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GLOBALISATION, ITS IMPACT ON THE ECONOMIES OF OIC COUNTRIES AND THE ROLE OF THE PRIVATE SECTOR

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The basic economic environment today is overshadowed by various regional economic groupings. The liberalisation of domestic policy of the domestic economy, the adoption of outward-oriented trade regimes, the reduction of tariffs and rationalisation of tariff policies and the removal of other trade barriers, have all enlarged the scope of regional co-operation and integration efforts. These groupings, while proving effective for the countries of their regions, such as those in America (MERCOSUR[2]), Asia (ASEAN[3]), and Europe (EU[4]), are bringing in their wake certain implications for the economies of the Islamic countries. Among these implications is the trend of globalisation. This issue has aroused considerable debate and varied views are expressed on what kind of implications it can have for the developed and developing countries. The Islamic Chamber, in this paper, addresses globalisation, the challenges it represents, its impact on the economies of the member Islamic countries, and the role of the private sector.

1. CONCEPTS AND OVERVIEW

Globalisation refers to the growing economic interdependence of countries world-wide through the increasing volume and variety of cross-border transactions in goods and services and of international capital flows and also through the more rapid and widespread diffusion of technology. It presents economies and policy-makers with both new opportunities and new challenges.

As emphasised by economists, on a broader level, the welfare benefits of globalisation are essentially similar to those of specialisation. By leading to greater international division of labour and a more efficient allocation of savings, globalisation raises productivity and average living standards and at the same time broader access to foreign products allows consumers to enjoy a wider range of goods and services at a lower cost. International commerce competition and globalisation, are, like technology progress, fundamental sources not only of economic growth but also of structural change in economies.

[1] Islamic Chamber of Commerce and Industry, Karachi.
[2] Argentina, Brazil, Paraguay and Uruguay.
[3] Brunei, Indonesia, Malaysia, Singapore and Thailand.
[4] Belgium, Britain, France, Germany, Greece, Portugal and Spain.

In the economic scenario of today, competitive pressure on all economies has increased and market forces play a pivotal role. The rules-based system of WTO will facilitate positive integration of countries into the global trading system if the commitment to this objective is strengthened. However, it must be taken into consideration, that countries, depending on their economies, enter this system from very different starting points. Hence the impact of globalisation and liberalisation is uneven. There have been notable country developing successes where domestic reforms have provided increased dynamism to international trade and investment. Yet there remain problems of access to markets, capitals and technology and many grapple with the institutional transformation necessary for meaningful integration into the world economy.

The Islamic countries, particularly those in Africa, and other developing countries remain constrained by weak supply capabilities and are unable to benefit from trade. Marginalisation, both among and within the countries, has been exacerbated. A large section of the population live in dire poverty. As we approach the 21st Century this situation needs our due consideration.

Powerful forces of globalisation and liberalisation are reshaping the role and the conduct of businesses, governments and individuals. Globalisation has led to a faster growth in world trade compared to world production. According to World Bank estimates, between 1994 and 1996, world trade (exports plus imports) grew at an annual average rate of 7.7 per cent, which is more than double the 3 per cent annual average rate of growth of world output. The speed of integration, measured by the difference between the growth of trade and the growth output, was the highest in East Asia, followed by South Asia and Latin America, while the other regions remained behind. Increased global capital flows is another characteristic of globalisation. In 1995, the flow of private capital into the Third World totalled $ 170 billion, a 200 per cent increase over 1990.

Globalisation at the country level is driving globalisation at the company level. Today, it is no longer enough for a company to produce and sell at arm's length. Today they must be on the spot, at the source and right next to the customer. Companies are locating production plants in other countries, deploying their human resources around the world, conducting R&D and marketing activities in far-flung markets, and financing their operations globally.

The key forces driving globalisation today are falling trade barriers, removal of restrictions on foreign capital, temporary movements of labour, and the rapid growth of telecommunication and information technology, greater integration of economic policies, legislation and institutions. At the company level, there is a constant search for new customers, cheap, plentiful and skilled labour, new financing sources and profitable opportunities for capital, for which they look at the world market unlike in the past.

