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GLOBALISATION, REGIONALISM AND THE OIC

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The OIC region--comprising 54 independent Muslim states--is a recognisable entity: it accounts for 24.4% of total global area, 1.3 billion of world population, and 44.5% of world oil production[2]. It is also a diverse and relatively prosperous region: 33 OIC countries belong to high- and middle-income groups, while the rest are low-income economies, some of which are very poor. As one would expect, the region exhibits a high degree of concentration of economic activity: more than half of its GDP, exports and imports come from just six countries. It is a rather 'weak' group on the world scale, accounting for only a small part of world GDP, exports and imports; and it is relatively unstable because of the large share of oil in the region's production and exports.

Measured by the share of intra-OIC trade in the region's total world trade, the region apparently does not seem to be very well prepared for economic integration: the intra-OIC trade has grown at a significantly lower rate than the OIC world trade, and the dependence on industrialised countries for exports and imports is heavy; even though such imbalances have been partially corrected over time. But it would be unwise to reject economic integration on this ground alone. It is argued in this paper that, notwithstanding the low level of existing intra-regional trade, an adequate response to the dual challenges of globalisation and regionalism is for the OIC countries to make a firm commitment to a regional effort by allowing freer movement of goods, services, capital and labour within the region in order to expand the size of the regional market, to create new ones where the requisite markets do not exist, and to ensure an adequate supply of public goods--e.g., industrial expansion, a rapid growth rate, a more equitable distribution of the gains from trade and investment within the region. In other words, the OIC countries should seek to do together what they cannot do alone. But this recommendation is not a prescription for economic isolationism. Quite the contrary; even as the OIC region opts for a greater degree of economic interaction, it should also not neglect whatever opportunities are offered by the WTO at the global level and by the three principal economic groupings--i.e., EEC, NAFTA and APEC--on the regional plane.

The analysis presented in this paper is divided into five sections. The first section briefly highlights the nature of the dual challenges of globalisation and regionalism;

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[2] The figures in the text are averages for the 1989-1995 period.

while the second section spells out the basic economic characteristics of the OIC region. The third and fourth sections offer suggestions to enhance the region's capacity to meet the new economic challenges more effectively. The final section summarises the preceding discussion.

1. THE CHALLENGES OF GLOBALISATION AND REGIONALISM

1.1. Globalisation

The most important effort so far to increase and multilateralise world trade has been the successful conclusion of the Uruguay Round (UR) negotiations in December, 1993 (begun in 1990), and the creation of the WTO in 1995, which is expected to save the world trading system from the vices of developed countries' (DC) aggressive unilateralism, bilateralism, and plurilateralism (Bhagwati, 1990). That these have been steps in the right direction should become clear by considering that, as compared with the pre-UR predicament, the net increase in the world real income in the post-UR world would be of the order of US$ 200 billion (which is about 0.9% of the world GDP). The new world trade system is rule-based in that the DCs and the DEs have made an irreversible commitment to accept all the elements of the UR Agreement without exception (GATT, 1994). In particular, the DCs have agreed to subject their discriminatory trading practices to an orderly dispute-settlement mechanism. The WTO is expected to prevent the gross misuse of subsidies, countervailing duties, and technical barriers; to tighten anti-dumping rules; to eliminate certain restrictive trade-related investment measures; to regulate the misuse of safeguard action; to strengthen and clarify the procedures for the settlement of trade disputes among the members; and to increase the transparency of national trading practices and policies. Also, unlike in the past, the UR agreement will promote a greater degree of non-discriminatory multilateralism by a gradual abolition of the notorious Multi-fibre Agreement (MFN), a more extensive application of the Most-favoured Nation's (MFN) clause of the GATT, a reduction of the discriminatory subsidies given to the EU farmers. The international trade in goods and services will become freer as the tariff and non-tariff barriers to world trade are lowered (and, in some cases, abolished).[3]

Yet, the post-UR trading order is not going to make life any easier for the developing countries (DEs), including those located in the OIC region (Naqvi, 1996). First, because of the pre-existing imbalances in their economic power, the distribution of the gains from trade between the developed and developing countries is going to be unequal--US$ 179 billion of the total will accrue to the

[3] For more details of the UR Agreement see Naqvi (1994); and SESRTCIC and ICDT (1994).

former. Second, the infant-industry protection, the main plank of the successful industrialisation of the DEs in the post-war world--though still available under Article 18-C of the GATT--will now be much more difficult to practice as tariff and non-tariff barriers are sharply reduced, and as various incentives and subsidies given to local investors are outlawed by the trade-related investment measures (TRIMS) Accord. The UR Agreement does not look kindly at the various clauses of the GATT--e.g., Article 18, Part IV, and the Enabling Clause--that have justified a special-and-differential (S&D) treatment of the DEs. Third, the corresponding benefits from the new trading dispensation to the DEs in the form of greater market access to the DC markets may not be very substantial because: (a) even as the obnoxious non-tariff protection of textiles (MFA) is lowered, the potential benefits of this exercise will not accrue fully to the DEs until the year 2005; (b) while agricultural subsidies to the EC farmer are greatly reduced, yet the new 'bound' agricultural tariffs will remain significantly higher than in [the] 1990 base year (Ingco, 1993); (c) the prices of food may rise to the detriment of the LDC consumers, many of whom reside in the poorest countries of the OIC region; (d) the incidence of anti-dumping laws of discriminatory use of the safeguard clause (Article XIX of GATT), and of countervailing duties may become more frequent in the post-UR world (Low and Yeats, 1994); (e) a somewhat arbitrary and discriminatory application of ambiguous labour and environment standards, etc., may hurt the DEs. Finally, the asymmetrical nature of the process of globalisation may go against the DEs. Thus, while the movement of capital has been fully liberalised (of interest to the DCs), the mobility of labour (of interest to the DEs) remains as restricted as ever (UNCTAD, 1997). Also, the Accord on Trade-related Property Rights (TRIPS) and the General Agreement on Trade in Services (GATS) are likely to be more beneficial to the DCs. The net result is that the size of the reverse flow of resources from the DEs to the DCs may increase instead of declining.

