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REGIONAL ECONOMIC GROUPINGS AMONG OIC COUNTRIES: SCOPE AND LIMITS

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After a survey of the major regional economic groupings within the OIC, this paper assesses the achievements of those groupings first in the commercial sector and then at the level of common policies. At both levels the results achieved are found to be wanting. The paper then moves on to a consideration of the reasons for this state of affairs and traces them to a number of endogenous and exogenous obstacles. The paper then offers some policy options which will move the OIC closer to an Islamic Common Market recommending multilateralisation of the highest denominator through economic, commercial, industrial, monetary and financial integration as well as mechanisms likely to ensure a fair and equitable distribution of integration profits and losses.

1. INTRODUCTION

The end of the 20th century has been characterised by a quick historical evolution which ran down and disintegrated a lot of ideologies and concepts. The outlines of the New World Trading System show two tendencies: the strengthening of the multilateral system (globalisation), culminating in the conclusion of the Uruguay Round Trade negotiations and the growing number of regional and sub-regional trading groups (regionalism).

During the Uruguay Round, the question was raised as to whether regionalism was or should be an alternative to the international system, especially when the Round seemed on the point of failure (NAFTA, APEC). Besides, the new regionalism has grown side by side with the globalisation of world production, the rapid expansion of trade and the increasing interlinkages among industrial countries. The new regionalism *(open regionalism)* seems to be less rigid or less protectionist and more market-driven than the EU is believed to be; but according to some analysts: *in practice, the greater the degree of integration which any group reached, the less likely it is to be flexible (except in a transition period) with new members* (Sheila Page).

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It is worth noting that the trend towards regionalism will have different impacts on different regions since world trade is concentrated in three regions of the world: Asia-Pacific, North America and Western Europe, which account for 85% of world production and 87% of world trade. The existing major regional integration systems (EU and NAFTA) and the emerging arrangement (APEC) account for large portions of global trade; intra-regional trade accounts for 67% of total trade for APEC, 61% for EU and 36% for NAFTA.

Table 1
Intra and Inter-regional Merchandise Trade in 1995

Regions	Intra-regional Trade in Billions US$	Share of Intra-regional Trade	Inter-regional Trade in Billions US$	Share of Inter-regional Trade
North America	279.00	36%	498.00	64%
Latin America	47.00	21%	177.00	79%
Western Europe	1510.00	69%	681.00	31%
Eastern Europe	29.00	19%	124.00	81%
Africa	10.00	10%	93.00	90%
Middle East	11.00	8%	130.00	92%
Asia	662.00	51%	639.00	49%
OIC	34.00	10%	314.00	90%

In 1995 intra-regional merchandise trade reached $2,548 billion against $1,810 billion in 1990, i.e., a 41% global increase in absolute value compared to 1990, the share of intra-regional merchandise trade in overall trade account for 52%, i.e., the same proportion as in 1990. The most integrated regions are Western Europe (69% of the overall trade especially the EU with 61%), Asia (51%) and North America (36%); the share of intra-OIC trade in overall trade accounts for 10%.

The OIC member states are participating in several economic integration groupings at regional and sub-regional levels; the OIC dealt in its turn with the ticklish problem of inter-Islamic economic and commercial co-operation particularly after the Taif Summit (January 1981) which paved the way for economic co-operation by adopting two major resolutions:

- Setting up of the Standing Committee for Economic and Commercial Co-operation (COMCEC), entrusted with supervising the implementation of the recommendations contained in the Plan of Action to Strengthen Economic Co-operation Among Member States.

- Adoption of a Plan of Action to Strengthen Economic and Commercial Co-operation Among Member countries of the OIC with a view to implementing the General Agreement on Economic, Technical and Commercial Co-operation.

- The Summit also decided to set up the Islamic Centre for Development of Trade in order to contribute to the promotion of intra-Islamic trade.

Yet, despite the efforts exerted especially by the OIC to remove the obstacles hampering trade and to give it a greater impetus, namely, at the level of regulations (elaboration of a framework agreement for the setting-up of a Trade Preferential System TPS/OIC by ICDT), at the financial level (IDB's efforts to diversify the financing and export insurance schemes), and at the level of information and promotion (ICDT's efforts to set up a Trade Information Network for Islamic Countries (TINIC) and to regularly hold Islamic Fairs), in the field of standardisation, etc., inter-Islamic trade and economic co-operation are still far from meeting the hopes and expectations of the Islamic Ummah.

Therefore, it seems that all these devices need to be revitalised and improved by achieving an action of a higher level, through the progressive building up of an Islamic Common Market. The completion of such a project would lead to inter-Islamic collective economic autonomy which is absolutely necessary to put an end to the vulnerability of Islamic economies.

2. MAJOR REGIONAL INTEGRATION GROUPINGS WITHIN THE OIC

As soon as they had recovered their independence, several Islamic Countries initiated or became members of regional integration groupings with a view to speeding up their economic growth and meeting numerous challenges at political, economic and social levels. These groupings have a history of enthusiastic formation followed by dissent and either dissolution or lapsing into a purely formal existence; and the survivors have gone through periods of change.

The regional integration groupings were sometimes seeking to achieve overall integration objectives (completion of a Common Market or an economic union, in compliance with a programme or fixed time limit) and sometimes they were endeavouring to achieve sectorial integration objectives (parallel co-operation in different sectors: trade, industry and finance, etc.) or those of functional co-operation as it is the case with several committees and commissions entrusted with special functions such as the development of fluvial basins, the fight against drought, etc.

Dealing with economic integration groupings only, we notice that they constitute a real kaleidoscope of patterns but they all have a common denominator in so far as on the whole they lay stress on markets integration to the detriment of production integration; but the outcome of this approach was not so successful as expected since it does not focus on the objectives which are generally sought by any integration grouping, namely industrialisation and regional collective autonomy in order to put an end to the dependence of these countries on foreign outlets.