The limitations to globalisation are that it has yet to touch the majority of people in the developing countries, the countries which sign on to globalisation face some short-term costs. Unemployment may increase as some of the industries may not be able to face the international competition. On the other hand, the positive aspects are that eventually the economies would restructure themselves, more globally competitive industries will take the place of the less competitive ones, employment, wages and incomes will increase and inflation would subside.

The Gulf Economic Forum recently held in Bahrain from 7th to 9th April, dealt with the "Gulf Co-operation Council (GCC) Strategies and global relationships at the turn of the century". The conference underlined the importance of the global economy, which is the language of international dealings and the method for political, social and economic thinking, which gradually eliminates boundaries. The conference called on the GCC countries to maintain a stable macro-economic environment and develop the institutional and legal requirements for competitive private markets--in the increasingly globalised world, it will not be sufficient for the GCC countries to count on its physical location alone, as an incentive to attract foreign trade and investment.

This issue has also been addressed by the Islamic Development Bank in its memorandum circulated at the Extraordinary Islamic Summit in March 1997 in Islamabad. The Islamic Development Bank has also called on the Islamic countries to "acquire the tools necessary to play their part, minimise the adverse effects and share in the gains........" and "the process of globalisation means that the prosperity of the national economies will be critically affected by their interaction with the world economy".

Economic integration among nations is not a new phenomenon. The increasing trend of integration in the recent decades has been made easier due to advancement in technology. There has been considerable ease with which national markets may be integrated at the global level. Economic differences are being shrunk and co-ordination problems have diminished to such an extent that in many cases it has become an efficient method of industrial organisation for a firm to locate different phases of production in different parts of the world. The structure of foreign trade has become intra-industry and intra-firm and foreign direct investment (FDI) serves as an important vehicle of globalisation. More and more countries depend on each others' manufacturing methods, modes of organisation, marketing and product design.

2. CHALLENGES ARISING FROM GLOBALISATION

The globalisation of production and the liberalisation of trade offer opportunities for all countries and enable developing countries to play a more active role in the world economy. At the same time, these processes have also increased the complexity and challenges involved in interdependence, increasing the risks of instability and marginalisation. Technological advance, the increased mobility of production factors and in some cases regional trading arrangements have opened the door to the prospect of considerable gains in productivity and wealth creation. The developed countries are already reaping the benefits. Among these is Malaysia who has benefited considerably from strong macroeconomic policies and outward-oriented, market-based reforms, which are enabling it to integrate rapidly into the global economic and financial system. Following Malaysia, are Indonesia and Turkey. Whereas, on the other hand, some of the other Islamic countries are less well placed to seize these opportunities. This is due to the weak economic condition.

The economies in transition of the Central Asian Republics are also confronted with the challenges and opportunities associated with globalisation and liberalisation. Starting with a more egalitarian structure than most developing countries, these countries have experienced growing income inequality and poverty, even as liberalisation policies foster private entrepreneurship. According to World Bank estimates, the number of absolute poor in the economies of Eastern Europe and Central Asia grew from 2.2 million in 1987 to 14.5 million or 3.5% of the population in 1993. This increase was due to the erosion in real wages and entitlements in recent years. The capacity of these countries to adjust to globalisation forces has been hindered by the fact that a substantial part of their productive capacity remains tied up in the state sector.

A particular challenge for the international community is the integration of developing countries into the global economy. Many of these countries, particularly in Africa, risk being left behind and marginalised in world trade, investment, commodities and capital markets. Through the concerted efforts of the OIC member countries, intensive efforts are needed to help developing countries, in particular the least developed countries, to benefit from the process of global trade liberalisation. The challenge facing the Islamic countries both at the national and international level is to create conditions that will allow the flows of world investment and trade and help bridge the economic and social disparities among and within nations.

3. GLOBALISATION IN DEVELOPING COUNTRIES

Globalisation refers both to the integration of production facilities in different countries under the aegis or ownership of the multinational corporations and to the integration of product and financial markets facilitated by liberalisation.

