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ORGANISATION OF ISLAMIC COOPERATION

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Background Guide

**The challenges of economic Integration between O.I.C Member States
and ways of overcoming obstacles for enhancing Economic
Development.**

| The present document intends to make you aware of the background of the problem. Its content does not imply the expression of any opinion whatsoever on the part of the Secretariat of KiiT-IS MUN

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Report Prepared by:

The Executive Board

Organisation of Islamic Cooperation

HISTORY

The Organisation of Islamic Cooperation (OIC) is the second largest intergovernmental organization after the United Nations with a membership of 57 states spread over four continents. The Organization is the collective voice of the Muslim world. It endeavors to safeguard and protect the interests of the Muslim world in the spirit of promoting international peace and harmony among various people of the world.

The Organization was established upon a decision of the historical summit which took place in Rabat, Kingdom of Morocco on 12th Rajab 1389 Hijra (25 September 1969) following the criminal arson of Al-Aqsa Mosque in occupied Jerusalem.

In 1970 the first ever meeting of Islamic Conference of Foreign Minister (ICFM) was held in Jeddah which decided to establish a permanent secretariat in Jeddah headed by the organization's secretary general. Dr. Yousef Ahmed Al-Othaimeen is the 11th Secretary General who assumed the office in November 2016.

The first OIC Charter was adopted by the 3rd ICFM Session held in 1972. The Charter laid down the objectives and principles of the organization and fundamental purposes to strengthen the solidarity and cooperation among the Member States. Over the last 40 years, the membership has grown from its founding members of 30 to 57 states. The Charter was amended to keep pace with the developments that have unraveled across the world. The present Charter of the OIC was adopted by the Eleventh Islamic Summit held in Dakar on 13-14 March 2008 to become the pillar of the OIC future Islamic action in line with the requirements of the 21st century.

The Organization has the singular honor to galvanize the Ummah into a unified body and have actively represented the Muslims by espousing all causes close to the hearts of over 1.5 billion Muslims of the world. The Organization has consultative and cooperative relations with the UN and other inter-governmental organizations to protect the vital interests of the Muslims and to work for the settlement of conflicts and disputes involving Member States. In safeguarding the true values of Islam and the Muslims, the organization has taken various steps to remove misperceptions and has strongly advocated elimination of discrimination against Muslims in all forms and manifestations.

The Member States of the OIC face many challenges in the 21st century and to address those challenges, the Third Extraordinary Session of the Islamic Summit held in Makkah in December

2005, laid down the blue print called the Ten-Year Program of Action. It successfully concluded with the close of 2015. A successor programme for the next decade (2016-2025) has since then been adopted.

The new programme OIC-2025 is anchored in the provisions of the OIC Charter and focuses on 18 priority areas with 107 goals. The priority areas include issues of Peace and Security, Palestine and Al-Quds, Poverty Alleviation, Counter-terrorism, Investment and Finance, Food Security, Science and Technology, Climate Change and Sustainability, Moderation, Culture and Interfaith Harmony, Empowerment of Women, Joint Islamic Humanitarian Action, Human Rights and Good Governance, among others.

Among the OIC's key bodies: the Islamic Summit, the Council of Foreign Ministers (CFM), the General Secretariat, in addition to the Al-Quds Committee and three permanent committees concerned with science and technology, economy and trade, and information and culture. There are also specialized organs under the banner of the OIC including the Islamic Development Bank and the Islamic Educational, Scientific and Cultural Organization, as well as subsidiary and affiliate organs that play a vital role in boosting cooperation in various fields among the OIC member states.¹

OBJECTIVES IS GIVEN IN THE CHARTER OF THE OIC, ARTICLE 1

The objectives of the Organisation of Islamic Cooperation shall be:

1. To enhance and consolidate the bonds of fraternity and solidarity among the Member States;
2. To safeguard and protect the common interests and support the legitimate causes of the Member States and coordinate and unify the efforts of the Member States in view of the challenges faced by the Islamic world in particular and the international community in general;
3. To respect the right of self-determination and non-interference in the domestic affairs and to respect sovereignty, independence and territorial integrity of each Member State;
4. To support the restoration of complete sovereignty and territorial integrity of any Member State under occupation, as a result of aggression, on the basis of international law and cooperation with the relevant international and regional organisations;

¹ http://www.oic-oci.org/page/?p_id=52&p_ref=26&lan=en

5. To ensure active participation of the Member States in the global political, economic and social decision-making processes to secure their common interests;
6. To promote inter-state relations based on justice, mutual respect and good neighbourliness to ensure global peace, security and harmony;
7. To reaffirm its support for the rights of peoples as stipulated in the UN Charter and international law;
8. To support and empower the Palestinian people to exercise their right to self-determination and establish their sovereign State with Al-Quds Al-Sharif as its capital, while safeguarding its historic and Islamic character as well as the Holy places therein;
9. To strengthen intra-Islamic economic and trade cooperation; in order to achieve economic integration leading to the establishment of an Islamic Common Market;
10. To exert efforts to achieve sustainable and comprehensive human development and economic well-being in Member States;
11. To disseminate, promote and preserve the Islamic teachings and values based on moderation and tolerance, promote Islamic culture and safeguard Islamic heritage;
12. To protect and defend the true image of Islam, to combat defamation of Islam and encourage dialogue among civilisations and religions;
13. To enhance and develop science and technology and encourage research and cooperation among Member States in these fields;
14. To promote and to protect human rights and fundamental freedoms including the rights of women, children, youth, elderly and people with special needs as well as the preservation of Islamic family values;
15. To emphasize, protect and promote the role of the family as the natural and fundamental unit of society;
16. To safeguard the rights, dignity and religious and cultural identity of Muslim communities and minorities in non-Member States;
17. To promote and defend unified position on issues of common interest in the international fora;