The knowledge of the main provisions of the integration agreements concluded between Islamic countries, the examination of the main obstacles which hampered them and the evaluation of their impacts will allow us to better appreciate the obtained results.

The relevant provisions of economic integration agreements concluded between Islamic Countries can be divided into three large categories: trade liberalisation measures, economic policy harmonisation measures and those related to integration profits redistribution.

2.1. The Economic Mechanisms of Sectorial Integration Groupings

A sectorial approach of integration consists in limiting the integration programme to some sectors only or implementing such a programme in several sectors but in a parallel and isolated manner, without any previous strategy or a fixed implementation time limit.

Under this heading, we deal with the ASEAN, the Bangkok agreement, the ECO, SAARC, the PTA, and the UDEAC since the Yaoundé declaration in 1980.

These groupings have adopted a prudent and unambitious approach, limiting their multilateral co-operation to the commercial field only, consisting of rounds of negotiations, of preferential trade agreements providing for the linear reduction of tariff and non-tariff obstacles for the benefit of some products listed in the inventory of concessions of participating countries.

These preferential trade areas sometimes include provisions concerning industrial, agricultural, energy co-operation, etc., (as it is the case in ASEAN, which is undertaking a leading programme in the area of industrial co-operation, the PTA and the ECO), financial co-operation under the shape of development banks and clearing houses (ASEAN, PTA, ECO), and agreements on priority supply of public administrations (ASEAN case).

Yet, despite these similarities, there are large differences between these preferential trade areas. The first important difference lies in the quasi-absence of special measures in favour of the Least Developed Countries which are included in the Bangkok agreement only. While experience has proved that uneven levels of development have often given rise to distribution crises which cripple these groupings, currently the PTA is undergoing serious difficulties caused by the absence of such measures which would have limited the probable losses which are expected to affect Comoros and Djibouti. The second big difference is the apathy and marginalisation of the private sector which is associated or consulted in two groupings only, the ASEAN and the PTA; the third difference concerns the scope of trade liberalisation, that is to say, the line of products concerned as well as the size of national exclusion lists (for example, liberalised products amount to 700 within the PTA while they have reached 14,462 within the ASEAN), the range of tariff and non-tariff preferences (20%, 25% or 50% of exemptions from customs duties and taxes of equivalent effect), as well as the more or less strict nature of the rules of origin; in this regard, it should be underlined that the setting up of restrictive rules of origin and even prohibitive ones could delay the programme of trade liberalisation as it is the case of the PTA which applies differentiated preferential margins according to participation levels of national capitals in beneficiary enterprises. Aware of this problem, the ASEAN has proceeded to a relaxation of the origin criterion (reduced to 35% and 42% of the value added --case by case--instead of 50%).

2.2. Economic Mechanisms of Overall Integration Groupings

Contrary to the sectorial approach which limits the scope of integration to some sectors, the overall approach should be total and coherent since member states are negotiating a treaty fixing the objectives of the groupings and a timing for the implementation of the different stages which would enable them to reach their targets.

The pursued objective is, in general, the integration of the area's market coupled with the harmonisation of industrial, agricultural, fiscal monetary policies, etc., and sometimes with a more or less complex system providing for the distribution of profits yielded by integration.

The classification of these groupings varies according to the adopted criteria: on the basis of the finality of a grouping, they will be classified according to the degree of integration: free trade area, customs union, common market or economic union.

On the basis of the nature of the mechanisms of these groupings, they may be classified into groupings of type 1 or type 2 according to the absence or presence of mechanisms allowing equitable distribution of profits and industrial programming.

Table 2
The Objectives of Regional Integration Groupings between the OIC Member Countries

Integration Degree Groupings	Preferential Trade Area	Free Trade Area	Customs Union	Common Market	Economic Union
Bangkok Agreement, ECO, ASEAN, SAARC, PTA, UDEAC, since 1988	*				
CEEAC, MRU, CEAO	*	*	*		
CCA, MCA, UDEAC before 1988	*	*	*	*	
GCC, ECOWAS, AMU	*		*		*

The table above shows that the objective of the majority of overall integration groupings is to achieve a free trade area or a customs union while a minority only aims at setting up a common market or an economic union.

2.2.1. "Market-driven" integration groupings

To illustrate these facts we shall take as an example type 1 groupings, the GCC and the AMU which furthermore have several points in common: first, the aim of these two schemes is the achievement of an economic union. So far they do not include special measures in favour of the Least Developed Countries in their area (Oman within the GCC and Mauritania within the AMU). Of course, the principle establishing the GCC was laid down in chapter 7, but no system has been provided for the correction of inequalities and distribution. The third similarity between these two groupings is the fixing of a buffer date, 1999, to set up a common market.

Trade liberalisation measures: The GCC and the AMU have provided for an exemption from customs duties and taxes of equivalent effects for agricultural and industrial products originating in member states; yet, the rules of origin are different for products including imported inputs: for the AMU, the sole condition is that the local value added should account for at least 40% of the total value of the product, while for the GCC this condition is coupled with another provision requiring that enterprises benefiting from a preferential treatment should at least be 51% owned by citizens from the GCC. Besides the GCC has approved a regional preferential system as concerns public markets; on the other hand, these two groupings have provided for the setting up of an

External Common Tariff, ranging between a minimal limit of 4% and a maximal limit of 20% for the GCC countries.

Free movement of factors: The GCC and the AMU have established the principle of the free movement of individuals and capital. To this end, settlement and financial conventions (especially guaranteeing and providing investments incentives and abolishing double taxation) were concluded. The GCC nationals can freely move, work, own, inherit and leave legacies in all member countries.

Harmonisation of economic policies: With a view to achieving economic union, the two groupings have decided to harmonise their national and sectorial planning for complementarity and collective autonomy's sake.

Harmonisation should concern all of the sectors: the industrial sector (notably by the setting up of joint enterprises), the agricultural, legal, financial and monetary sectors (creation of a common currency).

