

AN OVERVIEW OF ECONOMIC INTEGRATION OF MUSLIM WORLD – PROBLEMS AND PROSPECTS

Syed Ejaz Ahsan*

ABSTRACT

The concept of economic integration is nothing new. At the same time, impact of the successful implementation of economic bloc is a proven fact. EU countries achieved significant economic and political power through forming Economic Union which is considered as the most successful one in the world. Based on that concept, prospect of forming an economic bloc by Muslim countries are indeed very bright. Muslim countries have large reserve of vital resources ranging from human resources to mineral resources- like oil gas and agricultural commodities. But forming an economic bloc is complicated and complex process. The study investigates complexities towards establishing an economic bloc. Perhaps the obstacles are Political turmoil in Muslim countries, Commitment of brotherhood and strong initiative vested interest of Western power on oil resources. Overcoming obstacles and forming an economic bloc like EU will allow the Muslim world to achieve tremendous economic progress and expected that there would be no existence of poor Muslim countries through the process. Now out of 57 least developed countries, 22 of them are Muslim countries. The study is based on secondary data sources. Especially the data base of Government publications CIA fact book on Muslim countries and study reports based on economic issues of Muslim countries have been utilized.

Keywords: Economic Integration, Muslim World. Problems, Prospects and Economic Bloc.

1. INTRODUCTION

After the fall of Soviet era, globalization gets momentum especially through the emergence of WTO from the remnants of GATT. Most of the countries, inspired by the success of EU, are eventually interested to form economic integration especially on the regional basis. As a part of that a number of trade blocs stated are being emerged in the

* Assistant Professor, Department of Business Administration, Royal University of Dhaka, Bangladesh.

world. Among them are ASEAN, GCC, NAFTA, African UNITY and in the early eighties the formation of SAARC and very recently the D-8 and BIMSTEC are notably the initiatives of regional economic integration. But surprisingly, none of the economic blocs yields any significant or meaningful outcome like EU. Among others, only the ASEAN bloc to some extent achieved progress in trade cooperation among the member countries, still that does not exceed more than twenty percent of their total trade. Successful economic integration can change the economic status of member countries. Best example is EU although there is sharp disagreement on different issues among the member states they have succeeded in forming an economic bloc by passing those issues. The Muslim world has a bright prospect in developing economic bloc than any other bloc throughout the world. But political commitment of leadership, overdependence on western world, obstructions created by super powers to use the resources of Muslim world especially oil and gas, has created substantial obstruction for Muslim world to form an economic bloc like EU. A meaningful economic bloc will allow the Muslim world to achieve tremendous economic progress and there will be no existence of poor Muslim countries. According to the statistics out of 57 least developed countries 22 of them are Muslim countries. Large number of Muslim population especially in Asia and Africa is starving due to poverty, malnutrition; but on the other hand, major share of economically vital resources is in possession of Muslim world. Some Muslim countries in the gulf region are facing shortage of manpower but other South Asian and African Muslim countries are facing severe unemployment problem. Statistics show that there is a wide scope of mutually beneficial economic cooperation among the countries of the Muslim world. Muslim world is spread to a large area from Mauritania in the west of Africa to Indonesia in the Far East Asia. The study investigates the problems and prospects towards forming of an economic bloc of Muslim nations.

1.1. Objective of the Research

Main objective of the study is to focus on the issue of formation of a potential economic bloc which will enable the Muslim countries to achieve greater economic excellence.

Specific objectives:

- (i) To identify the gray areas creating obstruction in building economic cooperation.
- (ii) To develop baseline for moving towards a more unified and economically integrated Muslim world.

1.2. Literature Review

Number of studies were conducted on the different issues related to economic integration of Muslim world one of them is “Imperative of economic integration among Muslim countries: Lessons from European globalization” Raimi (2008) *Humanomics*, Vol. 24 Iss: 2, pp.130 – 144 stated the advantages of initiating economic integration among

Muslim countries across the globe, drawing special lessons from Europe's experience; its successful economic integration and challenges which trailed the process.

Another paper "Economic Performance of the OIC Countries and the prospect of an Islamic Common Market" MK Hassan - 2010 Journal of Economic Cooperation and Development Volume 31 Issue 2 Pages65-121 pointed out There is scope of trade creation for OIC member countries if all impediments to trade and business can be eliminated. The paper also examines various sub-regional grouping within the context of gravity model, and finds that D8 comprising eight bigger OIC member countries are creating trade.