Globalisation has its winners and its losers with the expansion of trade and foreign investment, developing countries have seen the gaps among themselves widen. Meanwhile in may industrial countries unemployment has soared to levels not seen since the 1930s and income inequality to levels not recorded since the last century.

Inequality is not inherent in globalisation. Because liberalisation exposes domestic producers to volatile global markets and to capital flows, that are large relative to the economy, it increases risks and at the same time increases potential rewards.

For the world the benefits of liberalisation should exceed the costs. During 1995-2001 the results of the Uruguay Round of the GATT (General Agreement on Tariffs and Trade) are expected to increase global income by an estimated US$212-510 billion, which will be as a result of gains from greater efficiency and higher rates of return on capital as well as from the expansion of trade.

The overall emerging picture shows that project losses are heavily outweighed by the gains. And these losses will be concentrated in a group of countries that can least afford them and for some the costs will be significant. The least developed countries including some of the OIC countries, namely, Djibouti, Guinea, Guinea- Bissau, the Gambia, Somalia, Sudan, Benin, Burkina Faso, Chad and others stand to lose up to US$600 million a year and sub-Saharan Africa, including Morocco, Algeria, Tunisia and others will lose US$1.2 billion.

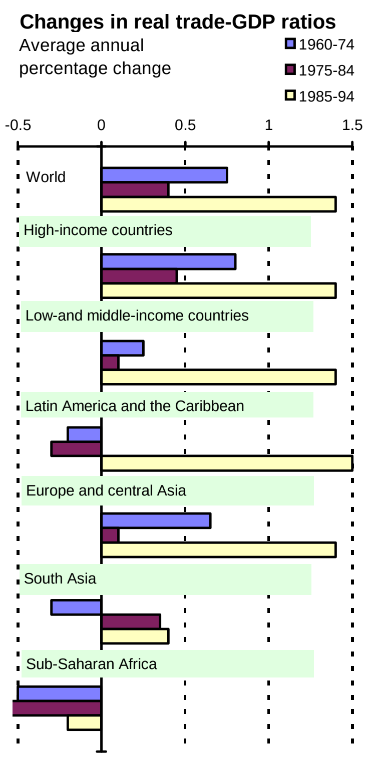
This scenario has disturbing implications for poverty and human welfare. Foreign exchange losses will translate into pressure on incomes, diminishing ability to sustain imports and increased dependence on aid at a time when aid itself is under severe pressure. Revenue from trade will be lost, which will undermine the capacity of governments to develop the economic and social infrastructure, on which sustained reduction in human poverty depends.

Many least developing countries have seen little of the expansion in world trade. Although the developing countries' share of world population grew during 1970-91, their share of world trade scarcely changed. But among them, some Asian countries' share of trade grew from 4.6% to 12.5%. While the shares of other regions declined. Compared to two decades ago, the least developed

Islamic countries along with the non-Islamic least developed countries, having 10% of world population, have 0.3% of world trade.

The imbalance is also evident in the ratio of trade to GDP (figure 1). For the world this ratio has been rising over the past decade, but for the 44 developing countries, with more than a billion people it has been falling. Foreign Direct Investment has also been going to the industrialised countries of North America, Europe and Japan, thereby bypassing the Islamic developing countries. These developing regions receive more than 90% of the global FDI. The rest of the world, with more than 70% of the population, gets less than 10%, and for a third of the developing countries, the ratio of FDI to GDP has fallen over the past decade. Since investment flows are often tied up with transfers of technology, this means that huge regions of the world are being left out of technological advance. In addition, poor macroeconomic policies, particularly large fiscal deficits, create instability that discourages investors.