2.2.2. "Institution-driven" integration groupings

The aim of the UEMAO, the ECOWAS and the UDEAC (version 1970) is not only to ensure the free movement of goods, individuals and capital but also to provide concrete mechanisms of industrial integration and equitable distribution of profits integration.

Trade liberalisation measures: The UEMAO, the ECOWAS and the UDEAC apply a total exemption from customs duties and taxes of equivalent effect to raw and unprocessed agricultural and mining products and to handicrafts.

As concerns industrial products, the three groupings apply different regimes:

- Within the UDEAC, industrial products are subjected to a preferential regime under the shape of a unique tax levied on the value of ex-factory products in the host country for the benefit of the budget of the state where the product is consumed.

- Within the UEMAO, industrial products are also subjected to a preferential regime referred to as Regional Co-operation Tax (RCT) levied in the importing member country. This preferential tax which is substituted for other tariff and quota measures is only applied to manufacturing industries which were expressly authorised by the Board of Ministers.

- The ECOWAS submits industrial products to a programme of linear and progressive reduction of tariff and non-tariff obstacles over a period of 4 to 6 years according to the categories of countries and products. The lists of tariff reductions vary according to the three groups of countries that were defined with respect to their industrialisation level. Contrary to the UEMAO, the ECOWAS requires a minimum of 35% of community value added and a majority holding of the community's citizens of enterprises capital to meet origin requirements.

These three groupings have provided for the setting up of a common customs nomenclature and tariff. For example, the UEMAO has adopted uniform customs duty of 5% and a single additional fiscal import tax; it has also initiated a community solidarity tax of 1% on all imports from third countries.

<u>The free movement of factors</u>: The ECOWAS and the UDEAC have kept in their constitutive texts the principle of the free movement of capitals and individuals but the UEMAO is still hesitating on this issue.

Thus the member states of the UDEAC belonging to the Franc zone and to the Central African States Bank have adopted several measures to harmonise their fiscal and social legislation in order to stimulate the free movement of capitals and individuals, namely a common convention on investments and another on the right of establishment.

The constitutive treaty of the ECOWAS stipulates in its article 2, paragraph 2, the abolition of obstacles hampering the free movement of individuals, services and capitals between member states.

<u>The harmonisation of economic policies:</u> The UEMAO, the ECOWAS and the UDEAC mention in their constitutive treaty, a co-operation in the fields of industrial development, agriculture, mining, tourism, scientific research and in basic infrastructure.

Contrary to the ECOWAS, which lays down the principle of industrial co-operation, the treaty of the UDEAC and the UEMAO effectively pave the way for the implementation of such co-operation. Article 56 of the UDEAC expressly stipulates that "member states should take the necessary measures to enable the achievement of a common industrialisation strategy". Furthermore the products of industries falling under the single tax system (UDEAC) and regional co-operation tax (UEMAO) benefit from a preferential regime and they are even exempted from entrance fees for the major part of inputs imported within the UDEAC.

The UDEAC's treaty goes beyond this threshold providing in its article 51 for an industrial distribution system setting out five categories of industries:

1. Export industries outside the union;

2. Industries relating to one state for which no economic, fiscal or customs advantage is required from the Union States;

3. Industrial projects concerning the markets of one state only dealing with an industrial production which already exists in another state of the Union or whose setting up is also planned in another state of the Union;

4. The industries whose markets is or will be limited to two states, for which harmonisation is directly sought within the Union;

5. Industries representing an interest for more than two states for which a harmonisation is sought within the Union.

Each member state is free to lead its own industrialisation policy for the categories 1, 2 and 3. Common industrialisation concerns the categories 4 and 5 and more particularly category 5.

A commission met in Bangui from 10 to 15 April 1972 and examined the industrial sectors corresponding to this new common industrialisation strategy. Six sectors were examined: textiles industries, cellulose, paper pulp, chemical industries, batteries. The commission then selected four sectors, which were likely to achieve a regional integration:

- Fertilisers manufacturing;
- Petrochemicals;
- Setting up of a common research laboratory;
- Battery manufacturing.

<u>The devices of equitable distribution of profits and integration losses:</u> The specificity of the "Institution-driven" integration patterns (UDEAC, UEMAO, ECOWAS) lies in the quest for a balanced development in member states. To

this end these groupings have set out three types of measures: Exception measures, compensation measures and corrective measures.

Exception measures: The treaty establishing the ECOWAS includes special measures in favour of the area's LDCs; tariff reduction measures vary according to the three groups of countries; thus the rates of tariff reduction were decreased and the area's LDCs were allowed longer delays.

Compensation measures: The originality of the UEMAO lies in its system of budgetary compensation losses following the trade liberalisation process.

The inter-budgets transfers are made through a community development fund (CDF). The Abidjan treaty establishing the UEMOA provides for the payment of duty compensation to each member state equivalent to 2/3 of its real losses. An additional amount equal to one third of estimated losses is distributed on a discretionary basis between member states to support national development projects of community interest by the conference of the heads of states. The fund is financed in particular by member states' contributions according to their share in intra-community trade in industrial products.

The UDEAC has set up a solidarity fund financed by more favoured coastal states (Cameroon, Congo, Gabon) for the benefit of the Central African Republic which is a landlocked and disadvantaged country.

Table 3
Tariff Reductions of the ECOWAS

Priority Products		Non Priority Products		
Group of Countries	Annual Rate of Tariff Reductions %	Total Number of Years	Annual Rate of Tariff Reductions %	Total Number of Years
Group I a/	25.0	4	16.6	6
Group II b/	16.6	6	12.5	8
Group 111 c/	12.5	8	10.0	10

Source: UNCTAD Secretariat.
a/ Group I : Ivory Coast, Ghana, Nigeria, and Senegal.
b/ Group II : Benin, Guinea, Liberia, Sierra Leone, Togo.
c/ Group III : Burkina Faso, Cape Verde, Gambia, Guinea-Bissau, Mali, Mauritania, and Niger.