2. METHODOLOGY

Study is based on secondary data base. CIA fact book on Muslim countries, Government statistics and country web pages of Muslim states and study reports are the main sources of data. Data from these sources regarding the economic status, availability of natural and human resources, prospective areas of potential cooperation among the Muslim countries allowed the study to identify the prospects based on which an active economic bloc of Muslim countries could be established

3. ANALYSIS AND FINDINGS

3.1. Factors of Potential economic Integration:

3.1.1. Geographic proximity

For economic integration geographic proximity is considered as a precondition. We can see this while analyzing the economic blocs like EU, ASEAN, GCC, SAARC, NAFTA and other regional groups. It helps the countries to connect each other, reduce transport cost and in most cases to share common values and economic status.

3.1.2. Complementary instead of competitive economic structure

The product and services produced by the regional countries are complementary in nature rather than possibility of regional grouping become more viable. On the other hand, if the regional countries produce goods which are competitive or substitute, the scope of regional cooperation will turn into complexity.

3.1.3. Uniformity of religious belief and values

Another issue is the uniformity of religious values and beliefs. Status of EU countries is a clear indication; all the west European countries share common religious beliefs though feelings of nationalism is strong; but perhaps religious belief triumphs over the nationalism of those countries.

3.1.4. Political Commitment

Most important thing behind formation of a regional economic bloc is the political commitment of the leadership. Initially, EU countries had lot of conflicting issues and

disagreement among them. On the other hand, it is a complex procedure, where one country advantage leaves another country to face severe consequence. But EU countries due to their commitment towards an integrated Europe has successfully overcome all the problems. In case of regional economic integration EU is undoubtedly the best example of the present time.

3.2. Stages of economic Integration

3.2.1. Free Trade Area

This consists of a group of countries which have abolished tariff and quotas on trade among themselves although they maintain their independent restrictions on imports from other non member countries.

3.2.2. Customs Union

A customs union is a closer form of economic integration. There is free trade among the member countries, but all members are obliged to operate a common external tariff on imports from non-member countries.

3.2.3. Common Market

This is a customs union which, in addition to free trade in goods and services, also allows the free movement of factors of productions (labour and capital) among the member states.

3.2.4. Economic Union

This organization includes all the features of common market, but it also requires member states to adopt common economic policies on such matters as agriculture, transportation and taxation.

3.3. Ownership of Strategic Resources by Muslim Countries

The ownership of Natural and other resource clearly shows that great deals of world resources are in possession of Muslim world. Especially the most vital energy resource of oil and gas are in possession of Muslim world which is respectively 79% of oil and 49% gas reserves (**Muslim Resources**, 3rd October 2009) No doubt that the oil and gas are the driving forces of the world's economy. Economies of USA, EU, Japan and China are very much dependant on these two resources. Saudi Arabia alone holds 25.4% of the world's oil reserves, or 262 billion barrels. A further 11% is found in Iraq, 9.6 % in the UAE, 9.2 % in Kuwait, 8.6 % in Iran, 13% in other OPEC (Organization of the Petroleum Exporting Countries) member states (**Muslim Resources**, 3rd October 2009). The rest is distributed across the remainder of the world. Research commissioned by the U.S. Department of Energy shows that between the year 2000 and 2020, oil exports from the area will increase by 125%. This means that the world will continue to meet most of its energy needs by importing from the Gulf region. Moreover, the Middle East has 40% of the global natural gas reserves; 35 % of these reserves are in the Gulf region. Algeria,

Libya, and other North African countries have 3.7 % of the world's reserves (**Muslim Resources**, 3rd October 2009).