The DE response to the challenge of globalisation, especially of those located in the OIC is, therefore, to display greater ingenuity in increasing their share in world trade by producing traditional exports at a lower cost, and by producing more cheaply (using efficient labour-intensive methods of production) new goods which enter free of duty in the DC markets. Even more important, the DEs should learn to make a more intelligent and informed use of the WTO to fight DC neo-protectionism, which has assumed, chameleon-like, different forms and colours.

1. 2. Regionalism

An inconsistent trend in international trading relationship has been a very strongly rising sentiment for regionalism--inconsistent, because a “geographically discriminatory change in trade barriers” constitutes a departure from the non-discriminatory ideals of the GATT and the WTO, and can maximise world welfare only if it always leads to trade creation, something that cannot be guaranteed in advance. Whatever the reasons for this odd development, regionalism has spread like wild fire, especially in the late 1980s and early 1990s: and, perhaps as an *ex post facto* rationalisation, it has been recognised as beneficial to the expansion of world trade by the WTO itself[4]. The three biggest regional blocs--namely, EU (European Union), which has been recently extended by the inclusion of Austria, Finland and Sweden within its Single Market Programme; NAFTA (free trade area of Canada, Mexico and the United States created in January 1994); and APEC, which is an association of nations of (East) Asia, Australia, and North and South America--will dominate the world trading order in the 21st century. Comprising 33 countries, these trading blocs (essentially only two blocs, EU and APEC) accounted for 87 per cent of world exports and imports in 1994; and this percentage may grow bigger with the passage of time. This leaves the rest of the non-member countries--including the majority of the OIC members--competing for a paltry 13 per cent of world merchandise trade. The rapidly growing trade in services will be even more concentrated within the two giant trading blocs. In response, there have been many regional groupings in the DEs--e.g., LAFTA, SAARC, the ECO, etc.. Indeed, 92 developing countries are members of one regional group or another (Battaler, 1992)--but they are all economically weak and lack commitment. Only the ASEAN is an economically strong group, and has shown signs of coming to a stay.

2. ECONOMIC CHARACTERISTICS OF THE OIC REGION

The OIC countries, therefore, face a very difficult situation: notwithstanding the multilateralism of the WTO, they have been constrained within a relatively small economic space left by the EU and the APEC. These matters are taken up in the next two sections. Here we take a closer look at some of the key characteristics of the OIC region.

2.1. Economic Standing of the OIC

(i) Economically speaking, the OIC is not a strong entity: its GDP is only 4.7% of world GDP, its exports are 7.3% of world exports and its imports 6.8% of world imports. The region’s dependence on extra-OIC countries is getting

[4] WTO (1995) argues that “the regional and multilateral trading are complements rather than alternatives in the pursuit of open trade”.

heavier over time, and its intra-regional trade has increased at a significantly slower rate than its extra regional trade. This trend contrasts sharply with other strong regional groupings, among whom the intra-regional trade has grown more rapidly than their world trade. This is shown in Table 1.

Table 1
Comparative Statement of Trade Performance
(Averages for 1989-95)

	OIC		ASEAN		EU	
Growth Rates (%)	Exp	Imp	Exp	Imp	Exp	Imp
Intra-trade	10.88	11.42	20.48	18.25	7.18	7.35
Total trade	9.79	11.80	17.22	18.54	7.93	7.59
Share of intra-trade in total trade (%)	10.70	11.21	20.05	16.64	64.24	61.82
Share in world trade	7.28	6.78	5.05	5.37	40.92	40.50

Source: Appendices B, C and D.

(ii) The OIC region consists of 4 high-income, 6 high-middle income, 21 low-middle income, and 23 low-income countries (Table 2). An implication of this rather uneven state of OIC development is that economic activity within the region is highly concentrated: 50% of the trading activity takes place in only 6 countries in the region. Indeed, just three member countries (Malaysia, Saudi Arabia, Indonesia) claim 43.4% of total intra exports and 36.7% of total intra imports (Table 3).

Table 2
The Level of Development of OIC Countries (1995)

Countries	Level of development	Total Number
Brunei, Kuwait, Qatar, UAE	High income (Non-OECD)	4
Bahrain, Gabon, Libya, Malaysia, Oman, Saudi Arabia	High-middle income	6
Algeria, Azerbaijan, Cameroon, Djibouti, Indonesia, Iran, Iraq, Jordan, Kazakhstan, Kyrghyzistan, Lebanon, Maldives, Morocco, Palestine, Senegal, Surinam, Syria, Tajikistan, Tunisia, Turkmenistan, Turkey, Uzbekistan	Low-middle-income	21
Afghanistan, Albania, Bangladesh, Benin, Burkina Faso, Chad, Comoros, Egypt, Gambia, Guinea, Guinea-Bissau, Mali, Mauritania, Mozambique, Niger, Nigeria, Pakistan, Sierra Leone, Somalia, Sudan, Uganda, Yemen	Low-income countries	23

Note: Classification based on per capita GNP as given in World Bank, Global Economic Prospects and Developing Countries (1995), Washington, D.C.