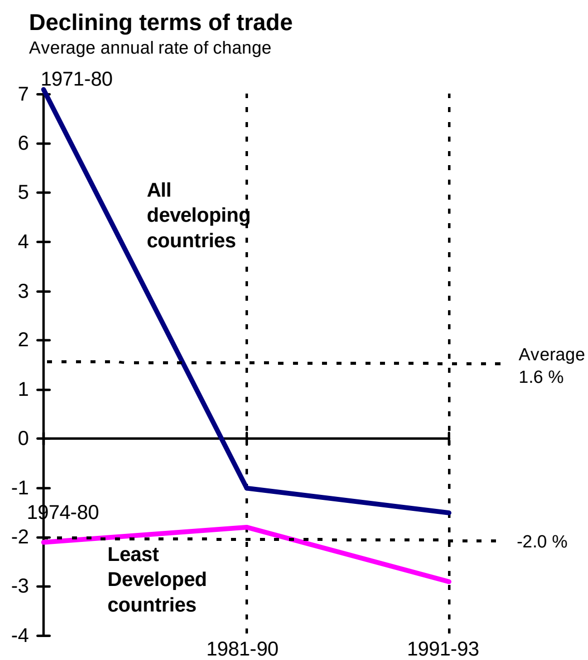
Figure 1



Source: World Bank, 1996b.

It has also been seen that even when globalisation reaches poor countries, it often is on unfavourable terms. Since the early 1970s the least developed countries have suffered a cumulative decline of 50% in their terms of trade (Figure 2).

Figure 2



Source: Berry, Horton and Mazumdar, 1997.

For developing countries as a group, the cumulative terms of trade losses amounted to US$290 billion between 1980 and 1991. This was due to the decline in real commodity prices, which in 1990 were 45% lower than in 1980 and 10% lower than the lowest prices during the Great Depression, in 1932, However, soon prices were not only confined to commodities, but the terms of trade for manufactured goods, in developing countries also fell--by 35% during 1970-91.

As the above goes to show, without development, globalisation cannot bring in any benefit to the Islamic countries. Sustained economic growth requires conducive environment for the private sector. To create this environment, countries may ensure the efficient functioning of domestic markets, facilitate sufficient access to international markets and create the best possible conditions for the competitiveness of their firms, particularly the micro, small and medium sized enterprises which characterise the developing Islamic countries. In addition, certain sound macro-economic policies, such as encouragement of entrepreneurship and competition, efforts to promote domestic savings and attract foreign capital, technology and know-how, as well as mobilising capabilities towards sustainable development, may be undertaken.

Globalisation makes all countries more susceptible to external developments, and has therefore positive and negative implications. As a result, national and international policies are more interrelated. This, on the one hand, can reduce difficulties associated with trade barriers and investment, but on the other hand, may still lead to problems. Therefore, there is a need for international co-operation and partnership.

For the Islamic countries to participate fully and effectively in international trade, their investment and production require capacity-building, improving the soundness and certainty of the domestic economic environment and securing access to markets. For the Islamic countries, such as the countries of Africa this also means creating and expanding capacities and infrastructure to supply goods and services efficiently to globalising markets. In many developing OIC countries, particularly, as mentioned above, those in Africa and the Least Developed Countries (LDCs), commodity and market diversification require investment, human resources development, technological capacities, skills and support infrastructure to augment the levels of the production and efficiency to the standards, in terms of quality, cost and delivery requirements, of the global markets. International assistance, enhanced market access opportunities, development finance, investment and technical co-operation can play a crucial role in complementing domestic efforts to create the necessary conditions for economic growth and sustainable development, including the implementation of structural adjustment programmes.

The heavily indebted low-income Islamic countries, including many that are LDCs, remain confronted with a high level of debt service. This has been one impediment to their development efforts. Measures to reduce debt burdens can have a positive impact on development prospects, including the domestic investment climate, provided they are accompanied by sound macro-economic and structural reform efforts.

In some Islamic countries, such as the landlocked Islamic countries, the lack of territorial access to the sea, aggravated by remoteness and isolation from world markets, imposes serious constraints on overall socio-economic development efforts.