The Caucasus and Central Asia are also rich in oil, natural gas, coal, gold, and other natural resources. Huge oil reserves are estimated to be over 25 billion barrels under the Caspian Sea (Dr. Ariel Cohen June 08, 2015). He estimated that oil reserves in the Central Asian republics of Kazakhstan, Turkmenistan, and Uzbekistan are similar to those in Kuwait and larger than those in Alaska's Northern Slope and the North Sea. In addition to above mentioned resources, Muslim world has large amounts of other natural and agricultural resources available to them. The amount presented here is based on the world's production of them. 75% of the world's production of Barley, 25% Cocoa, 30% Copra, 40% Cotton, 93% Dates, 25% Groundnut, 48% Jute, 40% Livestock, 70% Natural Rubber, 40% Rice, 40% Pepper, 35% Phosphate, 52% Tin, etc., all come from the Muslim world. (Muslim Resources, 3rd October 2009)

Besides the natural and agricultural resources, Muslim countries have significant stock of Manpower and Land resources. For instance, Bangladesh has 153.5 million populations, Pakistan 172.8 million, Indonesia 237.5 million, Egypt 81.7 million, Turkey 71.8 million, Sudan 40.2 million, Morocco 34.3 million, Algeria 33.7 million, and Saudi Arabia 27.6 million, (Muslim Resources, 3rd October 2009)

Muslim world occupies vast land reserves. Land is an important factor of production. The vastness of the Muslim lands can be understood by glancing at statistics available through CIA's "The World Fact Book". Here are some of them as an example: Algeria 2,381,741 sq km, Egypt 995,450 sq km, Sudan 1,861,484 sq km, Saudi Arabia 2,149,690 sq km, Chad 1,259,200 sq km, Indonesia 1,811,569 sq km".(CIA "The World Fact Book" 1990)

3.4. State of Economic Cooperation among Muslim States

There is a wide scope for cooperation among the Muslim nations. The Middle eastern countries lack manpower resources but countries like Bangladesh, Pakistan, Indonesia and Afghanistan have excessive manpower and have bright prospect in agriculture. Central Asian Muslim states have the stock of huge mineral resources and may be a destination for FDI of rich gulf countries. Even some Muslim countries may be a destination for Muslim tourists. Turkey and Malaysia for example, have achieved success in this regard. In spite of all these prospects at present less than 20 trades among Muslim countries are taking place. Complementary economic status of Islamic states can easily increase the present trade volume more than 50 to 60%. More areas of cooperation are lying unattended which may bring tremendous economic uplift for people of Muslim world and may turn them most respected economic power. In spite of all these prospects a large amount of Muslim population is living under extreme poverty and many people in some

Muslim countries are living in subsistence level. Hence a meaningful economic integration can solve the problem smoothly.

3.5. Factors behind establishing European Union

Realizing the prospect economic integration EU countries came with the idea of forming an economic bloc of Western European countries. Moreover economic cooperation between eastern European nations lead by former Soviet Russia motivated them to create another effective economic bloc in Western Europe. Forming regional economic integration allows the member counties to secure their regional markets facing severe competition from non member states. EU diary industry was supposed to face severe competition from USA and other North American countries but there Common Agriculture policy CAP has protected them and their farmers from severe consequences. As a result, higher economic growth prospect of forming economic bloc motivated the countries to establish European Union which is being recognized as one of the most successful economic bloc.

3.6. Problems of Muslim countries towards Economic Integration:

3.6.1. Political turmoil

At present, most of the Muslim countries have been passing through a crucial time, facing political turmoil and even terrorist activities. Countries like Syria, Yemen, Egypt, Libya, Nigeria, Somalia Pakistan Afghanistan Palestine and Iraq have been facing severe terror attacks and these countries' political situation posed a threat to their economic and social developments as well.

3.6.2. Commitment of brotherhood

Leadership of Muslim countries is less committed to the bond of Muslim brotherhood instead they are more committed to enhance relationship with western world.

3.6.3. Dependency on Western powers

Most of the Muslim world has become dependent on western powers. They have established trade relations with the western world and become heavily dependant on them.. Muslim world is using USD and Euro as means of trade transactions. However, instead of using dollar and Euro they could use their own currencies.

3.6.4. Oil resources and Western powers

The economies of western world are more or less dependant on the gulf countries' oil resources which remain a lifeline for their economies. Thus, the western powers may not be like to see any capable economic integration among the Muslim countries to ensure uninterrupted access to gulf oil reserves amidst political unrests.

4. CONCLUSION

There is a huge prospect for the Muslim countries to grow economically. At the same time they have to understand that it is not an easy task. A great deal of adjustment is required and a lengthy procedure needs to be followed including extensive research and ground work for developing a sound foundation framework for the said Economic bloc. But what is needed first is the commitment and a mind set for a economic integration and then move forward gradually. First step could be to establish a free trade area that will allow the poor Muslim countries a greater excess to the market of rich countries which is now being enjoyed by the non Muslim countries.