Table 3
The Degree of Economic Concentration within OIC Region (1989-95)

Percentages

Countries and Level of development	GDP	Imports	Exports	Population	Area
Malaysia (HM) Saudi Arabia (HM) Indonesia (LM) Turkey (LM) UAE (H) Iran (LM)	53.70	63.54	58.74	30.60	21.17
OIC as % of world	4.70	7.28	6.78	21.00	24.40

Source: Computed from Appendix-A.
Note: H=High income; HM=High-middle-income; LM=Low-middle-income.

This would suggest that most trading activity occurs among the relatively most prosperous countries of the region. Yet, a comparison of Tables 2 and 3 shows that this statement is generally not true: the 3 high-income, 4 high-middle income and 18 low-middle income countries are not included in the 'high-activity' group. Indeed, the most prosperous countries of the region are practically 'outsiders' in terms of their trade with the region's members: the intra-regional exports of three high-income countries and 4 high-middle income countries is 13.6% of their total world exports; their intra-regional imports are 8.9% of their total world imports. And the richest member (Brunei) of this élite group has the lowest trade share in the region: 0.83% in imports and 0.75% in exports (See Appendix A). The reason for the rich members' lack of interest in the region is that almost all their exports consist of oil and oil products, of which the OECD countries are the biggest buyers; and their imports comprise mostly high luxury items, not found in the region.

(iii) What is more worrying for the OIC's future prospects is that--with the exception of Indonesia and Malaysia, which are located in a high-growth region, and of Pakistan, Bangladesh and Maldives which are situated in the moderate-growth region--the overwhelming majority of the OIC countries belongs to very slow-growth or static growth regions (Table 4). This means that the inspiration to grow faster must come from outside their regions.

Table 4
The Location of OIC Countries by Growth Regions

Growth Regions/Countries	Growth Rates (Baseline: 1995-2000) GDP	Per capita GDP	Export volume
A. High Growth Region (East Asia): Indonesia, Malaysia	7.7	6.6	9.5
B. Moderate Growth Region (South Asia): Bangladesh, Maldives, Pakistan	5.4	3.6	7.1
C. No Growth Region (Middle East and North Africa): Algeria, Bahrain, Egypt, Iran, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Syria, Saudi Arabia, Tunisia, UAE, West Bank & Gaza, Yemen	0.32	0.6	3.3
D. Slow Growth Region (Europe and Central Asia): Albania, Azerbaijan, Kazakhstan, Kyrghyzistan, Tajikistan, Turkmenistan, Turkey, Uzbekistan	3.4	2.9	5.5
E. Slow Growth Region (Sub-Saharan Africa): Benin, Burkina Faso, Brunei, Cameroon, Chad, Comoros, Djibouti, Gabon, Gambia, Guinea, Guinea-Bissau, Mali, Mauritania, Mozambique, Niger, Nigeria, Senegal, Sierra Leone, Somalia, Sudan, Uganda	3.8	0.9	4.0

Source: Regional forecasts given in World Bank, Global Economic Prospects and Developing Countries (1995), Washington D.C.

(iv) Another important characteristic is the preponderance of oil in the region's economy. The 4 high-income countries (Brunei, Qatar, UAE, Kuwait), the 5 high-middle-income countries (Bahrain, Gabon, Libya, Oman, Saudi Arabia), the 3 middle-income countries (Iran, Iraq, Algeria), and one low-income country (Nigeria) are exporters of oil. The oil produced in these countries is 44.5% of world oil production and 65.4% of world oil exports (Appendix E). But, oddly enough, oil does not figure prominently in intra-OIC trade--which fact explains, to a large extent, the low level of intra-regional trade. The region's excessive reliance on oil is not an unmixed blessing: while it ensures a steady flow of foreign exchange to the region, yet it also has made their export and production structures highly sensitive to the changes in the world price of oil.

However, a somewhat encouraging aspect is that, while the oil exporters' share in the region has generally declined, that of the non-oil exporters has steadily increased over time (Table 5). This is desirable because it indicates a gradual diversification of the OIC's production and export bases.

Table 5
Dominance of Oil Exports in OIC

	Oil-exporting OICs		Non-oil Exporting OICs	
Year	Exports	Imports	Exports	Imports
1989	4.58	3.17	2.36	2.93
1990	5.11	3.09	2.53	3.31
1991	4.58	3.27	2.68	3.33
1992	4.63	3.56	2.76	3.59
1993	4.44	3.40	3.06	4.17
1994	3.94	2.76	3.21	3.85
1995	3.81	2.76	3.30	4.24
Average	4.44	3.15	2.84	3.63

3. THE OIC RESPONSE TO GLOBALISATION AND REGIONALISM-I

The OIC countries must adjust to the new post-UR world trading order. To some extent this adjustment may be quite painful, but some of it will prove to be beneficial to the region. This matter will be discussed in the next section. Here we seek to answer the following question: would the new trade dispensation--comprising the WTO and the two giant trading groups, EU and APEC--mean greater export earnings for the OIC region? The following considerations are relevant in this context.

