emerging Domestic Industries:** This argument is especially practical in developing countries, where local industries are often fragile and unable to compete effectively. However, the first person pose this argument was not from a developing nation instead, it was the German economist Friedrich List, who, in the 19th century, advocated for the principle of protection to shield Germany's nascent industries from more advanced English products,

¹ - Zainab Hussein Awadallah, pcit, p. 293

His theory is that English industries are characterized by their long experience, organization, and skilled and qualified labor, which enables them to benefit from the principle of economies of scale. As a result, the cost is low by pressing on the total costs, and thus the selling price is lower than the selling price of German products. Here, these products are destined to disappear and then disappear due to the inability to continue.

Therefore, it is in Germany's interest to adopt protectionist policies in order to to preserve these industries in the early periods of their emergence, and after they develop and become capable of competing internationally, the door to liberalization is opened. This approach is especially common in developing countries in particular, as the latter implement a protection policy because their emerging industries cannot compete with foreign goods, whether in terms of price or even quality¹ .

However, what is noticeable in practice is that industries in developing countries, including Algeria, despite all the capabilities and measures that the state has applied to advance local industries for example support through tax exemptions, priority in granting credit we observe that their local industries have remained as they were. This is contrary to what Friedrich List said. He who believed that protection should be temporary, and that it would bear fruit, that the industry would develop and become capable of competition—but this did not happen with our local industries. And perhaps this, in our opinion, is due to poor management, lack of transparency and oversight and governance in our institutions, and the spread of the culture that the state's money belongs to everyone, and there is no one accountable or supervising it.

- **Attracting foreign capital:** Protectionists believe that protection encourages attracting capital because foreign companies see it in their interest to invest in the country that applies protection instead of exporting directly to it, this is in order to avoid the costs of customs duties that may be imposed on the goods that will export to it in the case of non-investment On the one hand, and on the other hand, the protection policy leads to an increase in the prices of protected (subsidized) goods

¹- IBID, p. 294.

inside the country and thus an increase in the profit rates that these companies may obtain in the event of investing within the country. Therefore, we can say that the protection policy is considered an incentive factor for foreign investment in a country that implements protection¹.

What we see in Algeria, for example, is that despite following a protection policy for some industries, direct foreign investment remains insufficient. This is despite the many efforts the government has made to encourage foreign direct investment; however, it still remains below the required level, the reason of this, according to the investors' point of view, is that the laws applied in Algeria are considered not stimulating investment in it, or more accurately, the lack of a suitable investment climate in Algeria that encourages investment in it.

- Diversification of production: In the view of protectionism's supporters, protection policy helps diversify production. As we know, under freedom (free trade) there tends to be specialization in producing a particular good, whereas protection does the opposite it helps diversify production and not specialize in one product². And perhaps this is what the developing countries including Algeria are lacking: production diversification. And we know that Algeria has all the capabilities that qualify it for that, and Algeria also adopted protectionist policies for long periods, especially under its socialist system. However, still there is no economic diversification till now. So, the question posed here is: why is there no diversification in Algeria's economy, as a response to this argument by the advocates of protection.

- Reducing the level of unemployment: Protectionism's advocates say that protectionist policy, by using customs tariffs, that makes import-prices higher compared to local goods; thus demand for local goods increases, and from there local production increases, which requires more employment of labor, and thus there is absorption for labor.

¹ - Adel Ahmed Hashish and others, *International Economic Relations*, Dar Al-Jāmi'a Al-Jadīda, Alexandria, 2000, p. 207.

² - mouhamed diyab , opcit , p 308

- Reducing the level of unemployment: Advocates of protection say that protectionist policy, by using customs duties, makes the prices of imported goods more expensive compared to local goods, thus demand for them increases, and also hence local production rises too, which requires more employment of labor, and so there happens an absorption of the labor force¹.

However, it must be noted that price is not the only factor that may lead to increased demand. There are other factors that may increase or decrease the volume of demand, perhaps the most important of which is the quality factor. The evidence for this is for Algeria, as imported products, despite their high price, are in demand by Algerian consumers, due to the availability of quality factors, advertising, and so on.

- Protection as a source of state revenue: We all know that customs duties are an important source of state revenues, which are used in the revenue side of the state's general budget. They are considered among the easiest means by which the state can obtain revenues²

- Strengthening the negotiating position of the state: Advocates of protectionist policy see it as an important means of enhancing the state's bargaining position, because by imposing customs duties the state can enter into trade exchange agreements; this is unlike free trade .

This point, in our view, is subject to reservation: the negotiating power of a state will not be effective by protectionism alone, but rather by establishing a form of economic integration, it is what enhances the state's negotiating power of the state even if it adopts a free trade policy. The real evidence of this is the European Union: EU countries enjoy strong negotiating power, despite adopting freedom (free trade) rather than protection.

These are the most important arguments that protectionism's supporters make from the economic standpoint. However, they did not limit themselves to that only; they also presented non-economic advantages, which we can list in the following points:

¹ - Mohammad Nashed, Domestic and Foreign Trade: Its Nature, University of Aleppo Publications, 1977, p. 67

² -Mostafa Mohamed Ezz El-Arab, Foreign Trade Policies and Planning, Al-Masdar Publishing House, Cairo, 1988, p. 243.

✓ **Non-economic arguments:** The most important non-economic justifications for protectionist policy in foreign trade can be represented in¹:

A- Economic Security Guarantee: Advocates of protection say that this policy contributes to achieving economic utilization in peacetime and the resilience of the country in case of war. Free trade leads to the national economy being heavily linked to the world economy, which puts the state at their mercy if wars occur. Therefore, the state must ensure a minimum of self-reliance in preparation for such situations, even if that contradicts the principle of the international division of work.

But in our view, ensuring a minimum level of self-sufficiency does not necessarily occur only in those countries that adopt protectionist policies. And this is what we observe from our lived reality: the majority of countries that achieve self-sufficiency are not those that follow protectionism; rather the opposite is true.

A- Preserving National Identity:

Researchers believe that the intertwining of economic relations between countries leads to increased intermixing and the removal of distinctions between them, which ultimately results in the loss of national identity. For this reason, they consider it necessary to restrict these relations in order to preserve national identity.

B- Ensuring Food Security:

According to supporters of protectionism, if a state applies free trade and thus specialization, and its circumstances qualify it for industrial specialization, this may harm agriculture and cause it to fail in the face of foreign competition. This, in turn, would damage farmers and threaten the country's food security.

These were the most important arguments put forward by both supporters of free trade such as Hugo de Groot (1583–1646), who is considered the first to call for the principle of freedom in trade, which was the reason for his fame, then Henry Martyn through his book in 1701, through his book *The Theory of World Trade* in 1720; followed by the classical school and the subsequent theories we mentioned earlier all

¹ - Raad Hassan Al-Surn, *Fundamentals of Contemporary International Trade: From Absolute Advantage to Globalization, Freedom, and Economic Welfare*, Dar Al-Ridha, Syria, 2000, pp. 282–284.

of which advocate freedom and believe it to be the best system, based on the main arguments we previously outlined.

On the other hand, protectionist supporters included the mercantilists, who were criticized by the classical school led by Adam Smith. Later, several economists such as **Robert Torrens** and **F. List** argued that protectionism is the optimal system for the economies of all countries of the world, justifying this belief with a set of arguments and evidence.

...But what is certain is that every country must choose the economic system that suits its capabilities on all levels and serves its economic interests. The system that works for country “X” does not necessarily yield the same benefit for country “Y.”

Lecture Three: International trade policy tools

In the first lecture, we previously mentioned in our definition of foreign trade policy that it consists of the measures and procedures a state may adopt in its external trade relations in order to achieve a specific goal. This goal may be economic, social, or even political. There are various methods a state may use to implement one policy over another, and there are also many differences between researchers regarding the classification of these types. Some divide them into financial, commercial, and monetary methods.

Others divide them into customs and non-customs methods. However, we will rely on the classification of these methods into price-related, quantitative, and regulatory measures, which is the approach followed in most of the references we have encountered.

Below, we will address the first of these classifications.

❖ Price-Related Methods

Before delving into price-related methods in detail, it is important to note that the set of tools a state may adopt in its foreign trade policy can be divided into **incentive measures** and **restrictive measures**. **Incentive measures** are those that encourage an increase in exports and a reduction in imports. These are mostly price-related methods. **Restrictive measures**, on the other hand, are those that prevent or limit certain exchange operations. These are divided into regulatory methods and quantitative methods.

Now, we will go into detail about the price-related methods of foreign trade policy, which consist of: customs duties, subsidies, exchange rate depreciation, and dumping.

✓ Customs Duties:

Before defining customs duties, it should be noted that the more accurate term is

customs tax rather than customs duties. However, the commonly used expression is customs duties, which are defined as:

- ✓ **First Definition**¹ : “Customs duty is a tax imposed by the state on goods crossing its territorial borders, whether entering or leaving.”
- ✓ **Second Definition**² : “A specific monetary amount imposed on imported goods.”
- ✓ **Third Definition**³ : “A tax imposed by the state on goods imported from another country.”

From all the previous definitions, it can be said that customs duties are monetary amounts imposed by the state on goods crossing its borders meaning both imports and exports.

However, in practice, they are most often imposed only on imports rather than exports.

Export duties usually appear in special cases, such as protecting local industries from the outflow of raw materials, and are most commonly applied in raw-material-producing countries.

As for developed countries, they typically do not impose duties on exports. It is also important to note that in the United States, the Constitution explicitly prohibits the imposition of export duties, and is generally called, the term customs duties generally refers to those imposed on imports. They are considered one of the oldest means used for protection. When discussing customs duties, it is essential to also address the customs tariff, as the two are closely linked. A customs tariff is⁴

: “A list containing the customs duties imposed on imported goods.”

In other words, every country that applies customs duties maintains a list of all the goods subject to such charges. Customs tariffs can be divided into two types :

¹ - Moussa Saeed Matar, *Foreign Trade*, Dar Al-Safa, Amman, Jordan, 2001, p. 67.

² - Sayed Abed, *International Trade*, Al-Ishaa Technical Library and Printing Press, Alexandria, 1998, p. 208

³ - Agheima, Mohammed Abdel Aziz. *International Economics*. Dar al-Jam‘iyat al-Misriyya, Alexandria, 1989, p. 22.

⁴- Paul.R.Krugman , Robin Wells , Laurent Baechler , *Macroéconomie* , Boeck supérieur , 2016, p 243

- ✓ **Conventional tariff:** Established on the basis of an international treaty or agreement.
- ✓ **Autonomous tariff:** Established according to the laws and regulations of a country, based solely on its own will.

We also find, in terms of the imposed duty, the simple tariff, which does not distinction in its application between one country and another, as duties are imposed on all goods of category (x) regardless of the origin of this good, except in the event that a specific country is completely exempted from it, while the double tariff is that which combines two prices, a normal price that is applied in general, and an agreement price that is applied in the event of an international agreement There is also the multiple tariff, which includes several levels of high prices, the lowest and the highest, all of which apply depending on the country from which the commodity is imported.

There is also the preferential tariff, which was agreed upon during the GATT negotiations specifically in 1956. This agreement stipulated that developing countries have the right to raise customs duties on certain goods in order to protect their national economies. At the same time, developed countries are required to reduce customs duties on goods imported from developing countries. This is considered an application of the **principle of preferential treatment** introduced by the GATT agreement. After discussing the concept of both customs duties and the customs tariff, we can now go into detail about the types of customs duties.

✓ **Types of Customs Duties:**

Customs duties can be distinguished according to two main criteria: Based on the method of determining the duty value, or Based on the objective of the duty. Each criterion includes several subtypes, as outlined below.

- **Customs Duties According to Method of Assessment:** Under this criterion, customs duties are divided into Value fees, specific fees, and compound fees.

1- Value fees: These are monetary amounts imposed as a percentage of the price of a commodity, Example: imposing a 20% duty on air conditioners. They are applied in most countries, which this Value fees help increase customs revenue when world prices of technologically advanced goods rise¹.

It is worth noting that the revenue from these duties may increase or decrease depending on price levels. For this reason, they are regarded as an administrative tool through which the state can control whether a product enters its market or not. Consequently, the GATT agreement placed restrictions on them. It should also be emphasized that they are the most widely used type of customs duty in today's global economy.

2- Specific fees:

This type of duty is a monetary amount determined not by the value of the good, but rather by its quantity or weight.

Example: 1,000 DZD per ton of iron. These duties are most commonly applied in developing countries. The main difference between specific duties and ad valorem duties is that the latter fluctuate with increases or decreases in prices, while specific duties remain unaffected. They are usually imposed primarily on raw materials²

3- Composite Tariffs: As the name suggests, these tariffs are a combination of the two previous types: value tariffs and specific tariffs. This type of tariff is imposed on goods that combine both characteristics or when there is variation among different types of the same good³.

▪ **Customs Duties Based on the Intended Purpose:** In this context, we also find fiscal duties and protective duties.

¹ -ibid , p 246

² - Mamdouh Majdi Shihab, op. cit., p. 216."

³- Same reference, p. 211"

- 1. Fiscal Duties:** The primary objective of this type of duty is to increase or even create a revenue source for the state's treasury; therefore, they are called fiscal duties because they aim to enhance financial resources for the treasury.
- 2. Protective Duties:** In the case where the primary objective of a duty (tariff) is to protect the nascent local industry from competing foreign goods, then this duty is called a protective duty, because it aims to safeguard national industries from foreign competition.

It is important to address the effects of customs duties on some variables in the country's national economy, as follows¹:

A- Its impact on prices, import quantities and production:

Naturally, imposing customs duties leads to higher prices for imported goods in the local market, and thus this directly affects the quantities imported. This in turn leads to encouraging local production of these goods, due to the insufficiency of the imported quantities. These are among the arguments advanced by the advocate of protectionism. But this general case does not prevent us from pausing on some points as follows:

- A commodity whose supply in the importing country is highly flexible will not increase significantly when customs duties are imposed, and vice versa if the supply of this commodity is highly flexible.
- If the demand for an imported commodity is highly elastic, then the rise in its price in the importing country will be relatively small after imposing a customs duty; and conversely, if the demand is inelastic, the price increase will be large. However, if the elasticity of demand for imports is equal to zero, then imposing customs duties on imported goods will not have a clearly measurable impact on the imported quantity.
- If the foreign product depends primarily on the market of the importing country, then imposing customs duties on imports may cause that product to bear part of the burden of this duty, by reducing the price of the good.

¹- Mohamed Diab, op.cit, pp. 321-322.

- Finally, if the importing country has large markets and thus its demand influences foreign markets, then when it imposes customs duties on its imports this leads to a reduction in the volume of imports; as a result, the global price of that commodity is affected and tends to decrease, given that its large markets influence the total world import demand as a whole.

B- The Effect of Customs Fees (Tariffs) on Consumption:

The general case is that imposing customs duties directly affects the quantity consumed, because the prices rise as a result of those duties. This leads to a reduction in consumption due to the higher prices. It is important to note that the tariff's effect depends on the elasticity of demand, The greater the flexibility, the more pronounced the impact on consumption, and vice versa.