Article 25 of the constitutive treaty of the ECOWAS stipulates also that the Board of Ministers on the basis of the report of the executive secretary and in pursuance of the recommendation of one or several competent commissions has decided to grant compensations to a member state having undergone loss of import duties upon the implementation of trade liberalisation measures.

Corrective measures: The originality of these measures lies in the fact that they tackle the sources of inequality in the distribution of integration profits. Such measures aim at increasing the development level of the least favoured countries to enable them to derive benefit from trade liberalisation.

Thus the limits and the shortcomings of the CDF, which has little contributed to the achievement of a balanced development of the UEMOA, have led the heads of states to create a new economic co-operation instrument called Solidarity and Intervention Fund of West Africa Community (FOSIDEC); its role is to foster the economic development of the least industrialised member states and to contribute to the regional equilibrium of the community through loans, guarantees, subsidies, participations and feasibility studies. This fund is financed by the most developed member states (Senegal and Ivory Coast).

The ECOWAS has also endowed itself with a similar fund, called Co-operation, Compensation and Development Fund. This fund is mainly financed by member states' contributions in proportion to their share in the regional GDP and to their per capita income.

3. APPRAISAL AND ACHIEVEMENTS OF THE REGIONAL INTEGRATION GROUPINGS WITHIN THE OIC

The record of achievements of the integration groupings within the OIC is not brilliant; several objectives were not achieved. Some groupings such as the UDEAC and the ACC are even no longer in existence. During the 80s, several revitalisation measures were taken especially in the fields of payments and tariff and non-tariff barriers. The few achievements of these groupings concerned the commercial sector while industrial integration remained ephemeral and even inexistent in most of these schemes; while the integration of production is the real driving force and it has a locomotive effect on the other sectors, especially as the productive structures in developing countries are often similar and if they are competitive it is mainly in foreign markets in so far as their agricultural, mining and even industrial production are above all intended for the world market.

3.1. Achievements in the Commercial Sector

Like south-south trade considered globally, trade within the integration groupings to which belong the Islamic countries has slowed down in comparison with the 1970s. This situation, which results from the deep changes in the international economic and financial environment; the debt crisis in several Islamic countries and the general collapse of prices of basic commodities exported by the Islamic zone particularly oil which is a basic deal in inter-Islamic trade, has led to a decrease in inter-groupings trade flows.

3.1.1. Sub-regional trade exchanges within the OIC

For reasons linked to the existence of sub-regional solidarity, geographical nearness and the existence of regional integration groupings, the OIC sub-areas represent an important driving force of intra-OIC trade; in 1995, intra-regional trade exchanges reached 15 billion US dollars against 12 billion US dollars in 1993, i.e., a 26% progression and the share of intra-regional trade in intra-OIC trade increased from 40.5% in 1993 to 43.8% in 1995, i.e., an 8% growth.

Such an improvement is due to an increase in trade in all the areas except for sub-Saharan Africa. The increase reached: in the Middle-East 58% in value and 35.7% of its share in intra-OIC trade, in Asia 47% in value and 26% of its share in intra-OIC trade, in the AMU 36% in value and 16.5% of its share in intra-OIC trade, in the GCC 4% in value but its share of intra-OIC trade showed an 11% reduction. Besides, intra-Sub-Sahara African trade showed a decrease both in value by 22% and in its intra-OIC trade share by 33.33%.

3.1.1.1. Intra-GCC Trade

Intra-GCC trade value reached 5 billion US dollars in 1995, i.e., a 4% increase in comparison with 1993; yet the share of the GCC in intra-OIC trade decreased by 11% going down from 16.83% in 1993 to 15% in 1995. In 1995 this trade represented 4.8% of he overall trade of this area against 5.8% in 1993, i.e., a 17.24% reduction.

Table 4
Evolution of Intra-regional Trade Exchanges between 1993 and 1995

	Trade Value in Million US$		Variation Rate	Share of Intra-regional Trade in Intra-OIC Trade		Variation Rate
OIC areas	1993	1995	1993/95	1993	1995	1993/95
OIC	4965.70	5161.80	3.95	16.83	14.99%	-10.93%
Asia	3415.18	5025.00	47.14	11.57	14.59%	26.10%
Middle-East	2057.50	3258.49	58.37	6.97	9.46%	35.72%
Maghreb	785.50	1069.00	36.09	2.66	3.10%	16.54%
Sub-Sahara Africa	726.00	566.00	-22.04	2.46	1.64%	-33.33%
TOTAL	11949.88	15080.29	26.20	40.5	43.79%	8.12%

Table 5
Intra-GCC Trade in 1995

Destination Origin	S.Arabia	Bahrain	UAE	Kuwait	Oman	Qatar	Total
S. Arabia	-	1501.00	1001.00	-	86.00	107.00	2695.00
Bahrain	182.00	-	111.00	-	14.00	18.00	325.00
UAE	332.00	75.00	-	-	1088.00	109.00	1604.00
Kuwait	113.00	17.00	75.00	-	10.9	14.9	230.80
Oman	50.00	53.00	1.00	-	-	6.00	110.00
Qatar	60.00	8.00	123.00	-	6.00	-	197.00
Total	737	1654	1311	-	1204.9	254.9	5161.80

- The main intra-GCC suppliers are Saudi Arabia, accounting for 2.7 billion US dollars and the UAE, 1.6 billion US dollars. These two countries accounted in 1995 for 83% of intra-GCC export. The main customers of Saudi Arabia are Bahrain (1.5 billion US dollars) and the UAE (1 billion US dollars), while the main customer of the UAE is Oman (1 billion DOLLARS).

- The main intra-GCC customers are: Bahrain, accounting for 1.6 billion US dollars, the UAE, 1.3 billion US dollars, and Oman, 1.2 billion US dollars. Together these three countries represent 70% of intra-GCC imports.

The products structure of intra-GCC trade shows that manufactured goods represent 58% of the trade, mineral raw materials 32%, and vegetable or animal products 10%. It can be seen that unlike the case of total intra-OIC trade, manufactured goods hold the largest share.