(i) Under the new trade dispensation, the oil exports of the region may increase if world trade and growth accelerate. Also, the petro-chemical exports of the region should benefit from the 36% tariff reduction and the removal of quotas on such imports. The non-oil producing exporters of the region may gain, but not to the same extent. Most of the non-oil exports--e.g., textiles, leather products, etc.,--are likely to face difficulties till the year 2005, when the MFA will be completely merged with the WTO. But other protectionist measures--i.e., anti-dumping restrictions, countervailing duties, the safeguard clause--are likely to become new instruments of DC protectionism; and, due to the gradual extension of the quotas on textiles, the exporters from the region (Egypt, Bangladesh, Pakistan, etc.,) may have to face a more stiff third-world (mostly East Asian) competition. The agricultural exports of the region will generally be helped as subsidies to the EC farmers are gradually phased out; but agricultural prices will generally rise for the consumers of the 25 OIC members located in the poorest Sub-Saharan Africa.

(ii) Table 6 shows that, while EEC has apparently tended to be outward-looking (i.e., trade-creating), ASEAN, at least at the present stage, has been inward-looking (i.e., trade-diverting). (The corresponding data for APEC are not available).

Table 6
Trade Creation and Trade Diversion in EEC and ASEAN Regions
(1989-1995 Averages)

	EEC		ASEAN	
	Exports	Imports	Exports	Imports
Averages of % changes				
ASEAN Region				
Intra-ASEAN			20.48	18.25
Total ASEAN			17.22	18.54
Total World			**9.16**	**9.10**
EEC Region				
Intra-EEC	7.18	7.35		
Total EEC	7.93	7.59		
Total World	**9.16**	**9.10**		

Source: Appendices C and D.

While APEC has promised to be outward-looking, it is too early to make an assessment on this count. However, the problem is likely to arise from the recent expansion of NAFTA to FTAA (Free Trade Area of the Americas), and from the inclusion of Mexico into this grouping. It has been estimated that FTAA might redirect 2.8% of the exports of the affected third countries to the US by the year 2000; East Asia would suffer a diversion of 2.6% of projected exports (mainly of textiles and apparel, leather products and sporting goods); and South Asia would lose 2.8% of its exports (mainly of food products, textile clothing). Also, while the EU has led to net trade creation so far, problems are likely to arise from the extension of the EU to the EU's Single Market. Austria, Finland and Sweden have already joined the EU; and, as a result, the level of EU protection has increased because the three acceding countries now levy tariffs where they applied zero tariff rates as non-members. The incidence of non-tariff barriers--especially anti-dumping duties--on DEs exports is also likely to increase. For instance, Sweden, which had abolished MFA quotas on August 11, 1991 had to re-enforce them after joining the EU. However, there is an aspect of EU extension which may be beneficial to the OIC members: the EU Mediterranean policy aims to establish a free trade area with Egypt, Morocco and Tunisia and a customs union with Turkey.

4. OIC RESPONSE TO GLOBALISATION AND REGIONALISM-II

We are now in a position to state more clearly the nature of the OIC response to the emerging international trading order. Essentially, the region's strategy should be to move in three directions *at once*: (i) learn to live with the WTO; (ii) participate more fully in major trading blocs, namely the EU and the APEC; and (iii) expand the intra-OIC economic space by making greater investment, by creating (even diverting) trade, and by growing faster in a fiscally disciplined and equitable manner. This kind of response is in line with the spirit of the time, so to speak: that is, to multilateralise world trade on a non-discriminatory basis; and, at the same time, to build geographically discriminatory trading arrangements on the pretext of helping the cause of a freer world trading system than would be the case otherwise.

4.1. OIC Participation in WTO and Regional Blocs

The OIC countries should use more fully the mechanism of the WTO to explore areas where greater export expansion to the world market is possible. Also, legal battles will have to be fought within the framework of the WTO dispute settlement mechanism to meet the threats of anti-dumping actions, countervailing duties, and the arbitrary use of the safeguard clause, etc., by the DCs[5]. However, the real challenge is for the region to work through and around the major trading blocs (EU, NAFTA, APEC), which together account for 87% of the world trade (in 1994). Working through these trading blocs would require participating in as many trading blocs as is feasible. One way is to make use of the links that already exist with one or the other of these trading blocs. For instance, Turkey, Egypt, Morocco already have important relationships with the EU, and Indonesia and Malaysia are linked with ASEAN and APEC. These countries could then apply the MFN clause in dealing with their OIC members. These routes would also facilitate the flow of the FDI and the transfer of technology to those OIC members who are not part of these groupings (Pakistan, Bangladesh, the countries of Sub-Saharan Africa and those in the Middle East).

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[5] More than 100 disputes have been successfully settled so far by the WTO dispute settlement mechanism; and its verdicts have been faithfully respected. But is this an insurance against arbitrary DC actions, which may eventually hurt the DE interests? A recent episode--in which the US has threatened to override the WTO's ruling, on the EU's complaint about the discriminatory Helms-Burton anti-Cuba Law--which shows that the WTO's rulings can be ignored if they go against DC's own perception of their vital national interests!