4. INTERNATIONAL TRADE IN GOODS AND SERVICES AND COMMODITY ISSUES

Globalisation and liberalisation have increased the potential for international trade to become an engine of growth and an important mechanism for integrating countries into the global economy. Some of the developing Islamic countries have seized the opportunities and seen the rapid growth of their economies. However, not all countries, have been in a position to seize these new trading opportunities. As a result of this, the Islamic countries in Africa, in particular the least developed countries and those which have structurally weak economies, can risk becoming further marginalised. At the same time, it is widely recognised that the integration and further participation of these and other developing countries and countries in transition, in the global economy would contribute substantially to the expansion of world trade, serving the overall objectives of world economic growth in the context of sustainable development.

The global System of Trade Preferences (GSTP) which became operational in 1989 is based on the advantages to be gained from promoting trade with the South as a whole by covering tariff and non-tariff barriers and for reducing the heavy dependence on markets and suppliers of the North. The Islamic countries should now work to have a significant proportion of South-South trade liberalised under the GSTP.

The challenges facing the developing countries and countries in transition in the context of globalisation and liberalisation are not confined to implementing domestic policy reforms, identifying and exploring the trading opportunities created by the Uruguay Round and pursuing the policies which could enable them to derive maximum benefits from these opportunities. The challenges relate also to identifying, from a development perspective, ways and means of expanding such opportunities. In this context, the built-in future work programme contained in the various Uruguay Round Agreements and the key new emerging issues need attention. Through the forum of COMCEC and through the assistance of IDB a forum representing the OIC, which would take into account the interest of the OIC countries, should be established within the WTO.

The General Agreement on Trade in Services (GATS) has opened possibilities for expanded trade in services. In this context, the developing countries face a major challenge of strengthening their domestic services capabilities to derive full benefits from the implementation of the GATS. In view of the important role of trade in services in helping to facilitate economic development, developing countries will seek further liberalisation in the services sector, where it is important to their interest.

5. AGRICULTURE

Agricultural commodities have always had a special status in world trade and industrial countries have resolutely subsidised agricultural exports. The Uruguay Round brought the agricultural sector under multilateral rules and disciplines for the first time, transformed a wide range of non-tariff barriers into transparent bound tariffs, provided for enhanced and secure markets access commitments, and introduced rules which limit domestic support and export subsidies. While it may involve negative effects for the Least Developing Countries (LDCs) and net food importing developing countries in a transitional period, full and effective implementation of the Uruguay Round outcome within the agreed time frame will ensure maximum benefit. This subsidisation in rich countries hits the developing Islamic countries. In the first instance, it keeps world prices low, so they can get little for their commodities. Secondly, it excludes them from food markets in the rich countries. Thirdly, it exposes their domestic food producers to dumping in the form of cheap food imports, which reduces incentives for food production and thus undermines self-reliance and livelihoods. Contrary to the post-Uruguay Round image of the world agricultural market as a level playing market, the major exporters, notably the European Union and the United States, have continued to subsidise production and exports. In 1995 the industrial countries spent US$182 billion on subsidies. As poor countries open their economies they expose many OIC agricultural producing countries to overwhelming and unfair competition from subsidised imports.

Cheap food imports have positive short term income benefits for food deficit poor countries. One estimate suggests that if industrial countries were to reduce agricultural subsidies and protection by just 30%, developing countries would earn an extra US$45 billion a year. The Uruguay Round agreement on agriculture requires only a 21% reduction in the volume of subsidised exports - and allows income support to farmers.

6. ROLE OF INVESTMENT AND ENTERPRISE DEVELOPMENT

Globalisation and liberalisation, driven by technological progress, increased competition and converging demand patterns, are shaping economic and social changes throughout the world. As globalisation and liberalisation also bring along the globalisation of competition, it is also realised that development policies, at both national and international levels, need to be directed specifically towards fostering liable and internationally competitive prices, including an entrepreneurial culture. Within this context, the particular need to foster the development and expansion of small and medium-sized enterprises is vital.

Small and medium enterprises and micro enterprises in developing countries often face difficulties in such areas as project execution, pre-investment studies, management consulting, production management, product development, etc. Access to credit and equity capital is important for all enterprises and can be particularly challenging for micro and SMEs.