18. To cooperate in combating terrorism in all its forms and manifestations, organised crime, illicit drug trafficking, corruption, money laundering and human trafficking;
19. To cooperate and coordinate in humanitarian emergencies such as natural disasters;
20. To promote cooperation in social, cultural and information fields among the Member States²

DEFINITION of IDB

The Islamic Development Bank (IDB), a specialized institution of the OIC, is an international financing institution.

ESTABLISHMENT

The idea of establishing this institution dates back to the 2nd Islamic Foreign Ministers Conference, held in Karachi; in 1970 which recommended to undertake an in-depth study of this project. A Declaration of Intent was issued by the First Conference of Finance Ministers of Islamic countries, held in Jeddah, in Zul Qaddah , 1393AH (December 1973) to endorse this idea. The Bank was formally inaugurated on 15th Shawal, 1395AH. (20 October, 1975).

PURPOSE

The purpose of the Bank is to foster the economic development and social progress of Member States and Muslim Communities individually as well as collectively in accordance with the principles of the Shariah.

FUNCTIONS

The functions of the Bank are to provide equity participation and grant loans for productive projects and enterprises. It also gives financial assistance to member states in other forms for their economic and social development and to foster foreign trade among member countries.

² http://www.oic-oci.org/page/?p_id=53&p_ref=27&lan=en

BACKGROUND OF THE IDB GROUP

IDB Group is engaged in a wide range of specialized and integrated activities such as:

- Project financing in the public and private sectors;
- Development assistance for poverty alleviation;
- Technical assistance for capacity-building;
- Economic and trade cooperation among member countries;
- Trade financing;
- SME financing;
- Resource mobilization;
- Direct equity investment in Islamic financial institutions;
- Insurance and reinsurance coverage for investment and export credit;
- Research and training programs in Islamic economics and banking;
- Awqaf investment and financing;
- Special assistance and scholarships for member countries and Muslim communities in non-member countries;
- Emergency relief; and
- Advisory services for public and private entities in member countries.

OFFICES OF IDB GROUP

The IDB Group is located in Jeddah, Kingdom of Saudi Arabia. It has four regional offices in Morocco, Malaysia, Kazakhstan and Senegal .

The Bank has 15 field representatives in selected member countries. In addition, both ICIEC and ICD have representative offices in Dubai, the United Arab Emirates. The Bank is in the process of opening Country Gateway Offices in member countries to increase its field presence. The first two of these offices (Turkey and Indonesia) will be opened in 1434H and the remaining three (Nigeria, Bangladesh and Egypt) by 1435H.

CAPITAL STRUCTURE

The capital structure of the IDB Group is shown in Table 1.

Table 1: IDB Group Capital Structure					
(Amount in million)					
		<i>IDB (ID)</i>	<i>ICD (\$)</i>	<i>ICIEC (ID)</i>	<i>ITFC (\$)</i>
Authorized Capital	1432H	30,000.0	2,000.0	150.0	3,000.0
	<i>At inception</i>	<i>2,000.0</i>	<i>1,000.0</i>	<i>100.0</i>	<i>3,000.0</i>
Subscribed Capital	1432H	17,782.6	806.6	149.0	750.0
	<i>At inception</i>	<i>750.0</i>	<i>400.0</i>	<i>68.8</i>	<i>500.0</i>
Paid-in Capital	1432H	4,590.2	565.8	74.5	671.7
	<i>At inception</i>	<i>280.0</i>	<i>83.0</i>	<i>63.8</i>	<i>446.1</i>
Note: ID = Islamic Dinar is equivalent to one unit of SDR (Special Drawing Rights of the International Monetary Fund) Source: Economic Research and Policy Department, Chief Economist Complex, IDB.					

MEMBERSHIP

The membership of IDB stands at 56 countries from four continents: Africa, Asia, Europe, and South America (see Appendix). To become a member of IDB, a country must fulfill certain conditions. First, the country must become a member of the Organization of Islamic Cooperation (OIC); second, it should pay the first installment of its minimum subscription to the Capital Stock of IDB; and third, accept such terms and conditions that may be decided by IDB Board of Governors.

OBJECTIVE:

The objective of IDB is to foster economic development and social progress of its member countries and Muslim communities in non-member countries individually and collectively in accordance with the principles of Shari'ah. To fulfill this objective, it provides financial resources through different modes of financing to finance development activities in member countries as well as in Muslim communities in non-member countries. It also provides technical assistance for capacity building and scholarships for human capital development. It manages special funds and mobilizes resources through Shari'ah-compatible instruments

MISSION OF IDB

The mission of IDB is to promote comprehensive human development, with a focus on the priority areas of alleviating poverty, improving health, promoting education, improving governance and prospering the people.³

