

“Can Free Trade Promote Peace in the Middle East?”

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Highlights from remarks by Daniel T. Griswold, Cato Institute:

- Free trade is not a panacea, but it is a necessary building block for a more peaceful and prosperous Middle East. Free trade has helped to reduce poverty in those countries and regions of the world that have progressively opened themselves to the global economy. Free trade can till the soil for democracy and respect for human rights by creating an economically independent and growing middle class.
- In his May 9 address in South Carolina, President Bush said, “The Arab world has a great cultural tradition, but is largely missing out on the economic progress of our time. Across the globe, free markets and trade have helped defeat poverty, and taught men and women the habits of liberty.”
- The Arab world is a land that globalization has largely passed by—and their isolation is largely self-imposed. Average tariff barriers in the Arab Middle East are among the highest in the world, and as a consequence the region suffers from chronically declining shares of global trade and investment. Average annual inflows of foreign direct investment to Arab countries are only slightly larger than the inflows to Sweden; non-oil exports from Arab countries to the rest of the world are smaller than those of Denmark.
- Those policies have wrought dismal economic performance. The total gross domestic product of the 280 million people who live in Arab lands is smaller than that of Spain. According to a recent report by the UN Development Program, between 1985 and 1998, real per capita GDP declined in a broad swath of the Arab world. In contrast, real GDP during that same period rose by 30 percent in Israel, 90 percent in Chile, and more than doubled in Thailand, China, and South Korea.
- That depressing reality feeds terrorism, not because of poverty but because of a lack of opportunity and hope for a better future. Young people who cannot find meaningful work and who cannot participate in the political process are ripe pickings for religious fanatics and terrorist recruiters.
- Like the Jordan, Singapore, and Chile Free Trade Agreements, any agreements we sign with Middle Eastern nations should cover all goods and services. The advantage of FTAs is that they require liberalization on the part of our negotiating partner, an absolutely necessary step in a region where the greatest barriers to trade are not external but internal.
- A complimentary policy would be to grant immediate, unilateral duty-free access to imports from qualifying Middle Eastern countries. This approach would deliver real-time benefits to the people of the Middle East by creating immediate opportunities for their producers to sell in the U.S. market. It also sends a symbolically powerful signal that we are serious about encouraging free trade by making a down payment on the vision of a more open and economically vibrant Middle East.

(See back page for sources and further reading.)

Sources and further reading:

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