Muslim world is spread to a large area from Mauritania in the west of Africa to Indonesia in the Far East Asia. Economic conditions vary with different regions, economic condition, demand pattern product and services delivery and all other economic activities. So, taking all the countries under one umbrella is going to be a huge task. Initially Muslim counties can form regional groups under the umbrella of Organization of Islamic Countries and then eventually proceed for greater unification.

If they can establish some free trade areas and increase the volume of trade and along with free movement of labour and capital between them it will create a pace for better understanding and gradual development for more cooperation and economic integration. The cooperation will immensely help all the Muslim countries to grow faster than ever before and will become economically more sound and secure.

5. RECOMMENDATIONS

1. Under the umbrella of OIC, Muslim countries should start the process primarily through establishing free trade area and eventually move to greater economic integration.
2. Identify areas where a better opportunity for economic cooperation remains unexplored through research and organizations like IDB could play vital role.
3. Enhance and establish better economic ties with regional Muslim countries eventually that will bring greater extent of cooperation and create the platform for greater economic unification of the Muslim world.

REFERENCES

CIA "The World Fact Book" 1990

Cohen. A. (2015). *Natural Gas Europe "Beyond Oil and Gas: Kazakhstan Bets its Future on Reform"* <http://www.naturalgaseurope.com/oil-and-gas-kazakhstan-new-silk-road-ariel-cohen-24055>

Hassan. M. K. (2010) "*Economic Performance of the OIC Countries and the prospect of an Islamic Common Market*" www.sesrtcic.org/files/article/399.pdf

L. Raimi. (2008). “*Imperative of economic integration among Muslim countries: Lessons from European Globalization*”.
www.emeraldinsight.com/doi/abs/10.1108/08288660810876840 - 2008.

Stanlake G.F “*Introductory Economics*” 5th Edition Publisher Longman group UK limited Page 194.

The Shield News letter Islamic Commentary on the State of the Muslim Ummah Article Muslim resources Oct 3, 2009 www.theshieldnewsletter.com/?p=630

Arab Integration: Concept, Pathways and Prospects. The concept of integration in Arab cultural heritage Knowledge: a driver of comprehensive integration Economic integration towards comprehensive integration Integration: a path to, or a result of, renaissance? From exploitation to reawakening. Chapter 2. Arab Economic Integration. Establishing models for the enhancement of Arab economic integration Strategies for enhancing Arab economic integration through liberalizing trade in goods Scenarios showing the effects of economic integration strategies A more comprehensive economic integration not limited to trade liberalization Full Arab economic integration requires more than a customs union. Integration processes of global economic activity are considered to be an objective peculiarity of the modern economic development. Integration is a natural historical process of increasing interdependency between the world economy subjects. Because of the complexity and diversity of such category as integration, there are many definitions proposed by different specialists [8, 20]: -economic interaction between countries, which leads to the convergence of economic mechanisms, which is considered as a quite high and prospective step of the internationalization process; -controlled process of co In this article the authors examine such issues of Eurasian Economic Union (EAEU) as an extension of the boundaries of integration, internal contradictions and prospects of the regional association. We analyze the problems of integration within the EAEC, as well as its interaction with other CIS countries and far abroad. It is shown that the main problems of integration within the EAEC are the main raw material orientation of the economy of the participating countries (Russia, Kazakhstan); predominance national interests over the interest of the Union; because of the vast territory, a large nu The global economy faces a number of important challenges in the 21st Century. Globalisation has benefitted most participants, but the increasing interconnectedness of the global economy has created a number of problems. Global problems. The global economy faces a number of serious challenges in the 21st Century. Globalisation has benefitted most participants, but the increasing interconnectedness of the global economy has created a number of problems. Short term problems. Some global problems are short term, such as the recent recession caused by the credit crunch and related banking crisis. Most global shocks are relatively short term and may be self-correcting. Economic integration, process in which two or more states in a broadly defined geographic area reduce a range of trade barriers to advance or protect a set of economic goals. The level of integration involved in an economic regionalist project can vary enormously from loose association to a. The most basic type of economic integration is a simple free-trade area. In this form, attention is focused almost exclusively on a reduction of the tariffs and quotas that restrict trade. Emphasis is placed almost entirely on increasing the exchange of goods.