Foreign Direct Investment (FDI) which can play a key role in the economic growth and development has dramatically increased in recent years. FDI is now considered to be an instrument through which economies are being integrated at the level of production into the globalising world economy by bringing a package of assets, including capital technology, managerial capacities, skills and access to foreign markets. Productive private investment, both domestic and foreign is based upon investor confidence. Experiences have shown that FDI is attracted by a variety of policies and conditions conducive to economic development. It is proposed that through fora such as the COMCEC, the Private Sector Meetings and with the assistance of the Islamic Development Bank, the Islamic Chamber, the Ankara Centre and the Casablanca Centre recommendations be made to the Government of the Islamic countries to work to have a stable, supportive, effective legal framework.

In this context, a few facts serve to illustrate the need for careful analytical work as a basis for formulating national and international policy options. Clearly not all FDI is equally beneficial. Evidence has shown that it not so much the quantity of foreign investment which counts but the nature of the investment and the sorts of linkages that are made with the local economy. For example, FDI in the form of investment in supermarkets or fast food chains will not raise growth as much as FDI in manufactured products for export, such as steel, car parts or computer components, which will earn foreign exchange and amortise the foreign exchange costs of the investment and foreign dividend payments.

There have been very few investment flows to the least developed countries and in particular into Africa, where the existing opportunities may need to be further promoted. Those Islamic countries who have a fairly developed economic growth can help the least developed countries, especially in Africa, in their acquisition and enhancement of technological capabilities through the means of technology licensing and expert advice. Strengthened sub-regional and inter-regional co-operation among developing countries can be an important factor in making them more attractive to foreign investors.

The experience of developed countries and those developing countries which have achieved sustained economic growth in recent years suggests that science and technology policy making capability and an going dialogue between government and the private sector are important components in the development and expansion of an internationally competitive enterprise sector. In view of the increased competitive pressure on the enterprise sector brought by liberalisation and the process of globalisation, international support which takes into account the particular needs of individual countries would be required in the areas of institution building, financing, access to commercial information, training and marketing and the development of a technological infrastructure to ensure that enterprises, in particular, the Small and Medium Enterprises (SMEs) in the developing Islamic countries adjust to the rapidly changing global economic environment.

7. CHANGES IN THE MOVEMENT OF PEOPLE

The flow of people across national borders has also increased with the trend of globalisation. In 1990, roughly 120 million people were living in countries in which they were not born, which is up from 75 million in 1965. Some researchers have pointed out, while trade helps to establish contacts, information network, it also creates channels that can lead to temporary immigration from poor countries to rich countries. Further analysis shows that the free flow of factors, including labours, has many economic benefits, as it helps to maximise global output, promoting efficiency in both labour-supplying and labour-receiving countries. Labour-exporting countries are likely to receive foreign resources in the form of worker remittances, which are estimated in one study to have totalled over $70 billion globally in 1995. These flows have been particularly important for certain countries, like Pakistan and Bangladesh.

8. ROLE OF THE PRIVATE SECTOR

The private sector in present-day stimulating economic environment is considered the locomotive imperative for economic development. The New Plan of Action for Economic and Commercial Co-operation, adopted by the OIC Summit, also provides for a higher profile role for the private sector. The Islamic countries need to functionally integrate the private sectors of the Member countries in a network of co-operation for reaping maximum benefits.

The New International Division of Labour (NIDL) has created a situation whereby a firm may produce the engine in one of its plants in England, chassis in Germany, a gearbox in Canada, assemble them into a vehicle in France and sell it finally in Turkey. In today’s world, different activities within the same industry are concentrated in different countries. Each country exports the intermediate products generated by the activities in which it has a comparative advantage and imports the intermediate products which are inputs to these activities. Here the private sector can play its role by developing that sector in which it has the advantage to assist in the transfer of know-how and expertise, thereby helping in upgrading the industry of another country, which may have a comparative advantage in another related activity, as has been illustrated by the example of the car above.

The most obvious manifestation of the New International Division of Labour is the growth of export platform investments in the newly industrialising countries (NICS). Off shore labour-intensive assembly operations transform imported parts, components and materials into electronic goods, machinery, textiles, etc., destined for the mature industrialised economies.