CURRENT OIC MEMBER STATES ECONOMIC STATUS

As a group, the OIC Member States are well-endowed with potential economic resources in different sectors such as agriculture and arable land, energy and mining, human resources, and they form a large strategic trade region. Yet, this inherent potential does not manifest itself in the form of reasonable levels of economic and human development. Having accounted for 22.6 per cent of the world's total population in 2013, the 57 OIC Member States produced only 11.2 per cent of the world total GDP. Currently, average GDP per capita in the Member States is recorded at US\$ 6,076 in 2013 which is US\$ 1,234 and US\$ 6,290 lesser than the other developing countries and world averages respectively. The average real GDP per capita growth rate in the OIC Member States was recorded at 1.8 per cent in 2013 compared to 2.2 per cent in the world and 4.1 per cent in other developing countries. The ineffective use of available factors of production in the Member States also manifests itself in the productivity indicators such as labour and total factor productivity growth rates. Between 2001 and 2012, the annualized labour productivity growth rate of the Member States, on average, was measured as 0.84% whereas the average of other developing countries was 1.27% in the same period. In a similar vein, total factor productivity growth rate in the Member States, on average, was smaller (2.53%) compared with other developing countries (4.39%) over the period 2001-2012. In 2014, average unemployment rates in the Member States were recorded at 7.6 % compared to 5.1 % in other developing countries and 5.9% in the world. The figures on youth unemployment in the Member States are even less promising with a rate of 15.6 per cent compared to 10.9 per cent in other developing countries and 12.9 per cent in the world. Developed countries reached their current level of prosperity through transforming their

³<http://www.isdb.org/irj/go/km/docs/documents/IDBDevelopments/Internet/English/IDB/CM/Publications/IDBGroupBrief2013.pdf>

economies from an agriculture-based first to an industry-based, and then knowledge and services-based economies and making available a resilient and reliable infrastructure. The OIC Member States are home to almost two-thirds of the world's crude oil and natural gas reserves. Yet, in terms of refining capacity of energy products, industrial energy use efficiency, popular access to energy, there is still a significant distance to cover. Access to reliable, modern and affordable sources of energy is a prerequisite for poverty eradication and promoting economic growth. The OIC Member States need to enhance their efforts for infrastructure development in the LDCs. As a group, the OIC Member States have a high potential for the development of a sustainable international tourism sector. Accordingly, this sector can make tangible contribution in promoting socio-economic development as well as strengthening the bonds of solidarity among the people. Therefore, the OIC Member States are required to make efforts to considerably increase intra-OIC investment in the tourism sector, particularly in the LDCs.

GLOBALIZATION AND FINANCIAL RECONCILIATION AMONG ARAB NATIONS

Aggressive globalisation 'emerging from the global village', increasing homogenization of tastes and attitudes, deregulation and eliminating of physical, fiscal/financial and technical barriers, rapidly scientific and technological innovations, and predictive uncertainty, are some factors that underlay the importance of emerging the new economic integration approach and relationships among bloc of countries. The main reason is that most countries and organizations cannot always have the resources or know-how to cope with increasingly complex global environments from internal resources alone. Thus, the traditional thinking about the special intensity of competition and marketing activities as well as the old nature and boundaries of countries and organizations become less and less useful in organizing economic activities. In effect, an economic alliance or network based on- cooperation, collaboration, flexibility, adaptation, risk and cost reduction, shared interest and objectives, closeness, openness, and a commitment between different countries (collaborators) on an integrating *ongoing basis*-, has been emerged as a more effective approach to meet the new global environmental challenges and opportunities. The nature of this economic integration relationships usually results in achieving synergy effects.

As the new century approaches, there has been a discernible shift in the economic and political equation. Groups are coming together all over the world with the idea of defending themselves economically against the incursions of other blocs into their areas. These groups also want to increase their influence in their own areas as well as outside it. Europe is adopting a single currency

that will translate eventually into an entity functioning as a single economy. The Far East have already made their own regional trade agreements and free trade zones. Realizing the seriousness of such a threat, Asian countries have already adopted necessary protective measures to protect themselves. Even the United States has felt the need for a regional grouping. Witness its teaming up with Canada and Mexico to form North American Free trade Agreement (NAFTA).

Indeed, Governments throughout the world are revitalizing their economies - some by drastic reforms and others by enacting laws that streamline existing systems. Arab economies, on the other hand, are not being changed quickly enough. They have not participated fully in the drive to liberalize trade and so have not derived the benefit they might have by doing so.

While other countries liberalized and set out to attract new investment, many Arab countries were content to print glossy brochures saying how they could provide facilities which in fact existed only in the brochures... We Arabs, as usual, watch, wait and see; We should by now, however, have had enough of this non-productive practice. Others have undertaken reforms and are consequently making progress. We are still content to watch and wait and see.

Thus, the future awaits the Arabs. Whether it will be good or bad depends on how shrewdly and how effectively an economic strategy is formed. Such a strategy is essential in order to counter the policies of other already-formed economic blocs. A single country, standing alone, could never hope to achieve anything against a large economic bloc. The bigger the bloc, the greater the clout and its influence. What then will be the fate of a small country such as Lebanon, Libya , Bahrain, Qatar, or any other Arab country which is outside a bloc - when it is pitted against one of these large economic groupings? It is abundantly clear that unorganized countries will, like it or not, have to follow the dictates of the large blocs.

Against these trends and in order to provide an effective counter to European, Asian, or American designs, the immediate formation of An Arab Common Market becomes a most pressing imperative. There is no choice. Either Arabs can get their acts *together* or they will remain bystanders, watching the participants in the world trading system (e.g. World Trade Organization, WTO and General Agreement on Tariffs and Trade, GATT) and globalisation movements move forward by leaps and bounds while they are left behind.