As part of a comprehensive survival strategy in the modern trading system, domestic structural adjustments should be carried out in order to cure the cost-price disequilibria that plague many individual members of the OIC (especially, the oil producers) vis-à-vis the rest of the world. To this end, the domestic inflation rates should be brought down, and competitive efficiency in agriculture, industry and the services sectors be achieved by scaling down the domestic tariffs. Making a departure from the industrialisation strategies of the 60s and the 70s, domestic industries with greater export orientation should be developed. At the same time, steps should be taken by the OIC members to invest much more in research and development to promote innovations in agriculture and industrial production. Doing so has also become necessary to take advantage of the TRIPS Accord--not by avoiding it but making use of it. Before the Accord becomes fully operational in the year 2015, the OIC members should create enough potential patentable innovations of their own--especially in agriculture, oil production and labour-intensive technologies.

4.2. Strengthening of OIC Linkages

However, participating fully in the post-UR trading system--namely, unilaterally lowering the tariff and non-tariff barriers and aligning with one or more regional groups (APEC and EC)--does not exhaust all beneficial opportunities of a high rate of (export-led) growth, especially those emanating from the trade-and-investment nexus. There is, therefore, an urgent need for the OIC countries to sort out as a group the tendencies of the new world trading order, from a position of strength.

To this end:

(a) The OIC members will have to strengthen considerably the backward and forward linkages in production and investment to reap the economies of scale, to increase the size of the domestic and regional markets, and to create new markets where none existed before. There is great room for expansion here. First, the existing ECO arrangement should be strengthened. At present, the ECO intra-trade is no more than 4% of its total world trade; but it can be increased. As the preceding discussion shows, the trade within the OIC is highly concentrated in about 6 countries (Saudi Arabia, Malaysia, Indonesia, UAE, Iran, Turkey), while the rich countries of the region (especially, Brunei, Gabon, Libya, Kuwait, Qatar) hardly take any part in promoting intra-OIC trade, production, and investment relationships: they export goods and capital mainly to OECD countries and import from them mostly wasteful luxuries. This trend must be reversed. There should be a freer and much bigger flow of goods, capital and labour within the region. As a short-term target, the OIC countries belonging to the high-income and high-middle income, and low-middle income groups should bring their intra-OIC trade to the level already achieved by Saudi Arabia, Malaysia, Indonesia, Turkey, UAE and Iran.

(b) Many public-good type projects should be undertaken within the region, financed by the richer OIC countries, to strengthen the weak infrastructure linkages by the construction of roads, railways and other means of communications[6]. This will widen the regional market for goods, capital and labour. It will also permit the type of co-ordinated development strategies pursued in East Asia--capital and labour moving in opposing directions to equalise the wage rate and the rental on capital; and facilitating the location (and relocation) of industries to take advantage of the availability of cheaper capital, labour and technology within the region.

(c) Perhaps the most important plank of a regional strategy is to accelerate the rate of economic growth in the OIC countries. Regional economic integration is an essential element of such a strategy. As noted in Table 5, with the exception of Malaysia and Indonesia, and to some extent Pakistan and Bangladesh, the OIC countries are located in slow-growth or no-growth regions. In particular, the Middle East and North African region (referred to as MENA) is the slowest-growing region among the developing countries: its GDP grew at only 0.2 per cent per annum during 1980-90 implying a negative per capita income growth of 2.8 per cent per annum, and the future prospects are not any brighter either. Obviously, gaining access to the EU markets cannot reverse this disastrous growth performance. Apart from taking a series of domestic policy measures, it will be to these countries' advantage to free themselves from their respective stultifying growth locations by entering more fully in the OIC markets. The individual OIC members, and the OIC region as a whole, can then engage in a virtuous circle of greater economic integration, which would promote a faster rate of economic growth via the extension of the regional market, the fragmentation of the production process in the region and product specialisation according to each country's (dynamic) comparative advantage. Malaysia has shown that it is possible to pursue fiscally prudent growth-oriented policies, putting to good use the WTO regime, and exploiting the regional linkages in APEC, EC, and ASEAN regions--all at the same time.

(d) To ensure a fairer distribution of the fruits of economic progress, an elaborate regional programme should be devised to help the OIC members

[6] Johnson (1965) points out that the superiority of an integration program in a developing country can be established only by including a public good in a country's social welfare function. For more details see Naqvi (1990); and Krauss (1972).

located in Sub-Saharan Africa--where economic regress, famines and tribal wars threaten to undermine the social, political, and economic fabric; and which has been bypassed by the recent surge of the Foreign Direct Investment (FDI). The international donors have been trying to assist; but a greater responsibility rests on the rich members of the OIC to give--in the form of grants, equity capital, low-interest loans. Doing so will also increase the size of the regional market by enlarging the per capita incomes of these countries and by creating a greater demand for regional exports; but it is also an ethical imperative.

(e) The excessive reliance on the production and export of oil should be gradually replaced by a balanced production and export structures in which agriculture, manufacturing and services sectors find a much more prominent place. In particular, the share of the manufacturing sector in the GDP must steadily rise to about 25-30% of the GDP in one-to-two decades. At the same time, new high value added goods should be produced for which there is a strong world demand--i.e., computer software etc.,--which can enter the OECD market more easily.

5. CONCLUDING REMARKS

The OIC region is well-endowed with natural, capital and labour resources: Of its 54 members, 4 belong to the élite high-income group, 6 are part of the high-middle income group, and 21 belong to the low-middle income group, and yet the economic interaction in the region is indifferent, to say the least. What explains this paradox is the generally low level of non-oil production and exports, fiscal irresponsibility, the failure of the member countries to explore even obvious possibilities of regional economic co-operation. Above all there is an unhealthy dependence on extra-regional sources (especially those in the West) to satisfy the domestic demand for the imported luxury goods--unhealthy, because the demand for luxury goods does not provide a strong enough incentive to growth, and it also worsens the balance of trade. Sadly enough, a myopic preoccupation of the richest members of the OIC with the pleasures of today has tended to crowd out the thought of tomorrow's well-being. This must end.