C- The Effect of Customs Duties (Tariffs) on a State's Financial Revenues :

In reality, customs duties are used just like other taxes to increase a state's fiscal revenues in the domain of public finance. This applies when the purpose of these duties is to obtain financial resources. But, if the objective is to protect local industry, then these fees lead to a reduction in imported goods.

D- The impact of customs duties on the distribution of national income:

We know, according to Keynesian analysis, that imports are one of the sources of leakage, and it is a factor that is inversely related to the level of national income. Therefore, if the imposition of customs duties results in a decrease in the volume of imports, or a decrease in the marginal tendency to import, this leads to an increase in national income. The increase in national income comes through reducing the volume of imports and reducing leakage, as well as through increasing the production of the commodity that was previously fully imported And also through the overflow obtained by producers with low expenses, which is represented by the difference between the price that consumers have to pay after imposing the customs duty, and the expense of producing the commodity internally, and it is clear that this leads to a redistribution of national income between producers and consumers.

E- The Effect of Customs Fees (Tariffs) on the Rate of International Exchange (Terms of Trade):

The state can improve its exchange rate with the outside world through customs duties, because these have an effect on the international exchange rate. We can explain this by noting that imposing customs duties requires an increase in the amount of foreign goods needed to obtain the same quantity of local goods. This, of course, assumes that the foreign country bears the duty or at least part of it. Moreover, this effect can only occur if the supply of the foreign good is inelastic. If the supply is very elastic, the tariff leads to a reduction in foreign trade, but the exchange rates remain the same.

The load of customs duties is on one country more than the other and naturally depends on the flexibility of the goods included in the exchange. It must be noted that the gain depends on the lack of reciprocity from other countries.

✓ **Subsidies:** The second price-based tool we will discuss is subsidies, which generally refer to the collection of measures taken by the state to assist exporters, or even importers, to facilitate their affairs in producing and thus trading a certain good. As we said, subsidies (support) are usually given to exporters, as for importers, this occurs to a much lesser extent¹

These subsidies are intended to encourage exporters to enter global markets.

Therefore, when we talk about subsidies, they are metaphorically called export subsidies because in most cases they are directed toward exporters. They are divided into **direct** and **indirect** subsidies, and what follows is a more detailed treatment of both types² :

- **Direct Subsidies:** Direct subsidies are cash amounts granted by the state to producers whose production is geared toward exports. This is the simplest and oldest

¹- François Gauthier, Relations économiques , 2^e édition les presses de L' Université Laval , Canada , 1992, p 137

² - ibid , p 138

form of subsidy. In the past, this type of subsidy was used to facilitate entry into global markets. Today, it is mostly used to support agricultural products. Naturally, direct export subsidies have negative effects on other countries' international trade. For this reason, the GATT and the WTO call for limits on the use of this type of subsidy, which has led to a significant reduction in its use in the present day, limited mostly to agricultural products, this is because production in this sector is considered less flexible than in other sectors of the economy, and therefore it is the one that most requires support or subsidies.

- **Indirect Subsidies:** The second type of subsidy that a state may use is indirect subsidies. These are measures where the government grants the project or enterprise certain privileges, such as exemption from taxes, or exempting part of the profits from taxes, or providing banking and credit-facilitating arrangements.

Perhaps this is what Algeria adopted in order to encourage local investment, especially after the major economic deterioration that Algeria experienced after the Black Decade¹.

In general, no matter what type of subsidy, whether direct or indirect the objective is to encourage local producers and strengthen their competitive capacities by helping them reduce the prices of their local products by the support provided by the state. However, a criticism of subsidies is that they harm the trade of other countries, which in turn are forced to adopt the same method, leading to intensified competition among countries around the world. Naturally, the losers in this competition are the weak countries that do not have sufficient financial resources to support their local producers.

➤ **Change of exchange rate:** An change of exchange rate is any decrease or increase in the value of the national currency relative to a foreign currency. Notably, a reduction (devaluation) in the value of the national currency may be undertaken by any country for various reasons and objectives, whereas the reverse case a

¹- Kbir, Soumia. Foreign Trade Policy in the Context of Economic Reforms – with Reference to the Case of Algeria. Doctoral thesis in Economic Sciences, specialising in International Trade, Department of Management Sciences, University of Algiers, 2007-2008, p. 22.

deliberate increase in the national currency's value is rarely done voluntarily.

Therefore, what follows will focus on the case of devaluation, which is considered one of the price-based tools used in foreign trade policy. It is important, before discussing the effects of devaluation of the national currency, we first talk about the desired goals of reducing the national currency against foreign currencies.

✓ **Objectives of Devaluing the National Currency:**

Devaluation of the national currency has many goals. Perhaps the most prominent is reducing the trade balance deficit. Countries with trade deficits like many developing countries resort to devaluing their currency so that their exports increase, since their products become cheaper relative to foreign competitors. At the same time, import prices rise in the local market. Thus, exports go up and imports go down, which reduces the deficit in the balance of payments. Another significant goal for a country is increasing the income of certain local producers. Also, devaluation is used with the aim of reducing unemployment by encouraging export-oriented industries¹.

After discussing the main objectives of reducing the value of the national currency, we now address the ensuing effects of this devaluation with respect to the following variables²:

A- The Effect of Devaluing the Currency on the Value of Exports and Imports:

The general rule is that devaluing the national currency against foreign currencies causes a local consumer to pay more currency units to obtain the same imported good that earlier cost fewer units before the devaluation. On the other hand, for an external (foreign) consumer it is the opposite : that consumer can purchase local goods at a lower price than before. In other words, devaluation tends generally to restrain imports and encourage exports. However, in practical reality one must also take into account how Internal demand sensitivity for imports is, and how responsive external demand for exports is.

¹- Mahmoud Magdy Shehab, Suzy Adly Nashed, previously cited reference, p. 218.

² - Mohamed Diab, op.cit, pp. 326-327

B- The Effect of Devaluation of the Currency on Domestic Price Levels :

As we said earlier, when the government devalues the national currency, it aims to reduce the price of exports for the outside world. For example, if export prices low by 10%, this tends to cause import prices to rise by about 10% as well. Consequently, thus, the effect of the reduction disappears, meaning that reducing export prices leads to an increase in import prices, and this is due to several reasons, including:

- Devaluing the national currency causes the local citizen to lose confidence in that currency and try to replace it quickly with physical goods; consequently, the preference for liquidity weakens, and the speed of money circulation increases, and prices tend to rise.
- Lowering the price of goods leads to an increase in the cost of living especially if the country imports many goods, as Algeria. Accordingly, given the higher cost of living, there will be demands for continuous wage increases, which in turn raises production costs and thus, leads to higher prices.
- If a devaluation of the currency leads to an increase in the volume of exports, this means an increase in national income and the currency, and this causes an increase in prices, according to monetary theory.

In general, we say that the relationship between devaluing the national currency and the price level may pose a serious threat to the currency's value in foreign markets. If the devaluation is not carefully planned and fulfilled the role assigned to it, It will lead the state to resort to devaluation again and so on until the currency loses its value.

C- Effect of Devaluing the Currency on Income: Devaluing the national currency leads to an increase in exports, and therefore to an increase in national income. This in turn leads to increased demand for imports, and the trade balance may return to a deficit, conversely, the opposite is true for the importing country abroad.

From all of the foregoing we conclude that devaluing the national currency has double effects, on one hand it helps to increase exports and thereby reduce the trade-

deficit; on the other hand, it has negative effects as well raising internal prices, increasing cost of living, and undermining confidence in the local currency. Thus, we can say that the solution which developing countries resort to as Algeria has done by devaluing their national currency supposedly to reduce the trade deficit may be valid, but only for a short period. If applied permanently, it is a wrong solution, because this measure is only a way of temporarily limiting trade deficit. The correct solution lies in the economic policies that a state follows after devaluation such as monetary policy, wages policy, public expenditures, salaries.... etc.

✓ **Dumping:** It means that a certain country follows a monopolistic price policy in which it discriminates between the prices prevailing locally and those applied abroad for the same product. This is done by lowering the export prices in foreign markets below their level in the local market plus the costs of transport, insurance, and other expenses. Dumping has several types, which are represented in¹:

- **Sporadic (or incidental) Dumping:** this kind of dumping is related to exceptional circumstances, such as when a country wants to rid itself of overproduction at the end of a season. Accordingly, the product is sold in the foreign market at a lower price, and this kind of dumping is not intentional / persistent.
- **Temporary dumping:** This type of dumping is intentional but only for a short period. For example, lowering the price of a good in external (foreign) markets in order to open up those markets, or to counteract retaliatory dumping. And it always remains temporary.
- **Permanent Dumping:** This type is a permanent policy adopted by the state in order to protect the local market from foreign competition. It is the most dangerous type of dumping prohibited by the World Trade Organization (WTO).

Of course, dumping has effects on both exporting and host countries, including:

-For the Importing Country: The dumping importing country may benefit from permanent dumping it, both for the consumer and the producer. The first benefits because consumers can buy cheap goods, thus increasing their purchasing power; as

¹ - Mamhoud Magdy Shehab, Suzy Adly Nashed, op.cit, p. 220.

for the producer, he may also benefit from cheap imports that enter the production process, thus reducing production costs. However, regarding temporary dumping, free-trade advocates see it as harmful for the economy, because the importing country will have cheap imports that compete with local industries, possibly leading to bankruptcy and stop at local production, After dumping ends and products return to their high prices, the need for local industry emerges again and that creates instability in the national economy of that country.

-For the Importing Country: It is possible that the importing country benefits from permanent dumping, both for the consumer and for producers. The consumer benefits because they consume cheaper goods, thereby increasing their purchasing power; as for the producer, may also benefit if these cheap imports are used in the production process, thus reducing the cost of production, As for temporary dumping, proponents of economic freedom believe it is harmful for the economy. This is because the country importing the dumped goods will have its local market flooded with cheap products that compete with local industries. This may lead to bankruptcies and the suspension of local production. After the dumping period ends and foreign products return to their high prices, the need for local industry reappear and this creates instability in the national economy of that country.

-For the exporting country: Dumping works to increase the volume of exports, and hence increases national income, boosts employment rates, and helps resolve many economic problems. As for the internal price level, this depends on the behavior of marginal costs. If these costs are constant, then increasing production results in higher prices; but if marginal costs are decreasing, then extending dumping by expanding the scale of production may lead to lowering the price of the good.

These were the most important price-based methods used by the state to influence the volume of foreign trade whether in terms of exports (such as dumping) or imports (such as customs duties), or both directions together. This type are called price-based methods because they all share one common point, they affect the price of the good, either by lowering it or raising it which changes the quantity demanded of that good,

especially when the good is elastic and its demand is sensitive to price changes. They are also considered among the oldest methods used for protection in the world, as we have mentioned earlier. It is also worth recalling that these methods are sometimes used additionally to increase the financial resources of the state, not just for protection as Algeria is doing today to increase revenues for the state treasury by imposing additional duties on certain goods like tobacco, alcohol, cosmetics...But sometimes price-based methods are not effective in reducing the import of certain goods. In that case, the state resorts to another approach, known as quantitative methods, which is the subject of the following section.

❖ **Quantitative Methods**

After discussing the price-based methods of foreign trade policy, we now talk about the quantitative methods. They are called by this name because they relate to the quantities of goods entering or leaving the country. As mentioned earlier, these methods are used for imports or exports of goods that cross borders, but in practice they are commonly applied more to imports, export restrictions happen only in rare cases. Therefore, our discussion will focus mainly on imports rather than exports. These quantitative methods are divided into the following systems, the prohibition (ban) system, the quota system, import licensing.

We will address each type separately according to the following :

- **Ban system:** The ban system is the means adopted by the state in its foreign trade policy by absolutely preventing the entry of a certain commodity into its territory in absolute way¹ , In general, a ban system applies to some harmful goods such as drugs, And dirty films, publications hostile to the regime, etc. It is also possible that the goal behind it is to avoid draining foreign currency on non-essential goods, especially during periods of economic crisis. This is what Algeria adopted in 2010 by banning the import of alcoholic beverages, where the purpose of this measure was to avoid draining foreign currency for a non-essential good that is also produced locally,

¹ - Mouhaed Diyab , op.cit , p 328

However, it has once again opened the field for this commodity to enter again, and as we pointed out, Algeria's motive with this measure was not to leak hard currency, and not because it is harmful to health or violates religious beliefs in Algeria. The evidence for this is that its production is permitted at the local level, even at a time when its import is prohibited.

- **Quota System:** The quota system is the second type of quantitative methods that a state may use in its foreign trade policy. What we mean by this is that the state determines the quantity of a product allowed to be imported. A quota system may also apply to exports, but only in specific cases¹ it's necessary to note that before a state imposes a quota system, certain points must be considered. For example, the time period during which the quota system will be in force because this duration may vary depending on the economic circumstances the country is going through, that is, the need to impose a quota system. Also, it depends on the type of the good. If the good is ordinary and not perishable quickly, the quota period may be long; but if the good is perishable, the period is short due to the nature of the good.

It must be pointed out that before a state imposes a quota system, certain points must be taken into account for example, the time period during which this system will be applied, because that period may vary depending on the economic conditions the country is experiencing that is, the need to impose a quota system.

and also depending on the nature of the good, if the good is ordinary and not perishable rapidly, then the period for which the quota is imposed may be long, but if the good is perishable, then the period is short because of the nature of the good. This is the first point. The second point that must be taken into account is the method of estimating this quota. Here, the method of determination may be governed by the purpose behind applying the quota system. But in most cases, the size of the quota is set based on the average quantities that were imported during previous periods.

¹- Emmanuel Nyahoho , Pierre Paul Proulx le commerce international – théories, politiques et perspectives industrielles, 3^e édition , presses de l' Université du Québec, 2006, p 223

The third point that must be taken into account is how to deal with goods that exceed the defined quota. Sometimes merchants import amounts exceeding the permitted quota because they do not know exactly how much quota remains. In such cases, either: The excess quantities are excluded from the quota system because they are not needed or they are allowed entry in exchange for very high customs duties or as a last solution: they are allowed to pass, but the excess is deducted from the quota for the next time¹

The final point is how to distribute these quotas. Here we find several types of quotas: the definitional quota, the individual quota, the dual quota, mixing quota. We explain these types in detail as follows² :

A- Definitional quota (Tariff quota): This type of quota is considered one of the oldest kinds applied in foreign trade policy. It was used in Europe from the mid-19th century. It means that the goods permitted for import are subject to low duties, or sometimes are completely exempted from fees, any quantity that exceeds the permitted amount is subject to very high customs duties.

B- Individual quota by one side: In this type, a maximum limit on imports is set for a certain time period (usually one year) without negotiating with the exporting countries. And for the record, this type also includes two other subtypes, namely each of:

-The Total or Aggregate Quota: In this case, the maximum quantities allowed for import are defined over a certain period of time, during which there is no specification of which party (importer) or the size of orders per month.