Globalisation of Western countries can cause more problem and crisis for the developing countries, if these countries are not able to compete or cooperate with developed countries. The existing economic blocs in Europe and USA, Asian etc.. create more unbalanced economic situation which

may increase the *tension* between the south and the north. These blocs would have an extremely prominent and powerful position as a guides and advisers in Arab countries.

The main dilemma is that Arab countries often compete each other rather than cooperate with each others. Thus, one could not assume, that the current circumstances of Arab or Islamic countries are favorable for an Arabic or Islamic form of economic integration. Arab countries are in a great need to cooperate, build up *trust* and alliances with each others to achieve some synergy effects and to be able to create some economic balance in the global era. Without socio-economic integration between Arab countries there is no interdependence relationship between Western and Arabs. Too dependent on western nations or blocs is not of the benefit of the Arab countries.

Most of Arab countries are Muslims, and for limitation and the propose of this paper we will refer to Arab countries as Islamic countries.

The aim of the study is to outline the strategy needed to achieve the Arab shared objective of cooperation and peaceful coexistence. This study is a continuation of my previous research efforts to develop a new approach of strategic relationships. It presents a theoretical and conceptual discourse based on recent developments in economics and relationship management and marketing theories. The paper provides a different perspective. It integrates the micro and macro-economic forces and factors and analyses the process of establishment and development of a strategic economic integration relationship over time by considering the life cycle and phases of this relationship. The paper also describes the evolution of strategic economic integration relationships as a relation between people or as a love affair and a commitment to marriage which is ideally, based on shared interest, mutual *trustworthiness*, and commitment to continue the relationship.

A REGIONAL COLLABORATIVE RELATIONSHIP (RCR) FOR GLOBAL COMPETITIVENESS

Globalisation and Economic integration among countries, involving the formation of free trade areas, customs, unions, common markets or full economic unions, has become a fact for most of developed or Western Countries. European Union (EU) as well as other positive forms of economic integration have gone successfully and taken place in Latin America, the Pacific area via Trade Agreement (PTA), and in the NAFTA. This globalisation and economic integration is still a desirable object in developing countries. The challenge is all the greater in the Arab world. As regards the Arab/Islamic World there have been several attempts for economic integration. Yet these attempts have not given any positive results. Unless a serious movement towards regional economic

integration, Arab countries are under threats from the global market economy. This global economy now sets the rules for the economic policies which should be adopted by the region's countries. This economic integration is prerequisite for facing or achieving some level of globalisation.

'In fact Islamic countries are almost indifferent as regards their true identity. This is the real problem. Many leaders and nationals of Islamic countries identify themselves as Muslims but they do behave in non-Islamic manner. When the governments of Islamic countries run their policies on non-Islamic bases one can not talk about a possible or successful achievement of any integration among Islamic countries... At present some people would therefore dare to say that Islamic countries are incapable of bearing the responsibilities of Islam and that it is better for them to behave in the modern secular pattern. Others refuse these opinions. They are still full of hopes that they would be able to bring about favorable changes to their countries, so that Islamic ideology would regain its proper place and thus affects the course of political, economic and social life.'

Arab or Islamic countries can integrate and this integration does not mean any conflict with Western countries. It should not be different than these integration forms adopted in Europe, Asian or in Latin America, etc. The integration and globalisation of Europe is a result of the common factors and behavior (e.g. flexibility, adaptations, trust and commitment) among these countries. The Islamic and Arab countries too have common factors, e.g. religion, language, customs, traditions, etc. but they are yet not able to integrate in order to create a balance in the globalisation era.

Islamic or Arab countries as well as Western countries would benefit from an Islamic Economic Integration. Such integration expected to improve the terms of trade with the rest of the world and create a better global economic and political balance. As a result, Arab countries could be treated as an equal partner in our today's global world. They will not feel that they are merely weak partners who are subject to exploitation by other economic and political blocs.

Although some major factors and conditions for integration do exist among Arab countries, there are enormous differences among them. Some Arab countries were/are socialist, some monarchies, some republics. Some take their legal heritage from the Napoleonic code, some from the Ottoman Empire, and some from the British common law; and all are influenced by Islam.

A number of distinctive cultural features give the region a unity and justify the use of the term Arab Middle East. A major advantage to integrate among the Arab countries is the region's stable and homogeneous culture compared to many other areas of the world. Coca-Cola's Senior Vice-

President Sam Ayoub noted that 'Arabs are much more capable of making distinctions between cultural and religious purposes on the one hand and economic realities on the other than is generally assumed. Islam is compatible with science and modern times.'

The Arab world has the intention and the means to take on a new role on the global scene. This new role implies a change in the relationships among them and also between them and other industrialized nations. In order to fully realize this new role, new forms of cooperation and alliances will have to be found. Ideally, these type of cooperation and alliances require quick and flexible response and operations. But because the present Arab conflict situation and relations, they could not yet realize this economic cooperation or integration. Thus, we suggest that a successful alliance or integration has to go through different stages on its life cycle.

THERE IS NOTHING WRONG WITH THE ISLAMIC IDENTITY (ISLAM AND COOPERATION)

Islam orders people via Quran to co-operate, to be helpful to one another according to goodness and piety but not helpful for evil and malice (Verse 2 in sura 5). This principle of co-operation is assured by prophet Mohammed, on the local level whatever is your neighbor: Muslim or non-Muslim. Surely this principle can be extended on the international level where a neighboring country can be defined as any country which is having a normal economic and political relations with the Islamic world.