A firm commitment should be made by the OIC members to enter into some suitable form of economic integration--by eliminating the intra-tariff and non-tariff barriers on the free movement of goods, capital, labour and services and by undertaking joint projects at the regional level--as a means to a faster rate of economic progress. The region's excessive reliance on oil production and export must be tempered by a strong growth of the manufacturing sector, so that non-oil exports also rise (This trend is already in evidence in the region; it needs to be reinforced). Also, the inflation rate should be kept below a one-digit level, the budget deficit reduced to the 2-3% of GDP, and an export-expansion strategy pursued. There should be a greater flow of capital and labour to those locations in the region where their marginal productivity is the highest. And, above all, the economic base of Sub-Saharan Africa should be strengthened on an urgent basis by the collective support of the OIC members.

The new world trading order is competitive and science-based. New information technologies have woven individual countries into highly interactive economic groupings which are more productive and efficient than their individual members could have been alone. The ASEAN region's has been a creative response to the challenges of globalisation of world trade under the WTO and the strongly rising sentiments of regionalism among the DCs. The OIC countries must do the same--not by practising economic isolationism, because that would be suicidal--but by participating fully in the world trading system through unilateral tariff restriction; and by dealing effectively with the regional groups (like the EEC and the APEC) as a group. It is only through such a systematic, all-embracing effort that we can meet the grave economic social and political challenges--external and internal--of modern times. The good part is that doing so will simultaneously raise the region's welfare as well as the world's welfare.

Appendix A: Individual Member's Per cent Share in OIC, 1989-95 (AVG.)

		Exports		Imports	Population* (1995) (Millions)	GDP (US$)* (1995) (Billions)
1	15.99	S. Arabia	16.24	Malaysia	20.1	85.5
2	15.62	Malaysia	10.30	S. Arabia	19.0	133.8
3	11.81	Indonesia	10.16	Indonesia	193.3	198.1
4	7.94	UAE	9.30	Turkey	61.1	165.2
5	6.56	Iran	6.41	Iran	64.1	79.0
6	5.62	Turkey	6.33	UAE	2.5	43.5
7	3.85	Algeria	3.96	Egypt	57.8	46.4
8	3.84	Nigeria	3.57	Algeria	3.3	41.4
9	3.62	Libya	3.38	Pakistan	129.9	60.5
10	2.84	Kuwait	2.80	Morocco	26.6	31.6
11	2.53	Bahrain	2.38	Tunisia	9.0	17.6
12	2.39	Pakistan	2.28	Kuwait	1.7	29.6
13	1.79	Oman	2.20	Nigeria	111.3	26.8
14	1.54	Iraq	1.96	Libya	5.4	88.0
15	1.53	Morocco	1.60	Bangladesh	119.8	29.1
16	1.49	Tunisia	1.55	Bahrain	0.6	4.7
17	1.33	Egypt	1.52	Lebanon	4.0	11.1
18	1.26	Syria	1.38	Syria	14.1	15.8
19	1.17	Qatar	1.33	Oman	2.2	10.6
20	0.83	Brunei	1.30	Iraq	20.1	45.0
21	0.82	Gabon	1.15	Jordan	4.2	6.6
22	0.75	Bangladesh	0.81	Kazakhstan	16.6	17.6
23	0.66	Cameroon	0.75	Brunei	0.3	1.0
24	0.60	Kazakhstan	0.72	Yemen Republic	15.3	4.8
25	0.41	Jordan	0.65	Qatar	0.7	8.1
26	0.37	Uzbekistan	0.51	Sudan	26.7	3.9
27	0.32	Azerbaijan	0.48	Cameroon	13.3	9.2
28	0.27	Yemen Republic	0.46	Senegal	4.2	4.9
29	0.24	Senegal	0.44	Uzbekistan	22.8	21.4
30	0.24	Guinea	0.37	Gabon	1.1	4.8
31	0.21	Lebanon	0.37	Mozambique	16.2	15.0
32	0.21	Turkmenistan	0.29	Mali	9.8	2.5
33	0.18	Mauritania	0.27	Guinea	6.6	3.7
34	0.17	Sudan	0.26	Azerbaijan	7.5	3.6

Appendix A: Individual Member's Per cent Share in OIC, 1989-95 (AVG.) (continued)

		Exports		Imports	Population* (1995) (Millions)	GDP (US$)* (1995) (Billions)
35	0.17	Surinam	0.26	Burkina Faso	10.4	2.4
36	0.10	Mozambique	0.22	Surinam	0.4	0.9
37	0.09	Uganda	0.20	Mauritania	2.3	1.1
38	0.08	Afghanistan	0.20	Uganda	19.2	4.7
39	0.08	Mali	0.17	Niger	9.0	2.0
40	0.08	Niger	0.17	Turkmenistan	4.5	4.1
41	0.07	Burkina Faso	0.16	Afghanistan	23.5	4.3
42	0.07	Tajikistan	0.14	Benin	5.5	2.1
43	0.06	Sierra Leone	0.12	Djibouti	0.6	1.3
44	0.05	Gambia	0.11	Somalia	9.5	1.0
45	0.05	Somalia	0.09	Gambia	1.1	0.4
46	0.04	Benin	0.07	Sierra Leone	8.5	0.8
47	0.03	Chad	0.07	Maldives	0.3	0.3
48	0.03	Djibouti	0.06	Tajikistan	5.8	2.2
49	0.02	Maldives	0.06	Chad	6.2	0.9
50	0.02	Kyrghyzistan	0.05	Guinea-Bissau	1.1	0.3
51	0.01	Guinea-Bissau	0.04	Comoros	0.5	0.2
52	0.01	Comoros	0.01	Kyrghyzistan	4.5	3.1
53	0.00	Palestine	0.00	Albania	3.3	2.2
54	0.00	Albania	0.00	Palestine		
				Total	1127.4	1304.6

* The entries in the third and fourth columns are for countries given in the second column.