-Quota Allocated to Certain Countries: In this type, in addition to setting the maximum limit on imports, The destinations to import from are also determined. In

¹ - Mouhaed Diyab , op.cit , p 329

² - Mahmoud Magdy Shehab & Suzy Adly Nashed, op. cit., pp. 224–226

this type, the state takes into account the nature of trade relations with those countries, in order to achieve its greatest interest.

C- Dual Quota:

In this type of quota, first the total volume intended for import is estimated. Then an agreement is made with a specific exporting country “X” to import an agreed portion of the total quota. The remainder is distributed between the rest of the countries in the world. This is in order to prevent the monopoly that might arise if quotas were not distributed.

D- Mixing Quota:

This type of quota is usually used in industries when it comes to importing raw materials that enter the production process. All this is to limit the contribution of imported raw materials in local industry, and thereby reduce dependence on foreign sources. For example, Brazil requires that bread include a percentage of locally milled flour.

-Effects of the Quota System: So that we understand why a state resorts to applying a quota system and what its consequences are, it is necessary to address the effects of a quota system in the economy. Among the most important and prominent of these effects are those related to the price of the good, and the issue of additional profits resulting from relying on quotas.

A- Effect on the Price of the Good: Naturally, applying a quota system leads to a reduction in the quantity of the good underwent to the quota system, and as a result its price rises in the local market, and its price decreases in the exporting country and this only in the case that international trade in this good is between just two countries, but If the exporting country exports to the international market in general, then the price there will not decrease.

And for your information, whether trade is limited to two countries or the global market, the local traders in the importing country applying a quota system will obtain additional profit. In the first case, the profit consists of the percentage increase in the

good's price, plus the decrease in the price of that good (which is under the quota system) in the global market. While in the second case, the profit consists of the increase in the price of the good in the local market¹.

But the question that arises is: what is the fate of the extra profit in the country that applies the quota system?

The answer to this question is: The additional profit will either go to domestic traders or to foreign traders if the selling price is raised. Or it is the state's share, and this is in the event that it imposes a fee on the import of the commodity equivalent to the additional profit obtained.

However, countries may sometimes impose a regulated price for this commodity so that the local consumer is not exploited, but this leads to the appear of a black market in which this commodity is sold at high prices.

It is very important to point out that the quota system is more effective in protecting the national economy, especially in cases where demand for imports is inelastic and not sensitive to customs duties, or if competition is intense and world prices are low in which case the effectiveness of a customs tariff does not show up.

We also point out that a tariff maintains the connection between the local market and the international market its effect is similar to that of transportation costs. But a quota system leads to a clear disparity between local prices and foreign (exporting) prices. Another point worth noting is that the quota system allows any country to protect its economy without having to explicitly violate treaties and agreements with other states that prohibit the use of customs tariffs.

➤ **Import licensing system:** Among the quantitative means that a state may use in its foreign trade policy are import licences. By this is meant that local traders are not permitted to import a certain good from abroad without obtaining a prior licence to import that good. This system may be used as an indirect form of imposing a quota

¹- Pawel Bozyk , Globalization and the transformation of foreign economic policy , Ashgate publishing limited , England , 2006, p 29

system without explicitly declaring it so, where the state determines the maximum permissible quota for import and grants its legal permission to its importers to import up to that limit; once the permitted quantity is exhausted, the license is prohibited¹.

Usually, the import licensing system complements the quota system in order to organize the import process. And perhaps the issue that arises, how quotas are distributed among importers? The answer to this question, according to what is practiced in most countries, is distributing licences according to the quota which the importer was importing in previous periods. Perhaps one of the disadvantages of this system is that it prevents competition, and at the same time many other problems appear, such as bribery, favoritism and bureaucracy especially in countries lacking governance and transparency, which applies to the majority, if not all, developing countries.

- ❖ **Regulatory Methods:** In addition to the previous methods (price-based and quantity-based methods), there are also regulatory methods, which also are divided into several types.

We will try to deal with each type separately.

- **Trade Treaties and Commercial Agreements:** Trade treaties and commercial agreements are also considered regulatory tools that a state can use to organize its foreign trade. A trade treaty is usually concluded between states through the Ministry of Foreign Affairs in most cases, and it organizes commercial relations between countries in general. It deals with two types of issues: issues that are mostly political in nature such as determining the status of foreigners and their legal capacity and the authority granted to them to carry out their activity and other matters that have an economic character, such as the regulation of customs duties, the establishment of projects and trade representation offices, etc.².

¹ - Bassam Al-Hajjar, *International Economic Relations*, op.cit, p. 125.

² - Ahmed Jam' (Ahmed Djamia), *International Economic Relations*, 3rd edition, Dar al-Nahda al-Arabiyya, Cairo, 2010, p. 4.

It is important to note that these treaties must observe each of the principles of equality, reciprocity, and most-favoured-nation treatment, all of which are principles that we will discuss in detail in the next section.

The trade agreement is usually concluded at the level of the Ministry of Commerce and is for a short period compared to the treaty (usually a year). It addresses detailed matters that are not precisely defined in the trade treaty, as it addresses:

As for a commercial agreement, it is usually made at the level of the Ministry of Commerce and is for a shorter period compared to a treaty (often one year). It deals with detailed matters which were not specified precisely in the trade treaty, where the following are addressed¹:

- The products that fall within the scope of exchange between the two states (usually registered in import and export lists and annexed to the agreement).
- Each of the two states commits to not create obstacles to the exchange of the mentioned goods.
- Setting up a joint committee including representatives from both states to supervise the agreement and resolve any disputes that may arise.
- Specifying all the documents and procedures necessary to conduct exchanges and trade operations between the two states.
- Determine the duration of the agreement and the methods for extending it in the event of an extension and the method for ratifying it. For your information, the agreement may be amended and further detailed through letters or additional protocols.

➤ **Payment Agreements:** A payment agreement is also a regulatory means for external trade exchanges between states, in which how to settle the rights arising from trade between two states party to the agreement is arranged. Often a payment agreement contains the following points²:

- The duration of the agreement, and how it may be extended or amended.

¹ Mousa Said Matar et al., *Foreign Trade*, Dar Al-Safaa, Amman, Jordan, 2001, p. 123.

² Magdy Mahmoud Shehab, Suzy Adly Nashed, op.cit, pp. 228-229.

- Determination of the exchange rate on which transactions between the two states will be settled.
- Specifying the currency in which transactions between the two states will be settled, where it is possible to agree on the currency of one of the two states, or both.
- Specifying the operations that the scope of the payment agreement (export and import operations, the provision of services, carrying out transfers, repayment of previous debts, ...).
- Opening one or two accounts in the central banks, in which the amounts owed by each of the two states on account of the reciprocal operations are recorded; the difference between the creditor side and the debtor side is then settled periodically or at the end of the agreement.

Knowing that the payment agreements are usually made between countries that apply foreign-exchange controls. Countries that follow a system of free currency transfers typically settle their rights and debts through ordinary banking and exchange-market transactions.



Third axis

Lecture one : The International Economic System

The world, after the end of World War II in the 1940s, realized beyond any doubt that the survival of any strong country is, in fact, its greatest threat. Its strength does not lie in the capabilities it possesses even if it is one of the most powerful countries in the world. 'Rather, a strength is gained through integration with other countries that share common interests, therefore achieving its protection. The evidence of this is the United States of America, which despite its power in all fields, it joined the "ELENA" 'Therefore, economic integration has always been, and continues to be, more than a necessity for any country in the world, regardless of its level of development, whether developing or developed country. However, in order for integration between countries to be achieved, certain conditions and circumstances must be met. And all of these points will be addressed in more detail throughout this lecture.

➤ **The concept of economic bloc:** Economic integration is not a new topic; it has been extensively written about, and researchers have expressed differing views on the subject. There is also often confusion between it and other terms such as economic cooperation and economic blocs. The latter is actually a stage in the process of economic integration and can take several forms. On the other hand, economic cooperation refers to all activities carried out between two or more countries in a specific economic field in order to achieve mutual benefit for a certain period of time. This relationship is built on the basis of reciprocity and equal opportunity, with one of its main characteristics being that each country retains its own unique features, this is in terms of language and some similar concepts. As for the definition of economic integration in terminology, there are many, and among the most prominent are:

The second definition: Myrdal defines economic integration as¹:

"An economic and social process through which all barriers are removed to ensure

L. Ben Youb, Lectures on Economic Integration, Djilali Liabes University, Faculty of Economic, Commercial and Management Sciences, 2005–2006, p. 5.

equal opportunities for all factors of production, not only at the international level but also at the national level".

From the two previous definitions, we can conclude that economic integration is a gradual convergence process aimed at facilitating the development of countries with homogeneous political and economic systems. Therefore, it must be consistent with development plans. It also involves achieving interdependence among the economies of a group of countries through successive stages, leading to an organic linkage between their economies. This requires the presence of conscious political leadership and the use of various means and tools. However, it remains subject to numerous political, social, and even historical factors.

➤ **Foundations of Economic Integration:**

The foundations on which economic integration is based can be identified in the following points:

- Benefiting from the advantages of specialization and the division of labor among the member countries, as a result of free exchange and the movement of production factors between these countries, leading to a more rationalized economy.
- The tendency of economic production institutions to merge in order to benefit from the advantages of large-scale production, which serves as a dynamic factor that contributes to the development and modernization of production, and keeps pace with modern technology in the various stages and processes of production.
- Establishing a common development plan that allows for the mobilization of economic resources, thereby helping to avoid the obstacles that often hinder the implementation of projects.
- Coordinating the economic planning projects of the countries involved in economic integration, which leads to the establishment of integrated and interconnected industries based on sound economic principles, and allows for the creation of modern projects that rely on technology.

- The balanced development of the productive forces in the countries participating in economic integration.
- The existence of homogeneous systems among the countries participating in the integration.

➤ **Objectives of Integration:**

The objectives of economic integration don't fundamentally differ between developing and developed countries, although the relative importance of each objective may vary being more significant for developing countries than for developed ones. It is worth noting that while economic considerations are the strongest justification for economic integration in developing countries, there are also non-economic aspects.

The main objectives can be summarized as follows¹:

- Achieving economies of scale stands at the forefront of economic incentives, and this motivation becomes even more important for the future of industrialization in developing countries and for gaining the benefits of large-scale production. The expansion of market size encourages the proper economic allocation of investments and the reestablishment of the free movement of goods, capital, and labor from one country to another by removing the barriers that hinder such movement.
- Maximizing the benefits resulting from specialization at the level of the integration region. On the other hand, since the expansion of the market scope—achieved through integration—is expected to lead to improved economic prospects for the future, it is anticipated that integration will not only raise the level of utilization of productive capacity but may also stimulate the inflow of desirable foreign investments. This, in turn, would contribute to advancing the overall level of investment.

¹ - El-Hadi Larbaa, The Maghreb Production-Based Approach as a Tool for Achieving Economic Development, Algerian Journal of Globalization and Economic Policies, Issue No. 06, 2015, p. 07.

- Facilitating the process of economic development: this process becomes easier and more effective after the formation of the integration bloc, as benefiting from the expanded market and the abundance of labor leads to the creation of new opportunities that promote growth in production, investment, income, and employment.
- Economic integration leads to the diversification of production in an efficient manner, which may protect the economies of member states from certain setbacks, fluctuations, and foreign policies.
- Raising the standard of living for citizens which economic integration is expected to enable consumers to obtain goods at the lowest possible prices due to the removal of customs duties on one hand, and the reduction of production costs resulting from the expansion of the market on the other.
- Reducing dependence on foreign sources, which It leads to limited vulnerability to economic and political fluctuations.

➤ **Foundations of Economic Integration:**

For integration to be strengthened and sustained, it must be supported by economic, political, and cultural foundations. As for the economic foundations, they include:

- **Availability of Natural Resources:** The lack of sufficient natural resources in some countries may motivate them to enter into integration with other countries that possess those resources.
- **Availability of Production Factors Necessary for the Production Process:** This highlights the importance of skilled economic and technical labor due to its significance in the production process and in achieving efficiency.
- **Availability of Infrastructure:** This refers to methods, transportation, communication systems, and other related facilities. It is a crucial factor for the success of any economic integration, and without it, integration remains limited.

➤ **Conditions for Economic Integration:** To establish a successful economic integration by all standards, the following conditions must be met:

- **Coordination of National Economic Policies:** Coordination requires aligning customs tariffs, monetary and trade policies toward countries outside the integration region, as well as monetary matters, certain tax elements, social conditions, and investment policies. This coordination process calls for national economic legislation and policies, the existence of specialized bodies and institutions with the necessary authority to operate, and alignment with national economic conditions and policies.

- **Availability of Skilled Labor :** This is one of the key factors for the success of economic integration. It enables member states to utilize their productive resources efficiently and continuously, while also allowing them to develop and expand these resources. The result is an increase in overall production and the standard of living in the integrated countries, thereby enhancing economic cooperation among them.

Homogeneity of Economies Integrable: Integration should occur between economies that have homogeneous and compatible structures and are capable of integration. and Their integration means creating a real space of solidarity in which there are no economic differences among member states. otherwise, the economy of one country may dominate the economies of the others.

➤ **Establishing an Adequate Regional Transportation and Communication**

Network: It is essential to have a wide transportation and communication network among the countries within a regional bloc. The availability of such a network is a decisive factor in ensuring a real influence from the removal of barriers to trade exchange between the integrated countries.

➤ **The Need for Gradualism and Mechanism:** Integration should be gradual and follow a clear mechanism in way that allows the various economies to adapt to the new market size. A structured mechanism is necessary because the internal movement of goods and capital may create challenges that can only be resolved in

the later stages of integration. Therefore, it is essential to agree on a gradual and systematic approach that takes into account the specific conditions of each country.

It is worth noting that the success of integration among member states requires mutual trust, as well as the conviction of public opinion and national economic bodies, such as governments, that the bloc will remain faithfully committed to making the necessary efforts to ensure its success.

- **Obstacles to Economic Integration:** Economic integration offers various advantages to member states, but it also involves drawbacks and costs. Achieving full union is a challenging process and not without expense; it requires bearing numerous sacrifices and difficulties like:
 - **Trade Diversion:** This occurs when low-cost imports from a non-member country are replaced by more expensive imports from a member country.
 - **Effects on the State Budget:** The elimination of internal tariffs may lead to a deficit in the state's general budget due to reduced revenues from customs duties comes from its companies. It also impacts the country's fiscal policy.
- **Trade, production and investment deviation:** Original producers circumvent countries that impose high tariffs by exporting to countries with lower tariffs, which then re-export the goods to the high-tariff countries, as a result, the products become cheaper than if they were imported directly. Taking transportation costs into account, this highlights the shortcomings of rules of origin. Although specific regulatory rules are set, they can still be circumvented in various ways. Moreover, the lack of unified policies and measures toward the outside world may lead to investment and production processes being diverted to member countries with lower tax levels.
- **Distribution of gains and compensation for losses:** A common issue that may arise among economically integrated countries is how to distribute the revenues

collected. and poses a problem of unfair distribution of the gains, as well as some countries bearing losses resulting from the distribution mechanisms.