A distorted image of Islam and Arabs has unfortunately been a feature of the American and Hollywood films and some Western media for over a century. 280 million Arabs and over one billion Muslims (almost 25 per cent of the world's populations) have been so grossly misunderstood. Arab and Muslims leaders as well as people have to work on changing or correcting the image of themselves in the Western world. But Western countries must also be able to accept the real image of Arab and Islam and prove that they can peacefully live and deal with people and nations of different identities, cultures and religions. They do not need to feel that their own society is superior and any society that does not try to emulate their own is substandard or inferior. Fundamentalists or terrorists are not Islam. There is nothing wrong if a modern Muslim pray five times a day and does not eat pork or drink alcohol! Islam is not a threat for anybody or any nation. Islam is the religion of mercy, justice, tolerance and honoring of promises and pledges. It encourages people to become acquainted with one another, promotes dialogue, directs people to be gentle and polite when engaged in an argument.

In the past, the Muslim community mingled with other civilizations, absorbing what was seen as useful and rejecting what was seen as not. In such a manner did progress occur in many different ways - cultural, political, social, economic. If that was possible in the past, it is also possible today. Keeping its identity, the Muslim community is not incapable of dealing with the modern and global era. There is nothing wrong if a Muslim makes use of anything that can strengthen his/her Islamic and intellectual identity and protect his/her society. Indeed, this is what is wanted at a time when cultures are clashing with one another. This often happens in the West. The French and the British, in fact, are openly suspicious of American values projected so appealingly by Hollywood. Consequently, they reject them; Asian societies, particularly the Chinese and Japanese, do the same.

NO ECONOMICS IS AN ISLAND

Islam does not view itself as a new religion, only as the culmination of many earlier prophetic missions, including of course those given to Jews and Christians. The Dominant force in Western education today is secularism- a way of life which explicitly relegates religion to the realm of the private while cheerfully making a variety of value-judgments on the basis of 'science' or the public good'.

Islamic definition of economics should not be separate from the general definition of economics. Of course the Islamic solution may be different from any other solution, but the definition of the economic problem cannot be separated from the one accepted almost universally. Muslim economists should not attempt to define economics in a way which can apply only to the behavior of true Muslims and not to non-Muslims or to Muslims who do not follow all the Islamic injunctions and rules in their economic practice. The effort of Islamic economists should be sharpen their analysis and develop the tools of analysis in such a way that Islamic economics is accepted in the global era as part of the general science of economics and is admitted to be a viable and preferable alternative to other approaches to economics. Economics is the science of means which are scarce. It is not a normative science like logic or ethics., but a positive social science. Its function is not to discover the truth of norms, but to describe and explain economic reality. But as it is a social science, it is activated to show ways to realize certain goals given by society. It has to describe scientific ways for the practical realization of these goals.

Islamic Economics is the acceptance of Islamic goals and Islamic solutions. Just as any other secular economics begins as an attempt to explain the magnitudes and movements of certain quantities such the market, prices, wage, consumption function, output, employment, inflation and so on. According to the Islamic economic philosophy, these quantities are to be studied about at a

theoretical and a policy level in an integrated way involving ethical and moral issues in economic problems. Islamic economics likewise insists on the acceptance of Islamic goals, its Godly universal and brotherly vision and its terminology like ribá, Zakáh, sadakah, infaq, shirkah, mudarába, etc.

If this is accepted, then Islamic economics will be studied as a part of the general and *global* science of economics by Muslims as well as non-Muslims i.e. by all genuine students of economics. Utilitarian rationality does not exclude the realization of moral and spiritual goals at the micro or macro levels. In economics, scarcity of means is the central problem and we as Muslims or non-Muslims have to economize on means so that there is maximum national output from the given means and maximum total satisfaction from the given output. Means are utilized and economized for the satisfaction of good purposes or bad purposes. If a person makes efforts to earn money for helping his/her ailing mother or father or some other relatives or friends, his/her economic endeavor is of moral nature, but it will not change its economic character, because its morality lies in its moral ends which economics assumes as given, while its economics lies in the scarce means which he/she has to economize on for greater production and greater satisfaction.

Hence, laws of Economics do not change in an Islamic society. The essence of Islamic economics lies in its distinctiveness of goals and distinctiveness of solution. Some Muslim economists argued that in Islamic economists the law of demand will change. I do not agree with that. The laws of economics remain the same even though the behavior of economic agents becomes moral is not found to be selfish and self-centered. In the Islamic society, the internalization of Islamic values will not change the laws of the science of economics. Law of demand, law of supply, law of diminishing marginal returns, law of diminishing marginal utility and the law of equimarginal utility, Gresham's law etc., will still hold. However, some of the essential socio-economic functions which the Islamic welfare state is expected to perform are the following:

- To eradicate poverty and create conditions for full employment;
- To promote stability in the real value of money;
- To ensure social and economic justice through equitable distribution of income;
- To maintain law and order; and
- To harmonize international and regional relations and cooperation;
- Islam normally also recognizes, like capitalism, the freedom of enterprise with the institution of private property, the market system and the profit motive.

There is nothing wrong in these functions, the main problem in Muslim or Arab countries lies in how to identify the gap between the ideal and actual economic performance.