With reference to the growth of an export platform investments, the private sector can help in identifying projects for joint investment as it is conversant with the needs of the market and the people.

Within this context, the 9th Session of COMCEC (1993) had given a mandate to the Islamic Chamber, as the OIC Institution representing the private sector, to hold private sector Meetings, so as to enable this sector to be in the forefront of economic development. The three Meetings held by the Islamic Chamber in 1994, 1995 and 1996 in Istanbul, Cairo and Jakarta and the Fourth Private Sector Meeting to be held in October 1997, have given the much-needed common platform to the private sector to meet and discuss areas of trade expansion and joint venture investment.

In addition to the private sector Meetings, the Islamic Chamber is also holding training programmes for the private sector representative of Small and Medium Size Enterprises on management, marketing expertise and know-how. Over a period of time, these private sector representatives can impart training to counterparts from other Islamic countries and thereby, have positive implications of globalisation for developing countries, in terms of transfer of expensive technology.

9. RECOMMENDATIONS

The overall emerging consensus, in terms of the impact of globalisation with reference to trade and industry, calls on the OIC countries to collectively chalk out strategies, which would enable these countries to have more opportunities, to have the benefits of global integration more equally shared. For this the immediate responsibility lies with the national governments, perhaps powerless to steer world markets, but able to minimise the damage and maximise the opportunities. For empowering nations in a globalising world, the Islamic countries may formulate policies to tackle issues of industrialisation, restructuring and diversification of agriculture, human resource development, training programmes for skilled labour, marketing, management and issues related to food security. For such a strategy, some policy options that maybe considered are:

1. Manage trade and capital flows more carefully. National governments can exercise more discretion when adopting policies of liberalisation. A selective approach to the global market would follow the example of most East Asian countries, like Malaysia, Indonesia with some time-bound, performance-related protection for potentially viable industries, some industrial intervention and management of foreign direct investment.

2. Governments should focus on issues related to investment, enterprise development and technology.

3. National policies be formulated to promote services infrastructure for development and trade efficiency. State trading agencies should be used more actively to step up Intra-Islamic trade. They should work together in import purchases, export promotion, marketing, warehousing, freight and training.

4. Trade supporting services facilitating trade and exports maybe improved.

5. Action to improve food output and security should have an important place in co-operative efforts. Agricultural and agro-industrial projects should be among the Islamic countries. Joint ventures in farming particularly between food- surplus and food-deficit countries should be encouraged. Similarly, co-operation in research, technology, particularly for arid zones, be strengthened and extended to the field of biotechnology.

6. The services sector needs to be expanded. By the expansion of such services as banking, insurance, telecommunications and transport, there can be vital change in the efficiency of the industrial sector as a whole.

7. People to people contacts should be strengthened through cultural and business delegations exchange. For this relevant visa and travel restrictions maybe eased.

8. Policies be created for a more favourable environment for private sector co-operation, across countries, through tangible support to the private sector.

9. Take measures to resolve the problems created by the proliferation and overlap of sub-regional and bilateral trade groupings and to promote intra-group linkages.

10. Human resource development -- this aspect of development plays a major role in overall economic development of any country and has also been given due consideration in the new OIC Strategies for Strengthening Economic and Commercial Co-operation.

The world will soon be entering the 21st Century and the Islamic countries are faced with challenges for which they should close their ranks and work on group solutions and concerted action. It has been seen that many policies that governments wish to adopt are possible only in co-operation with others, such as through trade, facilitating financial flows and enhancing transport link. The subregional and regional organisations are a vital set of building blocks for collective self-reliance. Presently the economic groupings of some of the Islamic countries are the Economic Co-operation Organisation (ECO), the Gulf Co-operation Council (GCC), the Arab Maghreb Union (AMU), the Association of South East Asian Nations (ASEAN) and the Economic Community of West African States (ECOWAS). These groupings, need to further strengthen their areas of co-operation, so as to be at par with the other regional economic groupings. The adverse global environment, makes it incumbent on the Islamic countries to revitalise these groupings. The governments should increase their support for regional and sub-regional co-ordination of investments in selected fields and the regional organisations should identify opportunities for efficient import substitution. Each grouping should move towards harmonisation of development plans and policies within its region.