Appendix B: Trade Status of OIC Countries

US $ Millions

	Exports						
OIC Countries	1989	1990	1991	1992	1993	1994	1995
Intra-OIC	24511	28505	26095	29366	30240	31157	34481
Total OIC	205737	258352	252887	277195	278668	299808	352472
Oil exporting OICs	135773	172875	159620	173711	165004	165119	188993
Other OICs	69964	85477	93267	103484	113664	134689	163479
World	2963700	3383700	3484900	3752300	3719100	4196000	4959200
% change over prev. year							
Intra-OIC		16.29	-8.45	12.53	2.98	3.03	10.67
Total OIC		25.57	-2.12	9.61	0.53	7.59	17.57
Oil exporting OICs		27.33	-7.67	8.83	-5.01	0.07	14.46
Other OICs		22.17	9.11	10.95	9.84	18.50	21.38
World		14.17	2.99	7.67	-0.88	12.82	18.19
% change over prev. year (averages)							
Intra-OIC							6.18
Total OIC							9.79
Oil exporting OICs							6.33
Other OICs							15.33
World							9.16
Share in world trade							
Total OIC	6.94	7.64	7.26	7.39	7.49	7.15	7.11
Oil exporting OICs	4.58	5.11	4.58	4.63	4.44	3.94	3.81
Other OICs	2.36	2.53	2.68	2.76	3.06	3.21	3.30
Share in world trade (Averages)							
Total OIC							7.28
Oil exporting OICs							4.44
Other OICs							2.84
Share in OIC trade							
Oil exporting OICs	65.99	66.91	63.12	62.67	59.21	55.07	53.62
Other OICs	34.01	33.09	36.88	37.33	40.79	44.93	46.38
Share in OIC trade (averages)							
Oil exporting OICs							60.94
Other OICs							39.06
Share in OIC trade							
Intra-OIC	11.91	11.03	10.32	10.59	10.85	10.39	9.78
(average)							10.70

Appendix B: Trade Status of OIC Countries
(continued)

US $ Millions

	Exports						
OIC Countries	1989	1990	1991	1992	1993	1994	1995
Intra-OIC	23537	26523	25107	29573	31207	32518	37255
Total OIC	187340	223886	237689	276408	284895	283963	358104
Oil exporting OICs	97328	108140	117794	137760	127828	118636	141253
Other OICs	90012	115746	119895	138648	157067	165327	216851
World	3074700	3495300	3598800	3865300	3762500	4293100	5113800
% change over prev. year							
Intra-OIC		12.69	-5.34	17.79	5.53	4.20	14.57
Total OIC		19.51	6.17	16.29	3.07	-0.33	26.11
Oil exporting OICs		11.11	8.93	16.95	-7.21	-7.19	19.06
Other OICs		28.59	3.58	15.64	13.28	5.26	31.16
World		13.68	2.96	7.41	-2.66	14.10	19.12
% change over prev. year (averages)							
Intra-OIC							8.24
Total OIC							11.80
Oil exporting OICs							6.94
Other OICs							16.25
World							9.10
Share in world trade							
Total OIC	6.09	6.41	6.60	7.15	7.57	6.61	7.00
Oil exporting OICs	3.17	3.09	3.27	3.56	3.40	2.76	2.76
Other OICs	2.93	3.31	3.33	3.59	4.17	3.85	4.24
Share in world trade (Averages)							
Total OIC							6.78
Oil exporting OICs							3.15
Other OICs							3.63
Share in OIC trade							
Oil exporting OICs	51.95	48.30	49.56	49.84	44.87	41.78	39.44
Other OICs	48.05	51.70	50.44	50.16	55.13	58.22	60.56
Share in OIC trade (averages)							
Oil exporting OICs							46.53
Other OICs							53.47
Share in OIC trade							
Intra-OIC	12.56	11.85	10.56	10.70	10.95	11.45	10.40
(average)							11.21

Appendix C: Trade Status of EEC

US $ Millions

	Exports						
	1989	1990	1991	1992	1993	1994	1995
Intra-EU	809800	985100	996200	1052300	890700	989200	1177000
European Union	1242400	1492200	1490300	1575300	1443700	1606900	1911400
World	2963700	3383700	3484900	3752300	3719100	4196000	4959200
% change over prev. year							
Intra-EU		21.65	1.13	5.63	-15.36	11.06	18.99
European Union		20.11	-0.13	5.70	-8.35	11.30	18.95
World		14.17	2.99	7.67	-0.88	12.82	18.19
% change over prev. year (average)							
Intra-EU							7.18
European Union							7.93
World							9.16
% share in world							
European Union	41.92	44.10	42.76	41.98	38.82	38.30	38.54
% share in world (average)							
European Union							40.92
% share in EU	65.18	66.02	66.85	66.80	61.70	61.56	61.58
Intra-EU							
% share in EU (average)							
Intra-EU							64.24