- **Crisis transmission:** According to the principle of interrelated effects of foreign trade and the interconnection of economies, feeding of crises that a member state may be exposed to on some other countries. and in this context, the 2001 depression crisis in America, which impacted the Mexican economy. One of the manifestations was a reduction in the workforce in the industrial sector and in other U.S. border companies. Similarly, the Greek crisis had repercussions that spread to other European Union countries.
- **Differences in the level of economic development among member countries:** The differences in the level of economic development among member countries, as well as the varying economic interests of local industries and projects of the integration countries, lead to disparities in the degree of tariff protection for existing projects in each member state. Consequently, the removal of customs barriers and the abandonment of protectionist policies for these projects, according to integration policies, may expose them to external competition that could potentially eliminate them. Therefore, it can be said that it is difficult to abandon tariff protection for certain projects in some integration member countries.
- **Common tariff issues:** One of the fundamental requirements for achieving economic integration among a group of countries is the removal of customs barriers, along with a prior agreement on establishing a common external tariff to apply to goods imported from the outside world. However, it is difficult to implement a unified tariff across all member states due to the challenge of reconciling the differing interests of the member countries.

After understanding the concept of economic integration, it is important to point out that economic integration has different levels that evolve based on the degree of harmony and agreement among the member countries. These levels are:

- **Stages of Economic Integration:** Economic integration consists of five main stages, which are:

Free Trade Area: In this stage, member countries agree to eliminate customs and administrative barriers on the movement of goods and services among themselves, while each member state retains the right to impose its own tariffs on the rest of the world.

➤ **Customs Union:** In this type of integration, the movement of goods becomes free among member countries, and a common external tariff is also established for trade with the rest of the world.

➤ **Common Market:**

In addition to the previous stages, this phase involves the removal of barriers on the movement of production factors such as services, capital, and people among member countries.

➤ **Economic union:** This is the most integral form among the previous models. It also includes measures related to the coordination of economic, financial, and monetary policies, in addition to other social and tax policies reflected in labor legislation, taxation, and more.

➤ **Economic integration:** In addition to all that has been mentioned before, this stage also involves the unification of all economic policies, the creation of a supranational authority, a single currency, and a Unified administrative body, along with the commitment of all member states to reduce their autonomous executive powers.

In general, this has been the Most of the theoretical knowledge regarding economic integration, which is of great importance due to the many advantages that countries can achieve by entering a particular union. It represents one of the stages of integration and economic groupings, which we will discuss further below.

❖ **Economic Groupings**

The world has witnessed the emergence of regional economic blocs—both in their traditional forms during the 1950s and 1960s, and in their new forms that appeared in the second half of the 1980s.

The creation of these blocs is due to a group of set of factors that motivate a country or a group of countries to form an economic union or to join an existing one in order

to achieve certain objectives. Therefore, in this lecture, we will delve into economic blocs in greater.

➤ **Concept of an economic Union:** The concept of economic unions found its intellectual expression in economic integration theory. Interest in them grew among many countries after World War II, to such an extent that the mid-20th century came to be known as the 'Age of Economic unions.

This interest spread to other parts of the world, especially following the emergence of economic globalization at the end of the 20th century.

An economic bloc is defined as a specific level of economic integration among a group of countries that are economically, geographically, historically, culturally, and socially homogeneous, united by a set of common economic interests, with the aim of maximizing those interests and increasing intra international trade to achieve the greatest possible Economic revenues, then reaching the highest level of economic welfare for the populations of those countries. An economic bloc can be defined as an alliance of several countries that share particular ties such as geographic proximity, similar economic conditions, or common civilizational or cultural affiliations. This grouping operates within a framework that may be a customs union or a free trade area¹, Thus, as a concept, a regional union reflects the practical implementation of economic integration, representing a specific stage in the levels of economic integration among member countries².

- **Characteristics of Economic Blocs:** Economic blocs possess a set of features that distinguish them from other forms of international cooperation are³.
- Economic blocs are characterized by their large size in terms of resources and production, the vastness of their consumer and production markets, the diversity of their economic structures and resources, and the high density of their population.
- The free movement of goods, services, people, capital, and investment among the member countries of the union.

¹ - Ikram Abdel Rahim Awad, The Middle Eastern Market, Arab Civilization Center, 2000, p. 30.

² - Abdel-Muttalib Abdel-Hamid, The Arab Common Market: Reality and Future in the Third Millennium, Arab Nile Group. Cairo, 2002, p. 30.

³ - Ibid, p. 31.

- Free competition among the member countries within the integrated region, along with a unified trade policy toward countries outside the union.
- A high proportion of intra-union trade compared to total foreign trade, which reduces economic dependence and grants a high degree of economic independence from countries outside the integrated region. This leads to interconnection among the member countries through the intertwining of their economies and markets.
- Its power in international negotiations allows it to defend its interests against other economic union. As a result, the countries belong the union are in a better position for bargaining or negotiation, regardless of its form.
- Providing advantages and gains that the state would be unable to achieve on its own.
- Benefit from capital and skilled labor and optimal utilization of available resources in the integration zone.
- Achieving sustained economic growth as a result of dynamic effects related to market size, improved investment climate, and increased competition resulting from market liberalization.
- **Objectives of Economic Unions:** The ultimate goal of establishing economic unions is to benefit from large-scale production and to achieve prosperity for the populations of the member countries. In addition, there are other objectives such as strengthening the bargaining power of the member states, increasing security and peace among these countries, creating job opportunities, and eliminating unemployment.etc. However, all these objectives require a series of steps that must be taken in order to achieve the aforementioned goals and are¹.
- That the bloc countries have a unified trade policy toward the outside world, with this policy being developed and characterized by flexibility in accordance with the development of international economic conditions and relations.
- Commitment to free competition within the integration region requires allowing producers to divide markets and set prices.

¹ - Abdel Aziz Heikal, *The Theoretical Framework of Economic Blocs*, Arab Development Institute, Beirut, 1st Edition, 1976, pp. 16–21.

- cancel of restrictions on the movement of goods and factors of production among member states, while the movement of persons remains subject to the prevailing laws in each of these countries.
- Cooperation with member states to achieve balance in the payment balances for countries that experience a deficit, especially in the early stages of establishing the economic Union.
- Establishing a unified fund for social cooperation among the bloc's countries, aimed at training workers and providing them with technological qualification.
- bloc's countries, aimed at financing industries that need to be established to utilize the available industrial potential in these countries, and reconstructing existing
- various administrative bodies alongside the necessary technical departments required to implement the different objectives set by the union for itself at each stage of its development.

The role of the various departments and bodies should not be limited to preparing coordination plans, but should also extend to include monitoring implementation and presenting results, based on the information and statistical data available to them.

These were the most important steps to be taken in order to achieve the desired objectives of economic unions. However, what can be observed in our present reality is that there are unions that have achieved great success and reached a high degree of integration, to the extent of having a single legislative authority and a single currency, similar to the European Union, Meanwhile, there are other blocs that have remained nothing more than ink on paper, such as the Arab Common Market, despite being older than the European Union, not to mention many other points which we summarize in the following table.

Table No. (01): Elements of Bloc Formation between Arab Countries and European Union Countries

| Elements | European Union | Arab Free Trade Area |
|-----------------------|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|
| Language | Multiple languages exist | One language, Arabic |
| History | Each country has its own history | The same history for all Arab countries |
| Religion | Diversity of religions | One religion, Islam, with a Christian minority |
| Economic level | Variation between highly developed countries such as France/Germany and less developed ones such as Eastern European countries | A relatively similar economic level among all countries |

Source: Prepared by the researcher

As we can observe from the previous table, the Arab Free Trade Area, despite having all the necessary elements, has not been realized on the ground, while the European Union, despite lacking most of these elements, has succeeded. This, in our view, is due to only one factor: the absence or presence of conscious administration and political will, In the Arab countries, because each president fears for his position, he prefers to remain isolated, avoiding the oversight and transparency that result from integration. As for the European Union, since European countries do not lack transparency, the interests of the states take precedence over everything else. Therefore, in my opinion, everything we have said about economic integration and economic unions can be summed up in this factor: if it is present, success is achieved; if absent, failure occurs, the conscious management of the benefits of integration and the political will of all Arab countries.

Lecture Two: The World Trade Organization and its impact on international trade policy

One of the most prominent and significant events the world witnessed in the past century was the emergence of the World Trade Organization (WTO). This great importance stems from the clear impact it has had on global trade as a whole and on the economies of the world's countries, particularly the economies of developing countries. Opinions and theories have been divided between optimists, who view the emergence of this organization as promising a bright and beneficial future for all countries equally, and pessimists, who focus on the negative impacts it entails, especially on developing countries. Regardless of which viewpoint is correct, It is agreed that this event had a major impact on the features of world trade, Those interested in the field of economic relations should not simply overlook it, and this is what we will attempt to do in this lecture by addressing the organization and the role it has played in the liberalization of foreign trade. We will start with the historical development of its appearance and the main events that paved the way for it, then will move on to GATT (General Agreement on Tariffs and Trade), which is considered the first form of the WTO (World Trade Organization), and finally discuss the role this organization has played in the liberalization of foreign trade, as outlined below.

➤ Origins of GATT.

In fact, the true beginnings of GATT date back to the post–World War II period. Although there were some attempts in this field before, they are not considered to be among the attempts that left a mark in this field, And if we talk about the most important economic events after the Second World War, we talk about the Bretton Woods Conference, in which the institutional framework for regulating the global economy was established, with an agreement to create the International Monetary Fund, the World Bank for Reconstruction and Development, and the General Agreement on Tariffs and Trade. Therefore, the Bretton Woods Conference is the cornerstone of GATT, the origin of the World Trade Organization, and it is thus necessary to first address this conference, which is also considered the first origin for

its establishment OF GATT.

Accordingly, we will try to present the most important historical events that paved the way for the appearance of GATT in chronological order.

➤ **Bretton Woods Conference:** After the end of World War II has changed its features from what it was before, The European countries that once led the world and Japan were nearly completely destroyed, A great power emerged on the world stage that was isolated from the damage and destruction of World War II, namely the United States of America, The latter seized the opportunity at the Bretton Woods Conference to reshape the global economic order in a way that aligned with its interests, On this basis, the conference agreed to create both the IMF and the IBRD Perhaps the question that arises here is why these two institutions in particular? The answer: nearly all the conference delegates at that time were finance ministers, but they did not overlook the importance of the business side and the necessity of establishing an institution to regulate it. Consequently, to address this, a preparatory conference was held in London in 1946, His work was completed in Geneva 1947, Switzerland 1947, and it concluded in Havana in 1948, The outcome was the establishment of the Havana Charter and outlining how to implement it, but it was swiftly abandoned due to U.S. Congressional opposition and was replaced by the GATT agreement¹. It is perhaps an injustice not to mention the backgrounds of the Bretton Woods Conference and the Havana Charter, as understanding these is essential for properly grasping the true roots of GATT and, subsequently, the World Trade Organization.

➤ **Havana Conference:** Perhaps the first serious step toward creating a global trade organization occurred in December 1945, when the United States invited 14 countries to participate in negotiations aimed at reducing customs duties and eliminating non-tariff barriers, On 18 February 1946, the United Nations Economic and Social Council adopted the U.S. proposal to convene a Conference on Trade and Employment, which ultimately took place in Havana, Cuba, in November 1947.

¹ - Chantal Buhour, *International Trade: From GATT 1947 to the WTO 1994*, Marabout Edition, France, 1996, p. 25.

Representatives from 53 countries attended to discuss the international economic and trade conditions. After four months of negotiations, the conference concluded with the adoption of the Havana Charter, which established the International Trade Organization, on March 24, 1948 in Cuba¹.

✓ **Objectives of the Havana Charter:** As we mentioned previously, the United Nations accepted the request of the United States to set up an organization for employment and international trade, and From the name, we conclude that the two main objectives behind the establishment of this organization are achieving employment and developing and advancing international trade. To achieve these objectives, the following points were outlined² .

- The countries of the world must contribute the necessary capital as well as all available technologies and resources to help rebuild those nations reconstructing their economies from the destruction wrought by World War II.

- To achieve the previously mentioned objectives, it was necessary to establish a customs union and free-trade areas. The French negotiator was also able to add to the Charter the right of countries to implement non-general forms of regional integration until a customs union or even free-trade areas could be established.

- Signing agreements related to specific products can be classified into two broad types. The first type involves agreements covering a limited range of basic products and lacks detailed operational procedures for effective implementation. The second type, however, incorporates more precise and stringent rules designed to restore market balance during disturbances and stabilize price levels.

Finally, the establishment of the World Trade Organization a specialized institution, tied to the United Nations and possessing its own structure serves as the means through which all previous objectives are realized, despite all these efforts, the

¹ - Mohamed Safwat Qabil, *The World Trade Organization and the Liberalization of International Trade*, Dar al-Jami'iyya (The University Publishing House), Alexandria, 2008, p. 43.

² - Abdel-Wahid Al-'Afour, *Globalization and GATT: Challenges and Opportunities*, Al-Madbouli Library, Cairo, 2000, p. 60.

Havana Charter was quickly abandoned due to the severe criticism directed at it. What is striking here is that the United States of America was the one that sought and took the main initiative to sign the Havana Charter, and it was the same one in which Congress refused to ratify this agreement...until 1951, when the U.S. President declared that he would no longer pursue ratification. However, on the sidelines of this conference, delegates from 23 countries quickly met and held some side negotiations during the summer of 1947, which resulted in the creation of the “General Agreement on Tariffs and Trade (GATT)” On January 1st, 1948, it entered into force without institutional organization. The secretariat was carried out by a United Nations committee that continued to oversee matters related to the multilateral international trading system for nearly half a century¹ .

Accordingly, GATT can be defined as the abbreviation formed from the initials of the English phrase, General Agreement on Tariffs and Trade, from an economic perspective, it is a multilateral international agreement for the exchange of preferential advantages among member countries, resulting from the liberalization of international trade from customs restrictions referred to as tariff barriers and from quantitative restrictions referred to as non-tariff barriers, Therefore, the GATT agreement has been, and continues to be, an attempt by member countries to return to a policy of free international trade, based on the belief that international trade is the engine of economic growth².

➤ **GATT from a Legal Perspective:**

GATT is a treaty that regulates international trade between the countries that agreed to join it, which initially numbered 23 countries. This number grew to 117 countries by 1994, when the GATT Secretariat was dissolved and replaced by the establishment of the WTO (World Trade Organization) in Marrakesh, Morocco³

¹ - Mostafa Salama, GATT Rules, University Institution for Studies, Publishing, and Distribution, Beirut, 1998, p. 60.

² - Ben Moussa Kamal, previously cited reference, p. 66.

³- Abdel Muttalib Abdel Hamid, GATT and the Mechanisms of the World Trade Organization: From Uruguay to Seattle and up to Doha, Al-Dar Al-Jami'iyah, Alexandria, 2005, p. 19.