SOME SOCIO-ECONOMIC PROFILE OF THE REGION

The dominant factor unifying the Arab world is the Islamic religion and identity, which began in the sixth century AD and profoundly affects all aspects of life (including business) in Arab countries. Islam is the primary driving force behind contemporary Arab culture and society, affecting all aspects of behavior, attitudes, beliefs and morals.

European colonization of the Arab region began in the early 1800s. Britain and France effectively controlled most of the Arab world until the mid 1900s, which witnessed the establishment of the state of Israel- an event with political repercussions extending to the present day. The other major twentieth-century event affecting Arab countries was of course the oil price increases of the 1970s and early 1980s which increase enormously the spending powers of certain Middle Eastern nations.

Muslims comprise around one billion. The Arab World comprises around 280 million Arabic-speaking people in 20 countries. Linked by a common heritage, culture and language but with extreme differences in political orientation. Living standards vary enormously, ranging from affluence in the oil-rich Gulf states to dire poverty elsewhere.

Conventionally, two criteria are used to differentiate Arab countries:

1. politically radical versus politically conservative; and
2. oil-rich nations as opposed to those without substantial oil reserves.

Within some of the *oil-rich countries* there is rapid growth in non-oil sectors brought about by extensive government investment, continuing growth in import demand, and rapid increases in the education levels of consumers, with consequent demands for sophisticated and high-quality products.

Some economists distinguish between the oil-rich, such as Saudi Arabia, Kuwait, Iraq and Libya and the oil-poor, such as Egypt, Syria and Jordan. The ability of the oil-rich to use oil proceeds for domestic development depends on their ability to translate these resources into useful imports. Owing to limitations on that capacity, they have been susceptible to shortages of domestic resources, resulting in internal inflation. In the oil-poor countries, the export sector cannot be distinguished from the non-export sector. Although export demand depends on the world economy, the supply of exports generally relates on the development of the whole economy. The oil-poor nations can become labor-surplus countries, where capital and import constraints usurp their economic growth.

A number of oil-rich Arab countries (notably Saudi Arabia and the Gulf states) derive around 90 per cent of government revenues from oil and have high per capita incomes but a limited industrial base. Other states with oil resources have encouraged industrial diversification, usually within a framework of rigid state control (Iraq, Libya and Algeria fall within this group). The major Arab countries without extensive oil reserves (Egypt, Jordan, Syria, Morocco, Sudan and Tunisia) depend on industry and agriculture. All Arab countries import significant volumes of industrial and transport equipment and technical services.

The political situations of many Arab countries are highly unstable and liable to sudden and dramatic change. Political risk in the Middle East frequently involves religious factors, since the oppositions to the governments of several Middle Eastern countries have a fundamentalist religious base. Note, however, that it may well be that a multitude of secular opposition groups are using the various Islamic factions as convenient vehicles for resisting the status quo. A factor encouraging political uncertainty is perhaps the absence of democratic government (in the western sense) in some Arab countries. Note that the United States of America depends on the Middle East for nearly half of its oil imports, giving the US a big incentive to intervene to promote political stability.

Arab society can fruitfully link itself with world commerce so as to satisfy its basic economic needs, through the latter it can maintain its moral purpose by following the principles of the 'Sharia'. Egypt is an example of such a society where the two coexist. Islam is not against modernization. The problem is not modernization, the problem is certain aspects of modernization. Improving the standard of living in keeping with Islamic principles. Muslims need hotels, but do they need casinos? Muslim conservatives do not object to foreign investment; such investments should not mean pornography, extramarital sex, alcoholism drug addiction, gambling, juvenile delinquency and big crimes. Muslim conservatives reject these evils in any society they are totally unrelated to progress and modernization.

However, potential for future development at the national level varies significantly between the Arab countries due principally to differences in natural resources, terrain, size of population, economic growth and health, and the people's attitudes to life. For example, major economic differences between Morocco and Saudi Arabia arise principally from the availability or lack of natural resources; and yet at the same time, many common cultural characteristics prevail due to the unifying power of Islam. In Muslim Morocco, one also finds the largest concentration of Jews in the region, outside Israel. In Saudi Arabia, Islam is a dominant feature of everyday life as seen in the ritual of daily prayer, conservative lifestyle, Quarnic Law, and the annual influx of pilgrims to the

two holiest cities of Mecca and Medina. Whether it be in Saudi Arabia or Morocco, Western value systems and lifestyles are grafted onto the traditional way of life either from within by local nationals, studying and working abroad, or from outside through the presence of foreign workers from European countries. Typical of many developing countries, the population in Morocco is characterized by a striking dualism-rapid urban growth and slow rural development. Its economy is largely agricultural with more than one half of the population living in rural areas. Progress toward a modern economy is well under way but under-utilization of national resources is a major problem. Standard of living in rural areas remain persistently low.

In many aspects, Saudi Arabia appears markedly different from Morocco due to its virtually unlimited opportunities derived from oil wealth and new-found precious mineral deposits. Its economic development plans promoting rapid industrialization, the creation of essential infrastructure, and compulsory education all combine to provide the basis for a modern way of life. They are trying to liberate the its instructor sector from foreign influence.

A common goal of each Arab nation is *technological independence* from developed countries. To achieve this, a sound industrial base is required, along with a solid education system. Also, the lack of trained local manpower may represent a considerable hurdle, as in the case of Saudi Arabia. In contrast, Morocco and Egypt have a ready supply of labor but the industrial base is too narrow and the educational/training system insufficiently organized to much job opportunities with employment demands. Thus, progress in one field of development is often held back by deficiencies in other fields.