The main products exported by Saudi Arabia to the GCC are: crude petroleum (40.5%), miscellaneous food products (17%) of which cereals, dairy products and meats, chemicals (about 16%) of which detergents, ethylene and polyethylene, cements, electric cables, iron and steel products and air-conditioners.

The main products groups exported by the UAE to the GCC are: miscellaneous manufactured goods (47%), beverages and tobacco (14%), machinery and transport equipment (11%) and chemicals.

The main products exported by Bahrain, 3rd intra-GCC supplier, are: aluminium and iron (53%), equipment and spare parts for petroleum drilling

(3%), spare parts for engines (3%), maize oil (2.4%), fresh tomatoes (2%), and plastic tubes (1.9%).

The main products exported by Kuwait, 4th intra-GCC supplier, are: miscellaneous manufactured goods (52%), machinery and transport equipment (30%), food products (10%) and chemicals (7%).

3.1.1.2. Intra-Asia Trade

Intra-Asia trade value recorded a 47% increase between 1993 and 1995, going up from 3.4 billion US dollars to 5 billion US dollars, and its share in intra-OIC trade increased by 26%, going up from 11.57% in 1993 to 14.6% in 1995. The share of this trade in the overall trade of Asian countries went up from 2.94% in 1993 to 3.22% in 1995, i.e., a 9.5% increase.

This area includes two important regional groupings: ECO to which 9 member countries belong (including Turkey classified in the Middle-East area) and the ASEAN in Southeast Asia of which three OIC countries are members. The first group represents 16.7% and the second 48% of intra-Asia trade.

Table 6
Trade Exchange between the OIC Member Countries ASEAN Members in 1995

Origin Destination	Brunei	Indonesia	Malaysia	Total
Brunei	-	1.00	4.00	5.00
Indonesia	49.00	-	1110.00	1159.00
Malaysia	296.00	976.00	-	1272.00
Total	345.00	977.00	1114.00	2436.00

Table 7
Trade Exchange between the OIC Member Countries;
Bangkok Agreement Members in 1995

Origin Destination	Bangladesh	Maldives	Pakistan	Total
Bangladesh	-	-	26	26
Maldives		-		
Pakistan	153	1	-	154

Total	153	1	26	180

Table 8
Trade Exchanges between the OIC Member States and ECO Members in 1995

Origin Destination	Afgh.	Azerb.	Iran	Kazak.	Kyrgy.	Pakis.	Tadjik.	Turkm.	Turkey	Total
Afghanistan					62.00	14.00				76.00
Azerbaidjan			163.00	17.00	1.00		3.00	11.00		195.00
Iran		73.00			4.00	171.00	0.00	27.00		275.00
Kazakhstan		16.00			61.00	2.00				79.00
Kyrghystan										0.00
Pakistan	20.00	5.00	123.00	8.00			4.00	2.00		162.00
Tadjikistan					8.00	1.00				9.00
Turkey	0.5	161.40	268.43	91.00	38.16	90.87	6.08	56.29	0.00	938.00
Turkmenistan		45.00				1.00				46.00
Total	20.05	300.40	554.43	116	174.16	279.87	13.08	96.29	0	1780.00

- The main intra-Asian suppliers are: Malaysia accounting for $2 billion, i.e., 43% of intra-Asian exports, the second supplier is Indonesia with $1.3 billion, i.e., 27% of intra-Asian exports. Together these two countries account for 70% of exports. They are followed far behind by Iran accounting for $528m and Pakistan $470m. Together, these four countries account for 90% of regional supply.

- 70% of intra-Asian imports are carried out by three countries: Indonesia which imported $1.3 billion (mainly from Malaysia $976m), Malaysia with $1.2 billion (mainly from Indonesia $1 billion), and Pakistan with $1 billion (mainly from Malaysia $715m). It can therefore be noted that trade exchanges between these three countries are intensive.

- The structure of intra-Asian trade is characterised by the strong preponderance of primary products at the rate of 60%, particularly food products, which account for 36% (oleaginous products represent 1/4 of trade), and fuels 16.5%. Manufactured goods account for 40%, especially miscellaneous manufactured goods (19.6%), machinery and transport equipment (13%) and chemicals (7%).

It can be noted that there are some differences between the structure of trade in this area and the overall intra-OIC trade in so far as food products account for 36% of trade while fuels represent 16% only.

Table 9
Intra-Asian Trade Structure in 1995

Sections of SITC	0	1	2	3	4	5	6	7	8	9
	10.34	0.33	7.79	16.47	25.42	6.91	16.90	13.12	1.93	0.79

3.1.1.3. Intra-Middle East Trade

Intra-Middle East trade exchanges increased by 58% between 1993 and 1995, going up from 2 to 3 billion US dollars. The share of this area in total intra-OIC trade has also increased by 36% going up from 7% in 1993 to 9.5% in 1995. The share of sub-regional trade in the overall trade of this area went up from 7.6% in 1993 to 9.3% in 1995, i.e., a 22% progression. Besides, this is the most integrated area in the intra-OIC trade network.

- 55% of intra-Middle East exports is carried out by two countries: Turkey which exported 1.1 billion US dollars and Syria 683 million US dollars. They are followed by Jordan accounting for $418m and Iraq $411m.

- 44.5% of intra-Middle East imports are ensured by two countries: Jordan which imported from this area $734m (mainly from Iraq), and Lebanon with $717.4m (mainly from Syria). These two countries are followed by Syria with $462m and Egypt with $437m.

- The Middle East trade structure is almost identical to that of intra-OIC overall trade in so far as primary products account for 54% of trade--the first position being held by fuels and metals (35.65%) followed by agricultural products (18.5%), and manufactured goods (46%).

Turkey's exports, first supplier of the Middle East area, are predominated by manufactured goods at the rate of 67%, of which miscellaneous manufactured goods such as textiles and clothing and iron and steel products (47%), machinery and transport equipment (13%) and chemicals (7%). Primary products represent the remaining third, particularly food products and live animals (27%).