➤ **GATT from an Institutional Perspective:**

The GATT Secretariat was established to oversee the negotiation rounds approved by the contracting parties, which were related to customs tariffs, The rules governing international trade have been in place since October 1947 through the countries that signed the agreement. Accordingly, GATT can be defined as:

“A framework for multilateral trade negotiations aimed at liberalizing international trade in accordance with recognized rules and provisions”, for that we can say:

- GATT is not an international organization or an international court that arbitrates international trade disputes between member states.
- It is not of a binding nature; rather, it adopts negotiations as the basis for resolving disputes related to international trade.
- Although the GATT agreement is considered the most important trade agreement the world has witnessed, it has a temporary nature, as it adopted a provisional application protocol until the time came to establish the World Trade Organization.
- The countries participating in GATT are not called as "member states" but rather as "**contracting parties.**"

Naturally, GATT was established to achieve a set of objectives, in alignment with the principles upon which it was founded. Below, we will highlight the principles and objectives of GATT as follows:

➤ **GATT Objectives:** As previously mentioned, GATT was established to achieve a set of objectives:

- The original GATT agreement stated¹: “The countries parties shall seek to achieve a better standard of living, ensure a steady and increasing level of real income, develop the world’s resources of wealth, and expand the production and exchange of goods and services."

Accordingly, it can be inferred that GATT aims to:

¹ - Mahmoud Mohamed Abu El-Ala, *GATT – The Full Texts of the General Agreement on Tariffs and Trade and Its Related Decisions in Egypt*, Dar Al-Jameel, Egypt, 2008, p. 10.

- Raise the standard of living in countries.
- Increase national income by achieving full employment.
- Optimize the use of global economic resources.
- Facilitate the movement of production, globalization, and investment.
- Ease access to markets and sources of capital.
- Ensure a favorable international environment for competition and the distribution of international trade.
- Attempt to resolve trade disputes and conflicts through negotiation under the management of GATT.

If we examine all these objectives closely, we notice that they are only details of the greater goal, which is the liberalization and regulation of international trade.

In order to achieve this main goal and, through it, the aforementioned sub-goals GATT focuses on a set of principles, which are¹.

- The principle of the state most worthy of care: Article One of the agreement states that if a country grants a privilege or preference to another country, this must be extended to all other contracting countries to the agreement. This applies to tariffs and customs duties, whether on imports or exports, as well as the transfer of international payments to finance foreign trade exchanges. However, this principle has exceptions, which are:

- In case where a country is part of regional agreements or free trade zones that require the elimination of customs barriers, the principle of the most caring country does not apply.
- In the event that a country enters into regional agreements or free trade areas that require the elimination of customs barriers, the most-favored- state principle does not apply in this case.

¹ Thiébaud Flory, *The World Trade Organization – Institutional and Substantive Law*, Brylant, 1999, p. 25.

- The preferences and advantages granted unilaterally by some countries within the framework of the United Nations Conference on Trade and Development aim to help developing countries access the markets of industrialized countries¹.

- **The principle of non-discrimination:** Article 2 of the agreement stipulates that all foreign importers and producers must be treated equally, the same procedures and laws apply to them, without any discrimination in treatment, to clarify further, we present the following example: For example, we have producers from two countries, X and Y, in country A. Even though country A has closer relations with country X than with country Y, the producers from both countries are treated equally.

- **The principle of national treatment:** Article 3 of the agreement stipulates that a country may not use certain barriers, such as taxes, duties, or even regulatory procedures, against foreign goods in order to give a preferential advantage to local goods, Rather, they must be treated in the same way as a national goods. We note that this article is unfair to developing countries, as there is a significant difference between foreign and local goods due to the level of technological advancement, higher quality standards, and even the price gap between imported and local goods in developing countries. This leads local consumers to prefer imported goods and avoid local products, as a result, local goods become unable to compete, leading to their disappearance and decline.

- **The principle of protection through customs tariffs only:** This principle stipulates that a country may ask protection only through customs tariffs, and the customs tariff is determined according to the schedule of commitments of each country negotiated within the framework of GATT, whereas other measures, such as quota systems, import licenses, import bans, or even export subsidies, are not permitted within the framework of GATT.

- **The principle of non-practice of dumping:** Article 6 of the agreement prohibits a country from adopting a dumping policy in order to ensure fair competition. In the

¹- Adnan Shawkat Shoman, *The International GATT Agreement – The Always Winners and the Always Losers*, Dar Al-Mustaqbal, Damascus, 1996, p. 18.

event that a country is harmed by such a policy, it has the right to impose a compensatory duty to eliminate the effects of dumping.

- **The principle of customs restrictions on imports:** The GATT agreement prohibits the use of quantitative restrictions on imports, as they are considered the greatest obstacle to international trade. However, there is an exception to this principle mentioned in Article 12 of the agreement, which we will address later.

- **Enabling Principle:** During the Tokyo Round, emphasis was placed on Article 36 of the agreement, which recognizes the granting of exceptions to developing countries to facilitate their access to the markets of developed countries. Which The latter are worked to enable developing countries to use special measures aimed at achieving economic development in it. Thus, enhancing their participation in international trade.

- The aforementioned principles are among the most important ones introduced by GATT. However, these principles also have exceptions in certain cases, which must be highlighted and not overlooked.

Since its inception, GATT has included exceptions to the principles established in its articles. These exceptions have gradually increased with the development of negotiations through the various rounds of GATT. It should be noted that these exceptions are temporary, have a specified duration, and eventually expire. However, members have the right to request an extension of these exceptions if the concerned country provides a program justifying the extension, outlining its trade policy.

These exceptions will be presented as follows¹:

- Regarding the previously mentioned Most-Favored-state principle, it has exceptions:

- Article 21 of the agreement allows a contracting party to take any measures it deems necessary to protect national security, such as withholding certain confidential

¹ - Boutamine Samia, *Algeria's Accession to the World Trade Organization*, Master's Thesis in Economic Sciences, specializing in Economic Analysis, Faculty of Economic, Commercial, and Management Sciences, University of Algiers, 2001, p. 42.

information related, for example, to nuclear activities, arms trade, or anything else the country considers a threat to its security and national sovereignty.

There are also other various exceptions, including:

- A country has the right to protect its local industries from strong competition, not only through customs tariffs but also by applying certain other safeguard measures, according to Article 19 of the GATT agreement.
- In order to protect public morals, health, the lives of living beings in general, or even to preserve national heritage and cultural artifacts, Article 20 of the GATT agreement permits the use of any measures and means a country deems appropriate to achieve the aforementioned objectives.
- Article 25 of the GATT agreement states that any party may be exempted from a specific obligation, provided that two-thirds of the contracting parties approve. This is exactly what happened with the USA, which was granted an exemption from certain agricultural policies, which is considered a clear violation of GATT rules.

After discussing the historical background of the Creation of GATT, its definition, the key principles it introduced, as well as the exceptions to those principles, we will now examine the content of GATT in the following section to gain a comprehensive understanding.

➤ **GATT Agreements:** The GATT agreement passed with several rounds of negotiations, culminating in the final round the Uruguay Round which played a key role in the establishment and emergence of the World Trade Organization (WTO), and In fact, each of the negotiation rounds formed a sequential link in a chain none of them could have occurred without the others. However, most researchers in this field agree that the most important round was the Uruguay Round. Their reasoning is that it was during this round that the agreement to establish the WTO was reached. Nevertheless, in this section, we will highlight all of these rounds without overlooking any, following their chronological order.

- 1- **Geneva Round (Switzerland, 1947):** This round was held in Geneva, the capital of Switzerland, with the participation of 23 countries in 1947. The main focus of this round was on reducing customs barriers, resulting in the reduction of 545,000 customs tariff. ¹
- 2- **Annecy Round (France, 1949):** This was the second round held after the first Geneva Round. The Annecy Round continued in the same direction as the Geneva Round, with its primary goal being the reduction of customs tariffs. During this round, an agreement was reached to reduce 5,000 tariff rates on industrial goods. It is worth noting that the round was held in 1949 with the participation of 13 countries².
- 3- **Torquay Round (England, 1951):**

The Torquay Round was held in England in 1951, named by this name after the city where it took place. Its activities were similar to the previous rounds, continuing the effort to reduce customs tariffs. During this round, an agreement was made to reduce 7,800 customs tariffs.

It is important to note that 38 countries participated in this round³
- 4- **Geneva Round (Switzerland, 1956):** The fourth round of the GATT agreement was once again held in Geneva, Switzerland, in 1956. It was attended by 26 participating countries out of the total member states. This round also followed the same path of reducing customs tariffs, resulting in tariff reductions estimated at around 2.5 billion USD, It is worth noting that all these rounds focused on reducing customs tariffs on goods by examining each product one by one through bilateral negotiations between the participating countries' delegations⁴.
- 5- **Dillon Round (Switzerland, 1960–1961):** The negotiation rounds continued in Switzerland, in the capital Geneva, but this time the round was named after the U.S. minister of Commerce. This was the fifth round of GATT negotiations and

¹ - Ahmed Abdel-Aleem, *GATT and Developing Countries*, Solidarity Publications, Cairo, 1995, p. 52

² -Thiébaud Flory, *L'organisation mondiale du commerce – droit institutionnel et substantiel*, Brylant, 1999, p. 85

³ - Samia Flichani, *The Transition from GATT to the WTO and Its Impact on the Economies of Developing Countries*, Master's Thesis in Economic Sciences, Faculty of Economic, Commercial and Management Sciences, University of Algiers, 2001, p. 112.

⁴ - IBID, p. 113.

did not differ much from the previous ones, with the main focus still being on the reduction of customs tariffs, Based on this, an agreement was reached to reduce 4,400 customs tariffs on industrial goods. With the appearance of economic unions such as the European Common Market and Free Trade Areas, tariff reductions began to be applied to entire groups of goods rather than examining each item individually¹.

Accordingly, based on the above, we can say that all the previous rounds focused primarily on customs tariffs and did not address non-tariff barriers. latter became the main subject of discussion in the subsequent rounds, which we will address next.

6- Kennedy Round (1964–1967): As is clear from the name suggests, this round was named Relative to U.S. President John F. Kennedy, who was granted the authority by the U.S. Congress in 1962 to reduce customs tariffs by 50% on all goods, Based on this, the USA was given a wide scope to negotiate with its key trading partners, particularly European countries. This round began in May 1964, and an agreement was reached to reduce tariffs on industrial goods by 35% gradually over a period of five years, amounting to a total value of 40 billion USD.

It is important to note that the average reduction in customs tariffs varies from one country to another. For example, the reduction rate in the United Kingdom was 38%, in Japan 30%, while in the United States and Europe it ranged between 5% and 10%.

However, the tariff reductions related to agricultural products was not agreed among the negotiating countries. In the end, it was agreed to reduce tariffs by an average of 25% on protected agricultural products, without addressing dairy products, Also, an open law for signature was introduced during this round, which came into effect on 01/07/1968, concerning anti-dumping measures. Consequently, this round is considered the first to address this issue. However, it must be noted that the hopes and objectives of the developing countries in this round ended in failure and

¹ - Nabil Hashad, *GATT and the Future of the Global and Arab Economy*, Dar Al-Nahda, Cairo, 1995, p. 12.

disappointment, as the main goal of those leading this round was solely to serve the interests of the developed countries. Thus, we can say that the Kennedy Round did not differ much from the previous rounds¹.

7- Tokyo Round (1973–1979): The Tokyo Round was indeed held in the midst of all these events in 1973, the actual beginning did not occur until 1974, as the previous year saw a collapse in oil prices, which led to the postponement of the round until 1974. This round lasted for six years and involved the participation of around 102 member countries. The discussions focused on new topics that differed from the previous rounds, shifting from tariff reduction to addressing non-tariff barriers.

8- Uruguay Round (1986–1993): As previously mentioned, the Uruguay Round is considered one of the most important rounds in the history of GATT, a view widely shared by experts in the field. This is due to several reasons, most notably the nature of the topics discussed during this round. Although the Tokyo Round also introduced new elements compared to the previous rounds, the Uruguay Round gained its importance from the issues it addressed, such as trade in services and intellectual property topics that were discussed and debated for the first time among the negotiating countries. Additionally, this round is considered the longest of all, lasting a full eight years.

Several events and developments, both economic and political, preceded the Uruguay Round. These events had a significant impact in accelerating the convening of this round, which we will outline in the following points²

- The rise of the external debt crisis of developing countries, notably Mexico in 1982 when it declared bankruptcy and its inability to repay its debts to American banks.
- The continuous decline in the GDP growth of the Organization for Economic Cooperation and Development (OECD) during the period 1981-1982.

¹- Ali Lotfi, *Future Trends of the World Trade Organization: Opportunities and Challenges for Arab Countries*, Arab Organization for Administrative Development, Cairo, 2007, p. 7

² - Faisal Lousif, *The Impact of Foreign Trade Policy on Sustainable Economic Development in Algeria during the Period 1970-2012*, Master's thesis in Economic Sciences, specializing in International Economics and Sustainable Development, Department of Management Sciences, University of Setif 1, 2013-2014, p. 65.

- The return to trade protectionism by both the USA and the European Community, following the appearance of new economic powers represented by Japan and the Asian Tigers, and their penetration into global markets, including the USA markets.
- The collapse of the Communist camp, the end of the Cold War, and the rise of the Gulf crisis.

After all these events, despite the negotiations being delayed from their originally scheduled start in 1982 and lasting longer than planned eight years instead of four they officially began in September 1986 in the city of Piriápolis Este, Uruguay, with the attendance of 108 delegates, During this round, many disputes emerged that escalated to the point of almost leading to an economic war between the USA and the European group, led by France, over several issues including agricultural goods trade, intellectual property, and audiovisual production trade. All of this led to the suspension of negotiations in December 1990. Negotiations resumed again in 1992 when representatives from both the USA and France reached an agreement on these talks. In general, the negotiations between the contracting parties continued until 1993 and resulted in a set of outcomes that can be divided into three groups¹.

The first group concerned market access, while the second group was called the group of "founding agreements," named as such because it dealt with topics that had been raised and agreed upon during the Tokyo Round. In this round, these agreements were simply reviewed to make them more adapted to the new circumstances, the third group from the Uruguay Agreement was called the "Agreements on New Issues" because these topics were introduced for the first time within the framework of GATT. These topics included trade in services, intellectual property, and trade-related investment measures.

This covers everything related to the origin of the World Trade Organization, which is GATT, in some detail.

➤ **The World Trade Organization for the Liberalization of Global Trade.**

¹- IBID, p. 66.

One of the most important achievements and decisions resulting from the GATT agreement during the Uruguay Round in Marrakesh was the agreement to establish the WTO on 14/04/1994. On this basis, the third pole of the global economic system related to the trade part was completed, after the establishment of both the IMF and BM to regulate the monetary and financial sides, respectively.