With regard to communication system, television and telephone services are well established in most of Arab nations. Indeed, in Saudi Arabia these services are among the most advanced in the world. Cable, microwave and satellite communication systems are being put in place to link most Arab and Mediterranean countries. Looking to the future, it is hoped that new and evolving technologies will release even more of the potential for development shared by these counties. Examples are the solar energy techniques, extracting oil from oil shale, innovative agricultural methods and water-treatment techniques.

Arab region, however is a region whose nations and people are linked not only by geographic proximity and history, common moral and religious standards, and generally uniform modes of life, but, as well, by tradition of trading practices. Despite the prevailing cohesive forces that bind them together, Arab countries still differ widely in their physical and union endowments, in their social, technological and political structures, as well as in their stage of economic development. Thus,

there is no single market, rather, there are a number of individual markets within the Arab countries. The indigenous firms of the region, like those of other less developed regions, are crucially dependent on transfer of technology from abroad for their innovative activities, which still primarily consist of the absorption and adaptation of imported technologies for successful assimilation.

The region has a very small manufacturing base and depends nearly entirely on foreign imports to sustain an increasingly high-tech urban society. Nor does the region have a sustainable agricultural base, making imported food and chemicals critical to survival. Locally produced capital goods are virtually nonexistent and transport, communications, power generation and distribution, water purification and distribution, and construction equipment must all be imported. Health care suppliers and equipment, automobiles, aircraft, spare parts, hospitality-industry supplies and equipment, and building materials are other excellent prospects for Western exporting to the region.

Maeena (1997) states that:

'We in Arab world always express satisfaction at the state of Arab industrial output. But while advances have certainly been made in some sectors, many others within the Arab world lag far behind those of other Asian countries, let alone Europe or the Americas... What is required is a sincere and honest critique of our present position, and also the creation of research centers. We have had enough of gigantic airports and monstrous shopping malls filled with imported goods. We must focus on the much-needed and highly relevant technology industries that will ply such vital roles in the next century. We cannot afford to be lax any longer.'

Most of Arab countries rely heavily on export marketing to obtain the foreign currencies necessary for their economic development. Lack of direct access to foreign markets entails economic losses because the export potential is not fully exploited by Arab countries and because import delays lead to the emergence of idle capacity or the costly building-up of precautionary or stand-by inventories. It is not a question of who owns marketing institutions, or who does the marketing planning-public administrators must be as knowledgeable of marketing as private entrepreneurs. Perhaps more efforts should be directed to the marketing orientation of officials in public administration. Perhaps more also to macro-marketing policies in Arab countries.

It is very obvious that Arabs not used their vast resources to at least acquire some of the basic knowledge to be players in the international explosion of technology and commerce. It is a fact that

billions of US Dollars are investing by wealthy Arabs all over the world and foreign Stock Markets. Creating Arab Common market and healthy investment environment would attract some of these billions into the Arab markets. Something amazing is that in the US many of the young minds in many growing areas of technology are Arabs. Could it be due to the political instability of the region and the underdevelopment of their other natural resource - their human capital? Arab nations have to start progressing in the technology sector. There is also a need for Arab nations to successfully convince the US and EU companies and governments to transfer the right technology. They also have to attract the innovative minds and to create incentives for Arab economists, academicians and scientists abroad to return to their lands and help their countries.

CO-OPERATION, COMPETITION AND INTEGRATION

International economic integration means full economic union among a group or groups of countries. Frequently this is also called 'total' economic integration in distinction of some other international arrangements involving closer economic cooperation or some degree of integration such as free trade areas, customs unions, and common markets. From Islamic point of view any arrangements are welcome as long as it would lead to the establishment of closer-co-operation or stronger ties among Muslims.

Co-operation is seen as the basic value in Islam's economic philosophy. Besides being required by human brotherhood and equality, unity of purpose and common ultimate interests, and also besides being explicitly enjoined by Qur'an and Sunnah it is the attitude that suits the practical interests of mankind today. With a positive attitude to economically and socially-oriented purposive rights of ownership, individuals and groups in the brotherhood of man are enjoined to co-operate with one another in patterning life on earth in accordance with Islamic economic philosophy. Economic relations, especially those in development, production and exchange of wealth, should be co-operative in nature. 'Rivalry and cut-throat competition make no sense in this context'. The Islamic view of co-operation does not rule out free and fair competition in the market (local, regional or global), provided all economic agents adhere to Islamic morality. This makes it still more necessary to visualize how the co-operative spirit will translate itself into action where many different countries and millions of individual units are involved, knowledge is imperfect and communications involve costs.

The Muslim society orients its policies in order to ensure sufficiency and peace for all and any relaxation in this regard is looked upon as rejection of the bounties of Allah. Economic development and integration have become a necessary condition to be fulfilled to enable the Muslim or Arab peoples to secure human welfare in general and economic welfare in particular in order to achieve a good life goal with all its dimensions, the economic aspect being only one of them.

This goal cannot be achieved while Arab or Muslim countries continue to have conflicts with each others and to be politically and economically subservient to the world super powers. Before the economic liberalization, they have to achieve the political and economic independence and liberalization.