Turkey's imports structure, first regional customer, is characterised by the predominance of fuels (62%). Manufactured goods represent 21% and food products 14%.

Table 10
Trade Exchanges between the Middle East OIC Member Countries in 1995

Origin Destination	Alban.	Egypt	Iraq	Jordan	Leban.	Palest.	Syria	Turkey.	Yem.	Total
Albania										0.00
Egypt	1.00			42.00	43.00		71.00	192.00	19.00	368.00
Iraq				411.00						411.00
Jordan		13.00	272.00		35.00		56.00	28.00	14.00	418.00
Lebanon		24.00		39.00			62.00	10.00	1.00	136.00
Palestine										0.00
Syria		27.00		71.00	480.00			103.00	2.00	683.00
Turkey	56.94	246.11	123.00	169.82	159.41	0.06	272.16		81.99	1109.49
Yemen		127.00		1.00			1.00	4.00		133.00
Total	57.94	437.11	395.00	733.82	717.41		462.16		117.99	3258.49

3.1.1.4. Intra-AMU Trade

Intra-AMU trade recorded for the second consecutive year a noticeable increase by 36% in value, going up from $785.5m in 1993 to $1 billion in 1995. The share of this area in intra-OIC trade also increased by 16.5% going up from 2.66% to 3.1%. The share of this trade in the overall trade of the AMU countries also increased by 13.9%: it went up from 3.1% in 1993 to 3.53% in 1995.

The main actors of intra-AMU trade are:

- With regard to suppliers, Tunisia and Morocco totalled 59% of regional exports: Tunisia exported $406m, i.e., 38% of the market share, Morocco $230m, i.e., 21% of the market share, and Algeria with $220m, i.e., 20.5% of the market share. These three countries account for 80% of intra-AMU supply.

- As for customers, Libya and Tunisia accounted for 59% of regional imports: Libya imported $322m (mainly from Tunisia 60%) i.e., 20% of regional supply and Tunisia $309m (mainly from Libya 52%) i.e., 29% of regional demand. Trade between Tunisia and Libya accounted for 1/3 of intra-AMU trade in 1995.

Intra-AMU trade structure is also identical to that of intra-OIC overall trade in so far as it is predominated at the rate of 53% by primary products, while manufactured goods account for 47%. The leading position is held by fuels representing 41.4%, the second position by manufactured goods accounting for 34%, followed far behind by food products with 8.4%, chemicals (7%) and machinery and transport equipment (6%).

Table 11
Intra-AMU Trade in 1995
(in million US$)

Origin Destination	Algeria	Libya	Morocco	Mauritania	Tunisia	Total
Algeria		8.00	96.00	18.00	98.00	220.00
Libya	5.00		47.00	1.00	160.00	213.00
Morocco	51.00	121.00		7.00	51.00	230.00
Mauritania						0.00
Tunisia	185.00	193.00	27.00	1.00		406.00
Total	241.00	322.00	170.00	27.00	309.00	1069.00

Table 12
Intra-AMU Trade Structure

SECTIONS of SITC	0	1	2	3	4	5	6	7	8	9
Algeria	12.10	0.81	3.32	0.03	0.04	5.24	65.54	12.92		
Libya	13.92	0.09	2.74	0.01	0.00	11.24	60.09	11.90		
Morocco	3.71	0.00	1.67	56.36	0.65	8.55	26.85	2.20		
Tunisia	6.18	0.00	5.03	74.97	0.00	4.64	6.81	2.14	0.23	
Total	7.97	0.2	3.33	41.37	0.2	6.89	33.89	6.07	0.08	

<u>Legend:</u>

0 Food products and live animals chiefly for human food.
1 Beverages and tobacco.
2 Non-edible raw materials, fuels excluded.
3 Mineral fuels, lubricants and related products.
4 Oils, vegetable fats and waxes.

5 Chemicals and related products.
6 Manufactured goods, mainly classified according to a raw material.
7 Machinery and transport equipment.
8 Miscellaneous manufactured goods.
9 Articles and transactions not elsewhere classified in the SITC.

3.1.1.5. Intra-Sub-Saharan Africa Trade

After having doubled between 1992 and 1994, intra-sub-Saharan Africa trade recorded a drop between 1993 and 1995: its value decreased by 22% falling from $726m to $566m and its share in intra-OIC trade dropped by 1/3 going down from 2.5% to 1.6% in 1995. The share of regional trade in the overall trade of this area also recorded a drop of 27% falling from 3.8% in 1993 to 2.8 in 1995, i.e., a point less.

Sub-Saharan Africa included several regional groupings of which OIC countries are members (ECOWAS, UMEOA, UDEAC, ZEP, etc.)--the most important among them being ECOWAS and UMEOA. The first grouping accounts for 30% of intra-regional trade and the second for 10.6%.

- The main actors of intra-African trade are, in order of importance, Cameroon and Nigeria. These two countries represent 63.6% of exports and 44% of regional imports. The third partner is Senegal which represents 16% of exports and 6% of imports.

- The products structure of intra-African trade is characterised by a relative prevalence of primary products at the rate of 52%, of which agricultural products account for 31%, fuels and ores for 21%, and manufactured goods for 48% of trade.

3.1.2. Appraisal of the exchanges within the OIC

Yet, the importance of the crisis of integration groupings is differentiated according to the OIC's areas; the groupings located in Sub-Saharan Africa including the LDCs were the most affected (UDEAC, UEMAO, ECOWAS, PTA, MRU, etc.) and the noticeable economic progress which they achieved during the lucky 70s was almost wiped off. On the contrary, groupings located in Asia gathering most advanced countries, were less affected by this crisis, less indebted, and with no serious payment problems.

The various integration groupings have adopted new measures to revitalise the commercial integration process by strengthening regulation measures relating to the removal of tariff and non-tariff obstacles to trade, laying stress on financial and monetary support (creation of compensation chambers and development banks), and by improving the physical infrastructure (lines of communications, etc.).