By forming such groups, poor countries could thus combine increased competition with economies of scale and a better division of labour, while retaining some protection from competition from more advanced countries.

Even outside regional groups, developing countries, especially the poorer ones, will carry greater weight if they co-ordinate their actions and bargain as groups.

There is an urgent need to treat the products of developing countries at par with those of industrial countries -- and to accelerate the liberalisation of markets of interest to poor countries, such as textiles, and institute a comprehensive ban on dumping agricultural exports. At the same time partnership with multinational corporations be developed, to promote growth for poverty reduction, considering that some multinational corporations command more wealth and economic power than most states do. Out of the worlds 100 largest economies, 50 are megacorporations. The 350 largest corporations now account for 40% of global trade and their turnover exceeds the GDP of many countries (Figure 3).

Figure 3
State and corporate power, 1994

Country or corporation	Total GDP or corporate sales
INDONESIA*	174.6
General Motors	168.8
TURKEY*	149.8
Denmark	146.1
Ford	137.1
South Africa	123.3
Toyota	111.1
Exxon Royal Dutch/Shell	110.0

Figure 3 (continued)

Country or corporation	Total GDP or corporate sales
Norway	109.6
Poland	92.8
Portugal	91.6
IBM	62.0
MALAYSIA*	68.5
Venezuela	59.0
PAKISTAN*	57.1
Unilever	49.7
Nestlé	47.8
Sony	47.6
EGYPT*	43.9
NIGERIA*	30.4
Top five corporations	871.4
Least developed countries	76.5
South Asia	451.3
Sub-Saharan Africa	246.8

Source: Fortune Magazine 1996, World Bank 1995 and UNRISD 1995.
* Islamic countries.

In view of the above facts, an incentive system is required that while avoiding excessive regulations, multinational corporations be encouraged to contribute to poverty reduction and be publicly accountable and socially responsible.

10. CONCLUSION

Through the New OIC Strategies for Strengthening Economic and Commercial Co-operation and its accompanying Plan of Action, concerted efforts are being made to evolve effective strategies, which foster and strengthen economic development. To achieve this, various activities and projects are being undertaken by the OIC, its Institutions and the OIC Standing Committees. However, in view of the Regional Economic Groupings and their impacts on the economies of the OIC countries, and the challenges coming in the wake of the 21st Century, the Islamic Chamber may give due consideration, in the years ahead, to facilitate the process through which developing countries utilise the benefits of globalisation to accelerate the attainment of the objective of sustainable development. For this purpose, it will be necessary to first monitor how some of the basic elements for sustainable development evolve and interact in an increasingly globalising world economy and to bring some changes in those interactions. Secondly, it will be necessary to evaluate the impact of these elements on the development process, seek new opportunities for further development resulting from globalisation and liberalisation and provide policy approaches and actions to help developing countries integrate into the world economy and achieve sustainable development.

In pursuit of economic growth and sustainable development, all governments should create a stable macroeconomic framework and undertake any necessary structural adjustment and reform, ensure an appropriate and transparent legal and regulatory framework, *inter alia*, to promote investment, strengthen human resource development, promote equality of opportunity and poverty alleviation, promote sound budgetary practices, *inter alia*, to channel resources to productive uses and meet basic human needs and provide for democracy and transparent and accountable governance and administration. The developed Islamic countries should support developing countries in their efforts in this regard.

Globalisation can hardly merit its name if it does not involve greater economic links between developing countries themselves, in contrast with increased interdependence between the North and the South. For this, UNCTAD needs to ensure that, in all aspects of its work, all possible opportunities are taken for strengthening South-South contacts and South-South flows of trade, investment, technology, knowledge and information. And the various OIC economic fora may ensure that the call by the Islamic countries for the collective economic and commercial well being is being heard by these International Organisations.

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