The World Trade Organization was established to regulate global trade and to serve as the institutional framework for it. It also came to achieve a set of objectives, in addition to the goals and principles that GATT had been following, However, naturally, the WTO has greater powers than those granted to GATT, including, but not limited to, matters related to certain disputes between member countries of the World Trade Organization, In general, after its establishment and acquisition of legal personality, the WTO worked to achieve a set of objectives, particularly establishing the main goal adopted by its founding countries, which is the liberalization of global trade and the strong entrenchment of the principles of the capitalist system, The World Trade Organization (WTO) came after many new developments had occurred on the global scene at all levels. Politically, it came out after the collapse of the Soviet Union and, consequently, the socialist system, whose principles were completely contradictory to those of the WTO. Accordingly, this situation left the field open for the WTO to act and to entrench the principles of capitalism, which had been embodied in the goals and principles of GATT and subsequently the WTO. Also, this period was economically marked by the spread of the phenomenon of economic blocs, which operate according to market mechanisms, and perhaps the most prominent of them are the European Union and NAFTA, In addition, the emergence of what is known as the Asian Tigers and the clear impact they had on the global economy, and we should not forget that the last decade of the past century witnessed an information revolution and enormous technological developments, as well as a very rapid manifestation of globalization and universality. All these

previously mentioned circumstances greatly helped the WTO to fully play its role and to consolidate and establish the principles and objectives it was founded upon¹.

However, as we have always mentioned, this organization was established to serve the interests of developed countries, despite the fact that the principles it introduced may, at first glance, give the impression to anyone studying them that it seeks to achieve justice, prosperity, and growth among all the countries of the world,

According to the organization's documented provisions in 16 legal articles and 11 annexes, which outline: the organization's activities, the procedures for accession and withdrawal, in addition to its functions, which, as defined in Article 3, are as follows²:

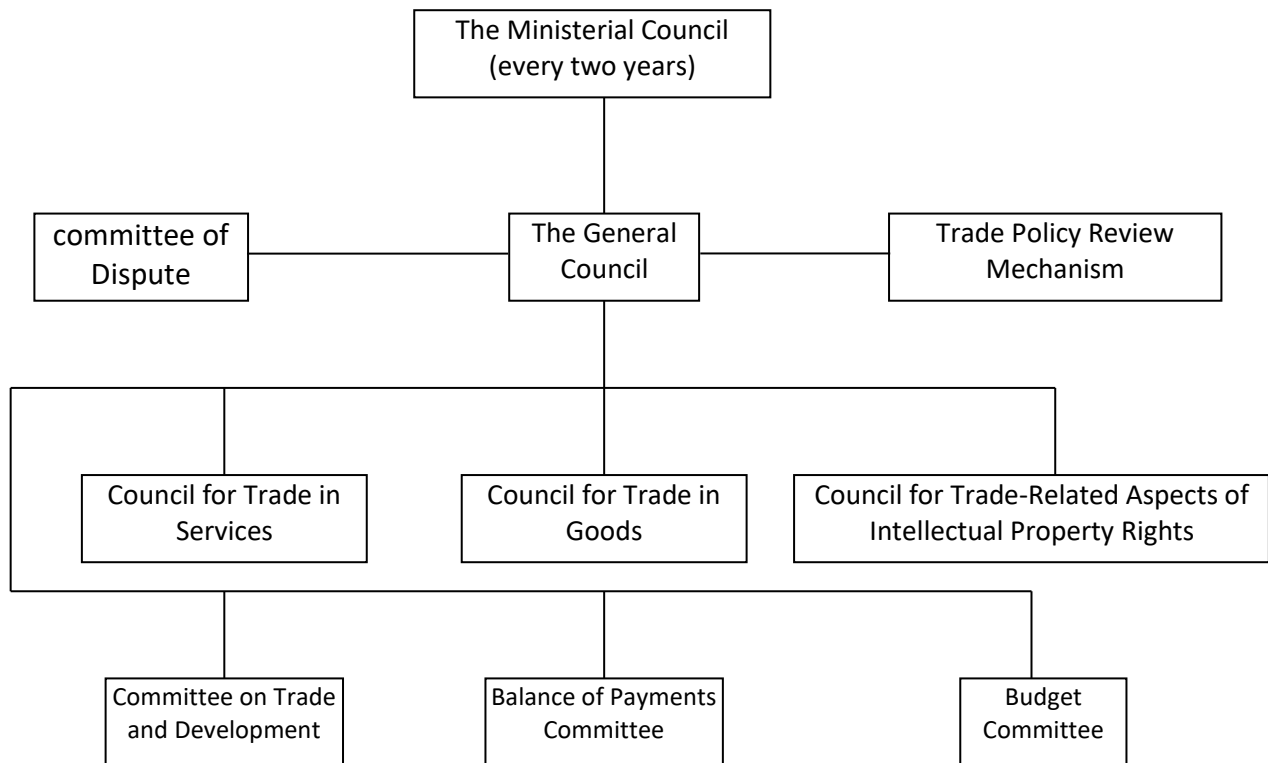
- Supervising the implementation and administration of the agreements regulating trade relations between member states, including the multilateral agreements of the association.
- Organizing international negotiations between members on outstanding issues, in order to achieve further liberalization of international trade.
- Monitoring the trade policies of member states and their compliance with the rules and commitments agreed upon within the framework of the organization.
- Cooperating with both the IMF and the World Bank in order to achieve the greatest possible coordination in the field of economic policymaking.

In order for the WTO to carry out its work and fulfill its assigned role, it must have bodies responsible for overseeing this, and these bodies are illustrated in the following diagram.

Figure No. (01): Organizational Structure of the World Trade Organization.

¹ - Salah Salhi, previously cited reference, pp. 46–47.

² - Suhail Hussein Al-Fatlawi, *Globalization and Its Effects on the Arab World*, Amman, First Edition, 2009, p. 67.



Source: Arab Journal of Science, Arab Organization for Education, Culture and Science, Department, Issue No. 25, July 1995, p. 12.

It may be noted from this figure that the difference between GATT and the WTO is clearly evident through the new tasks assigned to it, as we find councils specialized solely in the new issues that the WTO has come to focus on, such as intellectual property rights, Services, and the committee of Dispute Settlement, the latter of which has also evolved under the WTO, despite the fact that the issue of disputes already existed before in GATT through Article 23, Which stipulates that, in the event of a dispute between countries, the GATT Council shall refer the case to a committee composed of three experts to examine the matter, and then submit a final report containing a judgment it deems reasonable to the GATT Council, which will decide on the case, The country that objects to this ruling or loses the case has the right to block the adoption of this decision.

It is worth noting that the GATT negotiations proposed excluding the votes of the two countries involved in the dispute; however, this was of no avail, as the allied countries of the losing state would vote against the adoption of the decision.

Dispute settlement under the WTO, however, is divided into a judicial settlement system in the form of international arbitration through the Dispute Settlement Body, which is entrusted with managing all procedural operations for dispute resolution or requests for appeal, Preparing lists of experts represent arbitration committees to examine disputes; this body also monitors the implementation of decisions taken to settle disputes and the recommendations made regarding them. It also has the right to adopt countermeasures as a last resort to ensure the implementation of dispute settlement decisions. It is worth noting that there is an agreement of the Dispute Settlement Body, according to its Article 24, which establishes special provisions for least developed countries, stipulating not to rush into applying compensatory measures against them¹ .

This, in general, covers the basic concepts, bodies, and functions of this organization. As for the role it has played and its effects on developing countries, this point has sparked much debate between those who see this organization as a source of good and prosperity for all countries of the world, whether developed or developing, And between those who see it as evil for developing countries in particular.

Below, we will attempt to present the viewpoints of both sides, in the hope that, in the end, we may draw our own modest conclusion based on the reality as we see it.

➤ **Viewpoint of the First Party (the Optimistic Perspective):**

The optimistic side regarding the effects of this organization justifies its viewpoint through the following points, some general and others detailed, which we will elaborate on later. The general points are as follows²:

¹ - Rania Mahmoud Abdel Aziz, *Liberalization of International Trade under the GATT Agreement in the Field of Services*, Dar Al-Fikr Al-Jami'i, Alexandria, First Edition, 2008, p. 25.

² - Mohamed Safwat Qabel, *op.cit*, p. 90.

- Developing countries benefit, through the organization's agreement, from the possibility of protecting their national industries from unfair competition, whether in the form of dumping or unlawful subsidies, and even from fair foreign competition.
- Developing countries benefited greatly from the Uruguay Round in the context of trade liberalization through the significant reduction of customs duties in developed countries, not to mention the reduction of quantitative restrictions, especially in the field of agriculture and textiles, which are the main exports of developing countries.
- Also, within the framework of the World Trade Organization, when developing countries export to developed countries, no customs duties are imposed on them, even though they treat imports in the opposite way. This constitutes a great advantage for developing countries, enabling them to achieve economic development.
- Requiring developed countries not to resort to the use of anti-dumping duties, countervailing duties, or safeguard measures except in accordance with precise rules set out in GATT or in the specific agreements for each of them.

As for the general positives of GATT, the detailed positive points were presented in studies by institutions that support and complement the World Trade Organization, such as the IMF and the IBRD, in addition to contributions from other institutions like the Central Bank of Egypt, and this was before the announcement of the establishment of the WTO, All of them aimed to highlight the positive aspects of the Uruguay Round and the agreements it stipulates. For example, in its study on the effects of the WTO, the IMF sees that this organization will benefit all countries of the world equally, whether developing or developed, with the difference lying only in the matter of time. That is, developing countries will lose in the short term, as this study explains that the short-term loss for developing countries is due to the reduction of agricultural subsidies, which in turn

affects prices. As for the IMF, this is its view, while Bank of Egypt, in its study, highlighted some positive points that developing countries enjoy through:

In fact, developing countries are expected to incur short-term losses. This study explains that these short-term losses are primarily due to the reduction of agricultural subsidies, which in turn affects prices. This is according to the International Monetary Fund. Meanwhile, Egypt Bank highlighted in its study some positive aspects that developing countries can benefit from through¹

- The developed countries' benefit from trade liberalization and the recovery of their economies will, in turn, reflect positively on developing countries. The reduction of tariff and non-tariff barriers leads to an increase in the volume of international trade, which helps eliminate the phenomenon of recession in industrial countries. As a result, prices decrease, benefiting developing countries that rely on imports.
- The recovery of certain sectors in developing countries is expected as a result of the previously mentioned point. The decline in prices will lead to reduced production costs, which in turn will help lower inflation rates due to the decrease in overall prices.
- The elimination of agricultural subsidies provided to farmers in industrialized countries will lead to an increase in agricultural product prices. This will compel developing countries to boost their local production, resulting in the recovery and improvement of certain agricultural products.
- The liberalization of trade in services allows developing countries to benefit from the transfer of modern technology, which in turn leads to the improvement and growth of this sector especially given the significant contribution this sector now makes to the national economy of all countries worldwide. Our previous study (Master's thesis), in its practical section, focused on a particularly important type of service: financial and banking services, The study sample consisted of a group of Arab countries, and we observed significant improvement in the banking sector in these

¹ - Bank of Egypt's report, "The Impact of GATT on Developing Countries," is available at <http://www.w-tb.com/wtb/vb4/showthread.php> on 15/05/2016 at 11:53

countries after joining the WTO and undergoing liberalization most notably in the case of the Saudi Arabia.

- There is also another argument or justification put forward by those with an optimistic view of the WTO. They believe that global trade liberalization will lead to increased global competition among countries, which will, in turn, push each country to work toward enhancing its production efficiency in order to remain competitive and survive otherwise, it will be doomed to disappear, Even though this particular point is subject to many reservations, a response will be provided when we present the perspective of the other side the pessimists regarding the future and impacts of the WTO on developing countries.

➤ **The perspective of the second party (the pessimistic side):** Anyone studying this topic and reviewing the books or studies conducted in this field will clearly notice that the negative side and its adverse effects have been discussed more extensively than the positive ones, and sometimes, even the positive effects are seen by some as having negative aspects beneath them. For this reason, we will try to highlight these negative effects, but we will start first by responding to the positive points mentioned earlier.

- Regarding the point we mentioned earlier, that developing countries can protect their local industries from unfair competition, what we actually see today is that foreign goods are flooding our local markets. Despite the existence of customs duties, the demand for these foreign products remains high, Meanwhile, there is a noticeable lack of interest in local products, mainly due to the significant gap in quality, such as Turkish products in the field of clothing and textiles, or in price, as seen with Chinese products. Despite not being of high quality, Chinese goods rely on low prices, which appeal to the low purchasing power of consumers, such as in Algeria. These foreign products have invaded almost all sectors.

- Regarding the point related to the principle of special and differential treatment for developing and least developed countries, which at first glance appears to be a privilege and a success achieved by these countries, this agreement is, in fact

characterised by its temporary nature. Therefore, when examining the grace period granted to developing countries, it becomes clear that while they are allowed to retain tariffs on their imports for a limited time, they simultaneously benefit from tariff eliminations on their exports, It is clear that this period is not nearly sufficient for these countries to rebuild their fragile economies, reform their systems, and catch up with developed nations in order to compete. This temporary phase appears more like a cover for dominance and control over global trade, as developed countries are fully aware that during this limited timeframe, developing countries will not be able to make any substantial changes, except in very rare cases.

- Also, regarding the point that developed countries are prohibited from using anti-dumping or subsidy measures except under strict GATT rules , in reality, we have never seen a case where dumping occurred from a developing country to a developed one. In fact, says that we have never seen any instance of dumping from a developing country into developed ones , developing countries can barely achieve self-sufficiency, let alone engage in dumping. Therefore, this point offers no real advantage to developing countries either.

- If we talk about the positive point that says the liberalization of foreign trade will naturally lead to the recovery of developed countries' economies, which in turn will reflect positively on the economies of developing countries, But in reality, we observe every day that developing countries are becoming poorer and more underdeveloped, while developed countries are becoming wealthier. Never have we seen the prosperity and economic growth of developed countries positively impact developing countries, on the contrary, it has only deepened the gap between the two parties.

- One important point we mentioned among the positives is related to the need to remove subsidies on agricultural goods in developed countries. This is considered a positive point, as it enables developing countries to be more competitive, given that they are producers of raw materials, including agricultural products, However, we know very well that most of these developing countries, if not all, do not achieve self-sufficiency and suffer from the lack of food security. They are food importers,

including countries like Algeria. Therefore, lifting subsidies on agricultural products in developed countries will lead to an increase in their production costs, meaning higher selling prices and, consequently, an increase in the food import bill for developing countries. As such, this point carries more negative consequences than positive ones for the economies of developing nations.

- The last point we discussed among the positives was related to the liberalization of trade in services. However, we are well aware that there is a significant gap between the services provided in developing and developed countries, whether in terms of quality, cost, or technological Factor, Based on specialization, we will take financial services as an example. Financial liberalization, for instance, can lead to financial crises, especially in developing countries which lack if not entirely lack transparency and governance. Moreover, The outflow and inflow of funds from developing countries Without any restrictions often results in the leakage of hard currency abroad. Therefore, this point is also considered negative when taking into account the nature of the financial systems in these countries.

This was, in general, a response to the positives we mentioned earlier, and as we previously said, the negatives are numerous. However, let us highlight the most important one, which applies to the majority of Arab countries, with Algeria being one of them.