Table 13

Trade Exchanges of the OIC Countries UMEOA Members in l995

Origin Destination	Benin	B. Faso	Gambia	Guinea	G. Bissau	Mali	Mauritania	Niger	Nigeria	Senegal	S. Leone	Total
Benin		3.00						2.00	4.00			9.00
Burkina Faso						2.00		1.00				3.00
Gambia				1.00						7.00		8.00
Guinea									1.00			1.00
G. Bissau												0.00
Mali		3.00						1.00	2.00			6.00
Mauritania	5.00											
Niger									5.00			5.00
Nigeria				20.00				4.00		21.00	8.00	53.00
Senegal	3.00	2.00	7.00	12.00		42.00	8.00	1.00	8.00		2.00	85.00
S. Leone												0.00
Total	8.00	8.00	7.00	33.00		44.00		9.00	20.00	28.00	10.00	170.00

Table 14
Trade Exchanges of the OIC Countries, UMEOA Members in 1995

Origin Destination	Algeria	Libya	Morocco	Mauritania	Tunisia	Total
Benin		3.00		2.00		5.00
Burkina Faso			2.00	1.00		3.00
Mali		3.00		1.00		4.00
Niger						0.00
Senegal	3.00	2.00	42.00	1.00		48.00
Total	3.00	8.00	44.00	5.00	0.00	60.00

3.2. Achievements at the Level of Common Policies

The picture is rather dark when we make an evaluation of the results achieved by the integration groupings if we consider the positive aspects of integration (integration of productions, harmonisation of policies, etc.). Previously we have singled out the inefficiencies of the institutional and conventional devices relating to this matter--the UDEAC and the ASEAN being the groupings which have relatively made some efforts in this field. However, most of the groupings, with a few exceptions (ASEAN, GCC), have not accomplished any concrete or quantifiable actions.

In 1987, the GCC Secretariat made the first steps in the area of industrial programming. It selected 20 projects with a view to submitting them to a feasibility study to be undertaken with the Gulf Investment Company, the financial mainspring of the GCC (with a capital of 2 billion dollars). The effective implementation of these projects is entrusted to the private sector. In this respect, it should be noted that all these incentives have attracted investors. As a matter of fact, a joint venture in petrochemicals was achieved by Saudi Arabia, Bahrain and Kuwait which set up a new company called the Gulf petrochemicals manufacturing company.

The ASEAN is by far the integration grouping within the OIC which is the most active in the field of industrial grouping. The means provided to the private sector are varied: agreement on industrial complementarity, agreement relating to joint industrial enterprises, and the ceiling fixed for foreign capital share was increased from 49% to 60%.

Thus two area factories, one based in Indonesia and the other in Malaysia, are adequately working and selling their products both in the local and foreign markets within the framework of an industrial complementarity mechanism. Also, seven projects concerning the car industry submitted by Mitsubishi, Volvo, and Mercedes Benz have been accepted by the ASEAN.

There are also several other concrete actions to the credit of the GCC and the ASEAN (and to some extent to that of the AMU), concerning the co-ordination of their foreign commercial policies. These groupings have initiated dialogues with their main trading partners: with the EU which is negotiating a free trade agreement with the GCC and which is keeping a permanent dialogue with the ASEAN and the AMU, but also with Australia, Canada, Japan, the United States, and South Korea.

The poor results achieved by the integration groupings lead us to investigate and single out the main obstacles to a progressive and harmonious development of these systems.

4. IMPEDIMENTS TO THE DEVELOPMENT OF REGIONAL INTEGRATION GROUPINGS

There is a striking contrast between the objectives laid down in the constitutive treaties of the integration groupings and their concrete achievement. This lack of vitality is due to several factors which are sometimes endogenous, resulting from certain parameters, from the characteristics of member states, or from the integration system itself, and sometimes exogenous, when they arise from the external environment.

4.1. Endogenous Obstacles

The specialists of regional integration have laid down specific conditions for the success of an integration system; among them, there are socio-economic and political variables, namely, the political will to build an integration zone, values compatibility, the absence of antagonism in development strategies and patterns (liberalism, capitalism), some degree of homogeneity in developmental levels, a potential complementarity between economic structures and the existence of pluralistic political systems which enable economic actors to express their claims.

A great number of these conditions are not met by DCs involved in integration experiences. This caused several disappointments and disorder reflected by an anarchic proliferation of integration systems.

4.1.1. The weak aspects of the adopted approach

The regional integration systems created within the OIC are almost all based on market integration: they focus their devices on the removal of obstacles hampering trade and on the setting up of a common customs protection (negative integration), while little or no importance is accorded to positive integration measures (common policies and industrial integration).

It should be pointed out that market integration alone is insufficient and ineffective between DCs whose productive structures are similar. It is needless to recall that most of those countries export raw materials and a few manufactured products and import manufactured products (consumer and capital goods) and food products.

These countries will gain more by adopting an industrial programming, which will become the locomotive and catalyst of their commercial integration.

Besides, the lack in integration mechanisms of a common policy with regard to foreign investments or at least of a certain harmonisation have also been factors which have undermined the efforts of industrial integration.

4.1.2. The heterogeneity of developmental levels

The incompatibility in development patterns and above all the big gap between industrialisation levels have often led to an uneven distribution of integration profits and losses. The Least Developed Countries do not derive any immediate profit but on the contrary they are affected by the adverse effects of trade liberalisation reflected by decreases in their customs receipts, by a deterioration in their balance of payments and by a loss in national income since they are compelled to get their supplies from more expensive regions than those 6 outside the zone, etc.

Trade liberalisation leads to a well-known phenomenon of gains polarisation for the benefit of more advanced partners (G. Myrdal defines this phenomenon as the backwash effect) which will be able to send their competitive manufactured goods and attract foreign investments.

