

## **Greater Arab Free Trade Area (GAFTA)**

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GAFTA is a multilateral trade agreement between 18 out of the 22 Arab League states aiming to fully liberate the trade of goods between Arab Nations. The trade agreement adopts the method of gradual reduction on taxes and customs (10% per annum) eliminating customs and non-tariff barriers on goods traded amongst the 18 Arab countries which are: Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates and Yemen.

The agreement was signed in 1997, brought into force in 1998 aiming to reach zero tariffs on 31/12/2007, and then it was amended to be on 31/12/2004. Note that Palestine is treated as a less developed country and began to apply the reductions of tariffs starting in 2005 by 16% for a period of five years and 20% in 2011. The FTA applies to all agricultural and animal products, from Chapters 1 to 24, whether in their raw or processed form. During the liberalization process member countries were able to exclude from tariff reductions certain agricultural products depending on the production season, and they were also able, as per agreement during the implementation process, to schedule certain commodities for immediate liberalization.

As of January 1st, 2005, the agreement reached full trade liberalization of goods through the full exemption of customs duties and charges having equivalent effect between all Arab countries members of the GAFTA. Accordingly, since 2005 Palestinian exports enjoy duty free quota free treatment in all Arab countries that are members of GAFTA.

Within GAFTA, Palestine is treated as least developed country and began to apply the reductions of tariffs starting in 2005 by 16% for a period of five years and 20% in the last year. Recently, Palestinian customs started to refund the value of customs duties paid by Palestinian importers for goods subject to customs exemption under this Agreement, as an obligation of the membership of Palestine in the Arab Free Trade Area. Thus, Palestinian traders enjoy duty free quota free access for all goods to and from all Arab countries in GAFTA.

GAFTA has many beneficial returns on the involved countries including the expansion of their market, increase of investment opportunities, regulation of fair competition, and enhancement of research and development. It is one of the most important economic achievements in the area of Arab common work. It contributes to efforts towards establishing the Arab Common Market.

To further contribute to economic integration among Arab countries through liberalizing trade in both goods and services, Arab countries are currently engaged in negotiations to liberalize services and investments among them. This free trade area is only a first step towards achieving a customs union by 2015 on the way to a common market by 2020.