❖ **The Effects of the World Trade Organization on Algeria:** When discussing the effects of the World Trade Organization on Algeria, we notice that the Uruguay Round addressed the elimination of non-tariff barriers and the reduction of tariff barriers, with the exception of petroleum products and their derivatives, Accordingly, if Algeria were to join the WTO while exporting almost only hydrocarbons, the developed countries would benefit from its reduction of tariff and non-tariff barriers on their diverse exports that flood its markets, while it would not be treated the same with regard to oil and gas. Therefore, we raise both question and exclamation about this situation.

We also see that, in the GATT agreement in general and later in the WTO, the creation of economic unions was permitted, even though this method is considered a form of protectionism rather than the freedom it has continuously called for. In my personal opinion, this is because they know that developing countries are in a state of constant conflict.

And it is rare that an agreement is reached among them. Perhaps the best example of this is the Arab countries that signed the Arab Common Market Agreement in 1967, which to this day remains nothing more than ink on paper, despite the fact that all the factors are in place to establish an economic union and integration that would make it an economic and political power is highly taken into account. In contrast, we clearly see the opposite in the European Union, which, despite having more dividing factors than uniting ones, nevertheless managed to establish an economic union that serves as a model to follow.

This was, in general, about the World Trade Organization, the successor of GATT, beginning with the circumstances that help to its establishment, then discussing the principles on which it is based, which, in our view, contain many reservations for developing countries, even though at first glance they may appear to serve the interests of developing countries, And in order to be objective, we also discussed the main achievements it has made, in addition to the positive and negative effects resulting from its principles and decisions on the economies of the world's countries, particularly the developing ones.

However, the question that arises is whether the World Trade Organization is truly a group of villains created to hinder development in developing countries, including the Arab states, or whether there is a missing link that should lead us to reconsider this organization and view it as a strategic option, instead of being a necessary evil.

Lecture three: Mechanism for evaluating foreign trade policy in the international economy

Although the mechanism for evaluating foreign trade policy only appeared after the establishment of the World Trade Organization (WTO), it was in fact a matter of interest to negotiators in the GATT rounds. However, its establishment was delayed until after the WTO came into being, and this mechanism is considered one of the five most important basic functions of the WTO.

Accordingly, it is of considerable importance that before discussing this mechanism, we must first address how this idea appeared and its developed.

❖ The appearance of The idea and its development:

Foreign trade policy is one of the most important components of macroeconomic policy, as it reflects the country's orientations in dealing with the international economy, by defining the foundations of trade openness and regulating economic exchanges with the outside world. However, the idea of evaluating foreign trade policy as an analytical and methodological mechanism has only appeared gradually, influenced by the evolution of economic thought and the changing structure of the international economic system over time.¹

In the first phase, during the mercantilian period of the sixteenth and seventeenth centuries, the focus was on achieving a permanent trade surplus and maximizing the state's gold and silver reserves, with no real interest in assessing the effectiveness of trade policy or its long-term effects. Success was measured by the accumulation of material wealth, not by the efficiency of economic performance. With the appearance of the physiocracy school in France in the eighteenth century, interest began to be paid to measuring the profitability of economic activity, but the focus remained on the agricultural sector, and analytical tools for evaluating trade policy had not yet materialize. The classical school, represented by Adam Smith and David Ricardo,

¹ - World Trade Organization, Trade Policy Review Mechanism as Amended by the General Council, Available on the website : https://www.wto.org/english/docs_e/legal_e/tpr_e.htm, 18/19/2025 at 17.16

fundamentally transformed the theoretical understanding of international trade by introducing the concepts of absolute advantage and comparative advantage, which laid the foundations for the idea of assessing the adequacy of trade policies to increase economic efficiency and achieve growth.

In the twentieth century, as state intervention in economic activity expanded after the Great Depression, the need for systematic tools for evaluating economic policies, including foreign trade policy, emerged. Quantitative indicators and methods such as trade balance analysis, calculating openness rates, and studying the impact of tariffs on production and growth have begun. international institutions after World War II, such as the International Monetary Fund and the GATT (later the World Trade Organization), also codified methods for assessing countries' trade performance within a comparative and structured framework.

In recent decades, with the rise of concepts of economic globalization and sustainable development, the evaluation of trade policies has expanded to include social and environmental aspects as well as purely economic dimensions. The evaluation of trade policy is now not limited to measuring the volume of exports and imports or the trade balance, but also includes an analysis of its impact on competitiveness, economic diversification, and environmental sustainability¹.

Thus, it can be said that the idea of a mechanism for evaluating foreign trade policy has evolved from a simple descriptive approach at its beginnings to a comprehensive analytical approach based on precise quantitative and qualitative tools, which seeks to measure the compatibility of trade policy with national development goals in light of contemporary global economic changes.

¹ - Valentin Zahrnt, he WTO's Trade Policy Review Mechanism: How to Create Political Will for Liberalization?, ECIPE Working Paper, N^o 11, 2009, P 03

➤ **The historical development of the idea of the Foreign Trade Policy Evaluation Mechanism through the World Trade Organization:**

The establishment of the World Trade Organization (WTO) in 1995 marked a fundamental turning point in the course of the international regulation of foreign trade, as trade relations between countries are no longer managed only through bilateral or regional agreements, but are subject to a multilateral institutional framework aimed at achieving greater transparency, discipline and fairness in the global trading system. With the establishment of the Organization, the idea of assessing the foreign trade policy of member states appeared for the first time as a formal mechanism aimed at tracking countries' compliance with international trade rules and assessing the impact of their policies on the performance of the global economy.

This idea has its roots in the experience of the 1947 GATT Agreement, which lacked an effective institutional mechanism for evaluating trade policies, making the implementation of commitments highly dependent on mutual trust between countries. As trade relations became increasingly complex and trade disputes grew during the 1980s, the need to establish a permanent review and evaluation mechanism emerged. Indeed, in 1989, the GATT Trade Policy Review Mechanism (TPRM) was established as the first experiment to periodically and systematically assess countries' trade policies.

After the establishment of the World Trade Organization (WTO) in 1995, this mechanism became an essential part of its institutional structure. The Marrakesh Agreement, which established the organization, stipulated that one of its main tasks was to "achieve greater transparency in the trade policies of member states", which it implements through the Trade Policy Review Board (TPRB), which comprehensively analyses the foreign trade policies of each member country according to a timetable based on the size of its contribution to global trade.

The importance of this mechanism is not limited to monitoring the extent to which States are adhering to the rules of the Organization, but also goes beyond that to a comprehensive assessment of the effectiveness of national trade policies, including

customs legislation, support and protection measures, the investment environment, and sectoral policies affecting trade. Each review produces two main reports: one prepared by the secretariat of Organization and one prepared by the State concerned, which are discussed before the organization's members in a formal public meeting.

Over time, the evaluation mechanism within the organization has evolved to include deeper aspects related to the impact of trade policies on sustainable development, competitiveness and integration into global value chains. It has also become an essential tool to assist developing countries in improving their trade performance and adapting their policies to the requirements of the global trading system. In this context, LDCs (least developed countries) have received special treatment through longer review periods and technical support to build their capacity in reporting and policy evaluation.

Thus, it can be said that the World Trade Organization (WTO) has moved the concept of foreign trade policy evaluation from the stage of formal control to the stage of systematic institutional analysis, which relies on data, indicators and periodic reports to assess the compatibility of national policies with the objectives of the international trading system. Today, the Trade Policy Review Mechanism (TPRM) is one of the key pillars of global trade governance, and an effective tool to ensure transparency, accountability, and enhance mutual trust among member states.

➤ **The intended mechanism for evaluating foreign trade policy:**

The Foreign Trade Policy Evaluation Mechanism can be defined as ¹:

“An institutional and procedural framework established by the World Trade Organization (WTO) to assess the policies and practices of Member States in the field of international trade, on a time-bound basis, with a view to enhancing transparency, improving understanding of the effects of these policies on the global trading system,

¹ - Joseph F. Francois , Maximizing the Benefits of the Trade Policy Review Mechanism for Developing Countries, Available on the website :

https://www.iatp.org/sites/default/files/Maximizing_the_Benefits_of_the_Trade_Policy_5.htm , 15/03/2024, at 18:30

and ensuring that they are consistent with the international obligations set out in the WTO agreements."

It is clear from this definition that this mechanism is not a judicial or punitive tool, but rather a diagnostic and evaluation tool of a preventive and advisory nature. It seeks to analyse countries' trade policies and demonstrate their compatibility with the principles of free trade, non-discrimination, transparency, and fair competition.

The evaluation process covers all aspects related to the country's trade policy, such as¹:

- Tariffs and Quantitative Restrictions.
- Industrial and agricultural policies.
- Export subsidies and subsidies.
- Competition and Public Procurement Laws.
- Foreign direct investment flows.
- Health, technical and preventive measures.
- Finally, the impact of trade policy on the balance of payments and economic growth.

➤ **The legal basis of the organization's agreements**

The mechanism is mentioned and implemented through the Mechanism of Trade Policy Review (TPRM) – the Trade Policy Review Mechanism, which is enshrined in the "Founding Agreement of the Organization" (the Marrakesh Agreement for the Establishment of the World Trade Organization) – Annex 3 – as well as the regulatory documents. Among the most prominent texts² :

Paragraph "A. Objectives"

«(i) The purpose of the Trade Policy Review Mechanism (“TPRM”) is to contribute to improved adherence by all Members to rules, disciplines and commitments made under the Multilateral Trade Agreements and, where applicable, the Plurilateral Trade Agreements, and hence to the smoother functioning of the multilateral trading system, by achieving greater transparency in, and understanding of, the trade policies and

¹- IBID , P21

² - World Trade Organization, Trade Policy Review Mechanism, Annex 3,P 379

practices of Members. Accordingly, the review mechanism enables the regular collective appreciation and evaluation of the full range of individual Members' trade policies and practices and their impact on the functioning of the multilateral trading system. It is not, however, intended to serve as a basis for the enforcement of specific obligations under the Agreements or for dispute settlement procedures, or to impose new policy commitments on Members.»

«(ii) The assessment carried out under the review mechanism takes place, to the extent relevant, against the background of the wider economic and developmental needs, policies and objectives of the Member concerned, as well as of its external environment. However, the function of the review mechanism is to examine the impact of a Member's trade policies and practices on the multilateral trading system.»

Paragraph "C. Procedures for review"

«(i) The Trade Policy Review Body (hereafter "TPRB") is hereby established to carry out trade policy reviews.»

«(ii) The trade policies and practices of all Members shall be subject to periodic review. The impact of individual Members on the functioning of the multilateral trading system, defined in terms of their share of world trade in a recent representative period, will be the determining factor in deciding on the frequency of reviews. ... Exceptionally, in the event of changes in a Member's trade policies or practices that may have a significant impact on its trading partners, the Member concerned may be requested by the TPRB ... to bring forward its next review.»

Paragraph "D. Reporting"

«In order to achieve the fullest possible degree of transparency, each Member shall report regularly to the TPRB. Full reports shall describe the trade policies and practices pursued by the Member or Members concerned, based on an agreed format ... Between reviews, Members shall provide brief reports when there are any significant changes in their trade policies; an annual update of statistical information will be provided according to the agreed format. ... The Secretariat shall make available technical assistance on request to developing country Members, and in particular to the least-developed country Members.»

Interpreting the most important items of the text and linking them to what is meant

- Clause (i) of paragraph (A) sets out the primary objective: to promote adherence to multilateral trade policies through transparency and understanding of Member States' policies, demonstrating that assessment is not only automatic or coercive, but also a tool for trade policy analysis and impact.
- Clause (ii) of paragraph A gives a broader framework: the evaluation takes into account the development and economic dimensions of the country, which means that the mechanism takes into account the interests of developing countries and is not limited to the one-size-fits-all criterion.
- From clause C(ii) we see that each member is subject to periodic review, and the duration of the review is determined by the weight of the country in world trade – which shows that the mechanism takes into account the disparity in impact of countries.
- Paragraph D indicates that the reports are periodic, including the State report, the secretariat report, and updates between review periods. This shows that the evaluation is not a one-time but an ongoing process.

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➤ **The General Objective of the Foreign Trade Policy Evaluation Mechanism**

Agency:

Paragraph (a-i) of Annex 3 of the Marrakesh Agreement states that the purpose of the Trade Policy Review Mechanism, and therefore of the organ charged with implementing them, is to: "Achieve better adherence by all members to the rules and commitments agreed under multilateral trade agreements, through greater transparency and understanding of members' trade policies and practices, which contributes to the proper functioning of the multilateral trading system."

From this text, it can be concluded that the fundamental objective of the Trade Policy Review Body is to achieve institutional transparency within the organization, allowing all members to see how other countries are managing their trade policies and to discuss their potential impacts on the global economy.

However, there are other goals that can be divided into two types of goals¹:

- Promoting transparency and accountability

The Authority aims to provide an official channel that enables Member States to learn about the policies of their trading partners. Each Member State is obliged to submit a comprehensive report on its trade policy, while the Secretariat prepares an independent analytical report. These reports are discussed in public sessions within the Authority, ensuring a high degree of transparency.

Paragraph (a-i) explicitly states that this process "enables a systematic collective assessment of members' business policies and practices and their impact on the multilateral trading system", making the body a tool for collective rather than individual monitoring.

- Supporting adherence to multilateral rules:

The agency does not have punitive or mandatory power, but it does serve as a "preventive oversight," helping member states avoid policies that might conflict with their obligations to the organization. The body is thus a non-judicial instrument to promote respect for international norms without resorting to dispute settlement.

- Assessing the impact of trade policies on the global trading system:

According to paragraph (a-ii) of Annex III, the assessment is conducted "in the light of the economic and development needs, policies and objectives of the State concerned, as well as in the context of its external environment". That is, the review takes into account national specificities, but it also focuses on the international impact of those policies, making the agency a means of measuring the interaction between national policies and the global trading system.

- Supporting developing and least developed countries:

Paragraph (D) of Annex III states that "the Secretariat shall provide technical assistance upon request to developing Member States, in particular the Least Developed States", reflecting that one of the objectives of the Authority is to enable

¹ - Pierre Ecochard, Lars Nilsson, Jan Schmitz, Evaluating Trade Policy- The Practice OF The European Commissions, La Cultura De LA EVALUACIÓN DE POLÍTICAS PÚBLICAS 117 Abril-Mayo-Junio 2023. N.º 931, P 123

developing countries to build their institutional capacity to improve their trade policies and report in accordance with international standards.

- Preventing trade disputes and enhancing trust:

Through dialogue and periodic review, the Authority contributes to reducing the likelihood of trade disputes between member states, as it allows policy discussions in a collaborative framework before they turn into a legal dispute. This role is one of the most important functions of the Authority in building mutual trust among members.

➤ **Indirect political and economic objectives.**

In addition to legal and institutional objectives, the establishment of the Authority serves broader strategic objectives within the international trading system, including:

- **Improve mutual understanding** between major and developing economies through periodic dialogue on trade policies.
- **Support global economic integration** by monitoring the alignment of national policies with the principles of freedom of trade.
- **Provide a reliable database** for researchers and policymakers on global trade trends.
- **Enhance the organization's credibility** by demonstrating its commitment to transparency and accountability in the management of the trading system.