Due to the absence of compensation or corrective measures, the LDCs can adopt only two strategies, either to withdraw from the grouping as Chad did when it withdrew from the UDEAC and the Honduras from the CACM[2], or

[2] Central American Common Market.

block the integration process through retaliatory measures such as the application of very severe non-tariff obstacles or by requiring very meticulous and restrictive origin criteria (as it is currently applied by Oman within the GCC).

Such obstacles may be partly overcome if member states adopt adequate mechanisms of distribution and redistribution of profits. However, experience has proved that such mechanisms are hampered by financing problems because even the most advanced countries of the area which were expected to finance them are themselves undergoing budgetary and financial difficulties, for example, the Ivory Coast and Senegal, advanced countries of the UEMOA, Gabon, Cameroon, Congo and Zaire, advanced countries of the CEEAC are experiencing a period of economic recession following the debt crisis and drop in their exports prices.

4.1.3. The weak aspects of the regulatory devices

The weakness of trade liberalisation instruments is the cause of the integration groupings' failure. As a matter of fact, the upholding of long national exclusion lists, the adoption of restrictive rules of origin requiring a local valorisation rate higher than 40%, the control of the capital of beneficiary enterprises by nationals, and the keeping of tariff obstacles (import licence, foreign exchange control) annihilate tariff and preferential concessions.

4.1.4. The weak aspects of financial and monetary measures

The absence or the inefficiency of the mechanisms of payments, financing and regional trade insurance is another impediment to trade liberalisation efforts. Thus, member states are still compelled to undertake expensive triangular operations.

4.1.5. The state of physical infrastructure

Last but not least, the mediocrity or absence of a physical communication infrastructure is often impeding intra-grouping trade expansion.

In addition to these bottlenecks, African integration groupings are also facing specific economic and social difficulties generated by natural disasters (drought, starvation, etc.) and social troubles and problems.

4.2. Exogenous Obstacles

In addition to the existing important endogenous problems, there are also exogenous constraints consisting of the international economic-financial environment unfavourable to the DCs in the 80s which has impeded regional integration efforts because most of these countries have carried out SAP (structural adjustment programmes) at short term with a view to restoring their macro-economic balance to become solvent vis-à-vis their money lenders. Over-indebtedness and SAPs have, on the one hand, caused a decrease in imports and limited access to their markets and given rise to some difficulties in supplying funds to financing Community organisations (clearing houses and funds, regional development bank, etc.), on the other. This resulted in an accumulation of arrears. On the whole, for the integration process, the most negative consequences of the debt problems and the SAP would be to give up all efforts towards the achievement of growth and development through integration which is a medium and longer term objective and instead give priority to short-term preoccupations and time limits.

Yet, it can be noted with satisfaction that the SAP's effect including the convergence of growth strategies (re-adjustment of foreign exchange rates, privatisation, price transparency, etc.), can stimulate and pave the way for the achievement of integration on a sound basis.

Another exogenous constraint lies in the behaviour of transnational firms and the governments of developed countries, which have not to-date provided any facilities to the DCs, which are seeking integration. The ASEAN excluded, transnational firms have not so far complied with industrial projects and programming of integration mechanisms. On the contrary we have noted the overlapping of the same factories in several areas of the third world (in Latin America and Africa) causing wastage or simply damaging the industrialisation strategy (for example, within the UEMOA and in the Maghreb)[3].

As we have just noted here above, member states have unanimously adopted the approach of development within the framework of integration groupings. As it can be seen from the table, each member state is involved in one or several groupings.

This multiple commitment has dissipated their efforts and may be one of the causes of the low development experienced by these groupings; yet, such experiences--despite their low impact--were worthwhile and are better than a solitary approach which would have led to failure and isolation only.

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[3] See Constantine Vaitsos, notably, "Crisis of economic cooperation (integration) in the third world," in *World Development*.

After having proceeded to the evaluation of these attempts, one should wonder about their teachings. Do these economic groupings have to be revitalised and relaunched to pave the way for the development of inter-Islamic co-operation? Is it necessary to go beyond the regional framework and get involved in multilateral co-operation? In this case, is the idea of an Islamic Common Market, the outcome of such an approach?

5. CONCLUSION: POLICY OPTIONS

The global goal of setting up a Common Islamic Market or other types of regional economic integration grouping among OIC member states (a free trade area or an economic union), may imply either the negotiation by the OIC member states of a treaty establishing the overall objectives, its institutions, economic mechanisms as well as a strategy including the different stages and time limits to establish this market (according to the global approach), or the combination of both sectorial and global approaches within the same process.

Whatever the adopted approach may be, it should take account of the co-operation instruments and mechanisms of the OIC, especially, the integration groupings which are already formed within the OIC sub-regions (AMU, GCC, ECO, ASEAN, etc.).

Yet, it should be pointed out that a preliminary effort of rationalisation, harmonisation and revitalisation should necessarily be exerted to abolish overlapping groupings and to revitalise and harmonise economic integration mechanisms (rules of origin, ECT compensation system), with a view to achieving the multilateralisation of the biggest common denominator.

Within this framework, a programme of action may be drawn up to:

- Encourage, in a first stage, the establishment of deeper relations within groupings;

- To widen, in a second stage, this co-operation so as to avoid tendencies confined within these groupings and favour their opening with a view to gradually increasing their complementarity and interdependence.

Whatever the adopted approach may be, some leading principles should be strictly respected to avoid disappointments already experienced in the field of sub-regional integration:

1. The Islamic Common Market should endeavour to simultaneously achieve commercial and industrial integration objectives, otherwise trade expansion will get out of breath after a few years only.

2. The Islamic Common Market should promote monetary and financial integration to be able to overcome trade financing problems and those of inconvertible currencies, etc.

3. The Islamic Common Market should provide for the setting up of mechanisms likely to ensure a fair and equitable distribution of integration profits and losses. In this respect, the LDCs should have a special status.

4. Economic integration strategies should necessarily be included in the development strategies of member states.