Appendix C: Trade Status of EEC
(continued)

US $ Millions

	Exports						
	1989	1990	1991	1992	1993	1994	1995
Intra-EU	799700	976500	992700	1047900	835700	951400	1153000
European Union	1278700	1543000	1580200	1642900	1395200	1591100	1901500
World	3074700	3495300	3598800	3865300	3762500	4293100	5113800
% change over prev. year							
Intra-EU		22.11	1.66	5.56	-20.25	13.84	21.19
European Union		20.67	2.41	3.97	-15.08	14.04	19.51
World		13.68	2.96	7.41	-2.66	14.10	19.12
% change over prev. year (average)							
Intra-EU							7.35
European Union							7.59
World							9.10
% share in world							
European Union	41.59	44.14	43.91	42.50	37.08	37.06	37.18
% share in world (average)							
European Union							40.50
% share in EU	62.54	63.29	62.82	63.78	59.90	59.80	60.64
Intra-EU							
% share in EU (average)							
Intra-EU							61.82

Appendix D: Trade Status of ASEAN Countries

US $ Millions

	Exports						
OIC Countries	1989	1990	1991	1992	1993	1994	1995
Intra-ASEAN	21782	26519	31948	35187	42186	55274	66107
Total ASEAN	119688	139120	160461	180462	206471	252815	309538
Total World	2963700	3383700	3484900	3752300	3719100	4196000	4959200
% change over prev. year							
Intra-ASEAN		21.75	20.47	10.14	19.89	31.02	19.60
Total ASEAN		16.24	15.34	12.46	14.41	22.45	22.44
Total World		14.17	2.99	7.67	-0.88	12.82	18.19
% change over prev. year (averages)							
Intra-ASEAN							20.48
Total ASEAN							17.22
Total World							9.16
Share in world trade							
Total ASEAN	4.04	4.11	4.60	4.81	5.55	6.03	6.24
(average)							5.05
Share in ASEAN							
Intra-ASEAN	18.20	19.06	19.91	19.50	20.43	21.86	21.36
(average)							20.05

Appendix D: Trade Status of ASEAN Countries
(continued)

US $ Millions

	Imports						
OIC Countries	1989	1990	1991	1992	1993	1994	1995
Intra-ASEAN	19727	24494	30301	33913	40260	46732	53715
Total ASEAN	125294	158533	179830	194639	223045	269539	343890
Total World	3074700	3495300	3598800	3865300	3762500	4293100	5113800
% change over prev. year							
Intra-ASEAN		24.16	23.71	11.92	18.72	16.08	14.94
Total ASEAN		26.53	13.43	8.23	14.59	20.85	27.58
Total World		13.68	2.96	7.41	-2.66	14.10	19.12
% change over prev. year (averages)							
Intra-ASEAN							18.25
Total ASEAN							18.54
Total World							9.10
Share in world trade							
Total ASEAN	4.07	4.54	5.00	5.04	5.93	6.28	6.72
(average)							5.37
Share in ASEAN							
Intra-ASEAN	15.74	15.45	16.85	17.42	18.05	17.34	15.62
(average)							16.64

Source: Direction of Trade (IMF), Washington.

Appendix E: The OICs Share in the World Production and Exports of Oil

	Crude Petroleum Production 000 (mt)		Crude Petroleum Exports (thousand $)		
	1993	1994	1993	1994	1995
World	2985362	3031832	152718224	169710470	185801064
Albania	620			807	
Algeria	35086	35330	4448707	3924450	4345624
Azerbaijan	10295	9563			
Bahrain	2029	2011	2439100	2054660	2454545
Bangladesh	30	18			
Benin	302	310			
Brunei	7869	8050	1065261	1052008	936551
Cameroon	6210	5477	813392	438113	303380
Egypt	46266	44608	1314628	792954	719185
Gabon	15068	15823	2326009	2048177	2051663
Indonesia	74158	74261	4778357	5071565	5145704
Iran	170920	179444	10525958	13932655	16106492
Iraq	32298	36666	293416	386133	438397
Jordan	3	2			
Kazakhstan	19289	19280	230105	54694	202171
Kuwait	94530	100917	9986000	11197000	12216000
Kyrghyzistan	88	88			
Libya	65487	66854	8597679	8384631	9200817
Malaysia	31586	31114	3166122	2540772	2684578
Morocco	10	8			
Nigeria	95260	91045	9003647	10301786	11130935
Oman	38571	40150	4147979	4107703	4606883
Pakistan	2937	2774	56195	36428	44290
Qatar	18786	18174	2116521	2010671	2771065
Saudi Arabia	401132	401197	32017784	31294993	30104988
Surinam	271	272			
Syrian	26767	29000	2285707	2246657	2637771
Tajikistan	39	32			
Tunisia	4650	4378	368138	352195	377811
Turkey	3892	3696			
Turkmenistan	4900	4100	88101	6220	11913
UAE	99058	104050	0	11633343	12425511
Uzbekistan	2404	3500			
Yemen	11460	16005	86994	809291	1502817
TOTAL	1322271	1348197	100155800	114677906	122419091
% Of World Total	44.3	44.5	65.6	67.6	65.9

Source : Energy Statistics Yearbook, 1994 UN. International Trade Statistics Yearbook, 1995 UN.

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