The aforementioned objectives can only be achieved if this last evaluation process is activated, which has competent bodies and has stages that must be passed.

➤ **Stages of the Foreign Trade Policy Evaluation Mechanism:** The process of evaluating the foreign trade policy of the concerned countries goes through the following stages¹:

For the first stage: the preparation and preparation stage.

1 . Identification of the State subject of the assessment

The “TPRB” prepares an annual timeline that determines which countries will be evaluated according to a specific frequency based on the volume of their trade:

¹ - Mathias Kende, *The Trade Policy Review Mechanism: A Critical Analysis*, XFORN University Press, 2018, P285

The Big Four (United States, European Union, Japan, China): biennial.

- Medium-sized countries: every four years
- Small developing countries: every six years (and may extend to eight).

2 . State Notification.

The country receives official notification from the FAO Secretariat several months in advance, to begin preparing a comprehensive national report on its trade and economic policies, which includes:

- Customs policy and tariffs.
- Agricultural and Industrial Policies.
- Investment and Competition Policies.
- Its regional trade agreements.
- The Role of the Public and Private Sectors in Trade.

3 . Coordination with the Secretariat.

Technical meetings are held between country representatives and officials of the Trade Policy Review Section of the General Secretariat to exchange the required data and statistics.

The objective of this phase is to ensure the accuracy of the information and the consistency of its sources before proceeding with the preparation of the technical report.

Phase II: Reporting Phase

At this stage, **two formal reports** are representing the backbone of the review process:

1. Government Report: Prepared by the assessed country itself, in which it proposes:

- The general framework of economic policy.
- National Goals in the Field of Trade.
- Recent legislative and regulatory reforms.

- Self-assess the compatibility of its policies with the organization's obligations.

This report is **an official document that reflects the Government's view**, but it is not subject to amendment by the Secretariat.

2. Secretariat Report.

It is considered the most important document in the process.

Prepared by a group of economists in the WTO secretariat, based on independent and multi-source information, including:

- Statistics from the International Monetary Fund and the World Bank.
- The same data of the organization.
- Reports of regional organizations (OECD, UNCTAD...).
- Technical meetings with national authorities and private institutions.

This report is **impartial and objective**, and includes **a critical analysis** of the impact of trade and fiscal policies on the country's performance within the multilateral trading system.

Phase III: Step of Discussion and official review.

This phase is at **the heart of the evaluation process**, and takes place within formal meetings of the Trade Policy Review Board (TPRB).

1. View the two reports.

The State and the General Secretariat reports shall be formally submitted to the members of the Council 30 to 45 days prior to the meeting to allow time for studying.

2. Discussion Session.

The meeting will be held in the General Council Hall of the Organization in Geneva and will be attended by:

- Representatives of the country under review (usually at the level of a minister or permanent representative).
- Representatives of other Member States.
- The Chairman of the Council and representatives of the General Secretariat.

3. Discussion Progress.

- **Day One:** A comprehensive presentation of the general trade policies of the State by its official representative.
- **Day Two:** Open discussions with technical questions from Member States on specific details (definitions, subsidies, quantitative constraints...).
- **Responses:** The State concerned shall respond to questions in writing and orally.
- **Conclusion:** The Chairman of the Council shall issue a summary that includes the most important observations and recommendations.

4. The nature of the questions and discussions.

Questions are often asked about the compatibility of national policies with the principles of the organization, such as:

- Apply the MFN (most-favored-nation) principle.
- Transparency of customs procedures.
- Agricultural policies and local support.
- Intellectual Property Protection.

All questions and answers are recorded in an official record that will be posted later on the WTO website.

Phase Four: Recommendations and Follow-up Phase.

1. Issuance of the Final Report

Following the conclusion of the discussion sessions, the WTO Secretariat will prepare a final dossier that includes:

- Original reports.
- Minutes of the sessions and questions.
- Summary of the Chairman of the Council.
- Any voluntary undertakings made by the State.

2. Official Publication

The results are published on the FAO website (www.wto.org) under the Trade Policy Review Body Reports section, to be available to all members, observers and international institutions.

3. Follow-up

The report will be taken into account during the next assessment of the same country, allowing to track the evolution of its policies and the extent to which it has responded to previous recommendations.

Other countries can also point to outcomes in future trade deliberations or negotiations.

❖ The relevant authorities responsible for the evaluation process:

Several organs and bodies within the WTO are responsible for implementing and monitoring the evaluation mechanism, which are as follows:

Trade Policy Review Body (TPRB)

- Structural Location:

It is a subsidiary organ of the General Council of the Organization. It is composed of all Member States of the Organization, and is usually chaired by the **President of the General Council**.

- Its primary functions:

- General supervision of the implementation of the evaluation mechanism.
- Determine the timeline for assessments.
- Discuss the reports of the Secretariat and the Governments.
- Issue a summary of general discussions and recommendations.
- Submit annual reports to the General Council on its activities.

- Legal Nature:

Its decisions and recommendations are not legally binding, but they carry strong political and moral value because they express international consensus.

➤ WTO Secretariat

• Artistic Role:

The WTO secretariat is the executive and technical organ responsible for the preparation of analytical reports within a neutral framework.

The Trade Policy Review Section includes economic and legal experts covering different geographies.

- Detailed Tasks:

- Collecting data and economic information.
- Prepare an independent analytical report.
- Coordination with Member States.
- Provide technical support to developing countries during the review.
- Organizing discussion sessions and managing documents.

➤ **WTO Member States:** Dual role-playing

1. **The country subject to the assessment:** prepares its national report and participates in the defense of its policies.
2. **Other countries:** Exercise a supervisory function by asking questions and observations.

This interaction between countries makes the mechanism more cooperative and participatory than purely supervisory

Lecture four: The role of trade policy evaluation mechanisms in the international economic system.

The Trade Policy Assessment Mechanism (TPRM) indicates an increased role of the WTO in the economic system. The new world on the one hand, guarantees the right to review the trade policies of member states, as well as to follow up on their commitments in accordance with the principles and provisions of the Uruguay Conventions by providing and providing opportunity on the other hand.

The goal of all this is to circulate these reviews to all members to enter together in the consultations and negotiations in order to achieve policy harmonization and respect for established rules and commitments, or stipulated in multilateral trade agreements as well as the guarantee of mutual interests pursuant to the principle of Transparency that customs duties are the only form of protection allowed by the World Organization for trade to protect the national industry from foreign competition.

It also prevents quantitative measures and restrictions, such as import bans, and such restriction of imported quantities in what is known as the quota system.

The Convention, within the framework of the principle of transparency among Member States, also stipulates that Exchange of customs concessions, including full customs exemption, reduction of tariff tranches, or Install these slides to a maximum limit that may not be increased.

In addition, the principle of transparency that the Trade Policy Evaluation Mechanism is concerned with applies to trade in services. The GATS stipulates that "each member shall publish all procedures with respect to the relevant and general applications relating to or affecting the implementation of this Agreement without delay, "No later than the entry into force of these procedures, all international conventions relating to or affecting trade in services, to which the Member has signed, should also be published and in general the information should be made available in any other way."

Therefore, through all of the above, it is very important to identify another mechanism that integrates with it in tasks, and there is a great confusion between it and the mechanism for evaluating foreign trade policy, which is the dispute settlement mechanism.

➤ The meaning of the dispute resolution mechanism:

The final documents of the Uruguay Round included a special annex (Annex II to the WTO Founding Agreement) regulating dispute settlement procedures among WTO members, which includes 27 articles and 04 annexes, the rules and procedures governing dispute settlement stipulated that any Member State affected by the violation of one or more of the trade agreements implemented by the Organization has the right to file a complaint with the Organization after exhausting all open opportunities to reach a solution satisfactory to the complaining State, the rules

and procedures governing dispute settlement stipulated that any Member State affected by the violation of one or more of the trade agreements implemented by the Organization has the right to file a complaint with the Organization after exhausting all open opportunities to reach a solution satisfactory to the complaining State, and included texts that strengthened the independent role of this organization vis-à-vis its members, as the organizational structure of the organization included the establishment of the General Council, composed of representatives of all member states, , this Council shall convene as necessary and appropriate to familiarize itself with the responsibilities of the dispute settlement body, as set out in the Memorandum of Understanding on Dispute Settlement, It also supervises the day-to-day implementation of the Organization's activities, assumes the functions of the Dispute Settlement Body, and takes the necessary actions in this regard.¹

➤ **Formation of the Dispute Resolution Authority:**

The Dispute Settlement Authority shall be formed in accordance with the text of Article 02 of the above-mentioned memorandum of understanding for the Settlement of Disputes.

Article 04 of the Convention establishing the World Trade Organization also provides in paragraph 03 thereof that the General Council shall convene as appropriate to familiarize itself with the responsibilities of the dispute settlement organ referred to in the memorandum of understanding on dispute settlement, The Dispute Settlement Authority may appoint a Chairperson for itself and establish its rules of procedure as necessary to carry out the aforementioned responsibilities.

From the above-mentioned texts, it is clear that the formation of the dispute settlement body does not include the establishment of a special body for settlement, as the General Council is itself the dispute settlement body. However, when the General Council fulfills its role and function in settling commercial disputes between WTO Member States to assume its responsibilities and powers set out in the memorandum of understanding on dispute settlement, it convenes as a dispute settlement organ the latter appoints a chairman, and establishes the rules and procedures that he deems necessary to carry out his work.

This body shall meet whenever necessary and in accordance with limited time periods in the memorandum of understanding.

¹ - Manpreet Kaur, An Overview Of The Dispute Resolution Mechanism And The Different Types Of Methods Adopted In India To Resolve The Disputes With Its Pros And Cons, African Journal of Biomedical Research, Vol. 27 ,December 2024, P 12247

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All the member states of the organization can participate in the consideration of any dispute submitted to the organ, as the General Council performs this role, and the latter represents the supreme body of the organization and has general representation of all member states.

In this context, the agreement provides for the establishment of a dispute settlement body to conduct consultations and apply the rules, procedures and dispute settlement provisions contained in multilateral trade agreements.

➤ Characteristics of the Dispute Resolution System.

The WTO dispute settlement system has several characteristics that distinguish it from other systems that have contributed to achieving the effectiveness of understanding, and these characteristics and features appear through the analysis of the dispute settlement memorandum and are manifested in the following:

- Speed of dispute resolution.
- The dispute resolution system is holistic in nature.
- Strengthen the system for resolving disputes by prohibiting recourse to unilateral acts.
- A transparent system.
- A system of an ethical nature.
- Granting rights to developing and least developed countries.
- Quasi-judicial settlement system.
- Use of countermeasures.
- Granting rights to all three parties.

Accordingly, by defining the dispute settlement mechanism and the most important functions it performs, we can now conclude the most important differences between this mechanism and the mechanism for evaluating foreign trade policy, which we will summarize in the next table.

Table No (02): The most important differences between the mechanism of evaluating foreign trade policy and the mechanism of dispute settlement.

| Item | Foreign Trade policy Evaluation | Dispute Resolution Mechanism |
|-------------------------|--------------------------------------------------|----------------------------------------------------|
| Nature | Supervisory Analysis | Mandatory Judicial |
| Goal | Evaluate trade policies and improve transparency | Resolving Disputes among Member States |
| Legal Basis | Trade Policy Review Mechanism (TPRM) 1988 | Dispute Settlement Agreement (DSU) 1994 |
| Involved Parties | All members periodically | Two or more States in Conflict |
| Character | Advisory and non-binding | Mandatory and Executive |

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| | | |
|---------------------|---------------------------------------------------------|-------------------------------------------------|
| Results | Recommendations and Observations for Policy Improvement | Enforceable legal decisions or penalties |
| Focus | Compliance and Transparency Assessment | Application of Rules and Agreements |
| Time | Periodically and regularly | After the Conflict |
| Working Tool | Policy Evaluation and Analysis Reports | Arbitration bodies and expert committees |

Source: Prepared by the researcher based on the above.

Through the previous table, we note the clear differences between each of the two mechanisms in all aspects, but despite all these differences, these two mechanisms are complementary to each other, as the following:

- Evaluation Mechanism (TPRM) works to **prevent conflicts** by monitoring policies early
- The Settlement Mechanism (DSU) intervenes **when prevention fails** and an actual dispute occurs.

In other words, the first mechanism represents the preventive aspect in the international trade field, while the second represents the procedural and punitive aspect.

A decorative scroll graphic with a light green border and rounded corners. It features a vertical strip on the left side and a small circular element on the top right corner. The text "General Conclusion" is written in a black, elegant cursive font across the center of the scroll.

General Conclusion

CONCLUSION

In concluding this series of lectures on international trade policies, we find ourselves confronted with an undeniable reality: trade is not merely an exchange of goods and services, but a fundamental driver of economic development, a mirror reflecting political relations among nations, and a stage upon which ideologies and future visions compete. Throughout this pedagogical compendium, we have sought to unpack the complex network of rules, theories, and policy instruments that govern this vital field—beginning with the classical theories that laid the foundations of economic thought and extending to the contemporary challenges brought about by globalization and modern technological transformations.

We explored how Adam Smith's theory of absolute advantage and David Ricardo's principle of comparative advantage have served as cornerstones for understanding the benefits of specialization and free exchange. Although these ideas may appear simple in essence, they have proven remarkably effective in explaining why countries engage in trade and how mutual gains can be achieved. Yet, as the lectures have demonstrated, the reality is far more complex. Trade policy is not confined to market liberalization; it encompasses a broad set of instruments—such as tariffs, quotas, and government subsidies—employed by states to protect domestic industries or pursue broader political and social objectives.

We also examined the role of international organizations, most notably the World Trade Organization (WTO), which seeks to establish a legal and regulatory framework for international trade. Despite the challenges and criticisms these organizations face, their existence remains essential for ensuring a degree of stability and transparency in the global trading system. In addition, we addressed the rise of regional economic blocs—such as the European Union and the former NAFTA—as

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mechanisms for promoting economic integration among member states, reaffirming that cooperation can, in many cases, be more effective than individual competition.

Understanding international trade policy today requires more than familiarity with theoretical principles. It demands a profound awareness of the major transformations shaping the global economy. The expansion of the digital economy, the growing significance of global value chains, and the emergence of pressing issues such as climate change and sustainability are all reshaping the trade landscape and imposing new challenges on policymakers. How can states ensure economic growth while preserving the environment? And how can trade policies foster innovation without deepening the divide between developed and developing nations?

Ultimately, we hope that this pedagogical compendium has provided not only knowledge, but also the capacity for critical thinking about international trade issues. It serves as an invitation to question, to analyze, and to recognize that the trade decisions made by states have a direct impact on the lives of millions. The future of international trade will depend on our ability to develop innovative and equitable solutions to the challenges we face. We hope this work will serve as a starting point for your continued exploration and research in this dynamic and ever-evolving field.

A decorative graphic of a scroll with a green border and grey rollers at the corners. The word 'Bibliography' is written in a black cursive font across the center of the scroll.

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