'The Third World, including Arab countries, only exists because it has been created. The creative force was not history or geography, or economics. It was psychology and politics, namely 'Western guilt' and the politics of foreign aid, which between them conjured up 'the Third World'. Without foreign aid there is no Third World. West is responsible for the poverty of most of developing world. Once the psychological and political influences on the identity of the Arab world have been clarified, the further question of whether they share a common type of economy will be addressed.'

However, a narrow nationalistic approach to economic development and co-operation do not harmonize with the Islamic spirit which calls for a *global approach* ensuring mutual co-operation between the rich and poor nations to enter in an era of universal prosperity and banish hunger and fear from human society.

Despite the great attention paid to the cooperation and integration by Arabs no real or considerable progress is made along these lines.

The Arab League was the first to call for agreements for economic cooperation among Arab countries. It made the proposal some forty years ago before most of the international economic cooperation projects now underway were even mooted. But the Arab politicians paid no enough attention to economic cooperation and integration and began to talk about political and military cooperation. Economic cooperation was thus omitted from their agenda. The Arab League has never been able to grasp the importance of the economy as a means of realizing political goals. Business and commerce were things that Arab politicians looked down on. They considered them the effects, not the causes, of political action. But now, with the emergence of various international blocs, the issue no longer needs to be argued.

However, reviewing all attempts of cooperation, alliances or integration among Arab or Islamic countries in the last four decades we find big projects at the beginning and very little or nothing was left at the end. Some of these projects are:

1. The emergence of new centers of development and investment finance;
2. Arab fund for economic and social development
3. Kuwait Fund for Arab Economic Development
4. Abu Dhabe fund for Arab economic Development
5. Council of Arab Economic Unity
6. Gulf Cooperation Council (GCC)
7. Arab Bank for Economic Development in Africa
8. Arab Maghreb Union: Algeria, Libyan, Mauritania, Morocco, Tunisia (AMU)
9. Arab Monetary Fund (AMF), 1976
10. Arab Trade Financial Program (ATFP)
11. Arab Common Market, 1964
12. Arab Free Trade Zone

Of course, we can not exclude the possibilities of achieving some success for schemes of partial economic integration on a limited scale, say between some regional countries such as GCC. Fortunately, the Gulf countries, led by Saudi Arabia, have realized the importance of creating a free trade bloc. Even more importance the reforms undertaken by the Gulf countries to strengthen their financial systems and diversify their investments in other resources besides pure oil production. Even though these steps are considered small when compared to other non-Arab countries, they are a step forward. The next important move is to focus on creating the regional trade zone. It is going to be hard, but evidence is ample that free trade zones are growing even among the world's poorest countries, as in South America and Africa, despite their existing political problems. An even bigger trade region could also be formed with other non-Arab Asian or European countries to create a stronger alliance with a GDP big enough to support the members competency against other trade economic blocs.

Indeed, Arabs have all now woken up to certain basic realities. All of them have realized the fact that the world has been transformed into economic blocs which carry political weight. They are even at last admitting the failure of political and military cooperation. In the same way, they have realized that the idea of the Arab Common Market forgotten by themselves has become a focus of

interest to others who have proposed a Middle East Market project with parameters being drawn by alien hands.

Libyan leader Moammar Gaddafi has several times called for Arab political, economic unity and argues that his country would open its markets to the other Arab countries to tie the social and economic relations among the region and to cooperate to achieve the social, political and economic stability. President Mubarak of Egypt stresses the importance of Arab countries achieving an Arab economic bloc operating in a world order based on balance and equality. The Emir of Qatar emphasized the importance of comprehensive development through regional cooperation and integration. The recent progress achieved by some of the Arab countries in forwarding economic reform, strengthening the role of the private sector and increasing the industrial products will contribute to the success of the expected agreement of the Arab Free Zone. It is not expected that all the Arab countries will sign the agreement, due to the disparity between economic systems in the Arab world. Those countries that are going to sign the agreement are the ones that have achieved more progress in economic reform programs. The other countries will be able to sign later, which will help develop the bilateral economic relations between the Arab countries.

The problem with the Arab common market has never been a theoretical one. Sudan could be the bread basket of the Arab region, the Gulf its oil reservoir, Egypt its labor force, Syria its farm and Morocco a great market. All these were and still are known facts. But what has been missing is the plan, the determination, and the operationalization of that plan. And they are still missing. The mutual trust, commitment and the spirit of cooperation are also missing. Increased commerce and investment among the Arab countries will diminish the mistrust that has long divided governments and prevented private sectors from working together for their mutual benefit and that of other societies.

The economic independence or interdependence in form of cooperation and integration instead of merely competition, is the today's most important issue for Arab prosperity and development. There could also be products manufactured in different parts of the region and marketed for the whole region. For example, a car assembled in Syria, with the engine manufactured in Egypt, plastic parts manufactured in Saudi Arabia, furniture in Morocco etc. This is a simple dream which seems to be very difficult to be realized. Why such a simple dream is difficult to be realized by the Arabs? The answer is simple: it's not because of economical or political reasons, but because of sociological reasons, e.g. trust and commitment!

Arab world is still suffering from a state of fragmentation and disruption. They have to rearrange their Arabic House from the inside to help their nation to stand on its feet and to launch it with full vigor along the path of progress and prosperity. One of the most important issue for Arab countries to help its Arabic house to recover its health is to review their present conditions and problems with honesty and candor, as they proceed from their faltering present to a future fraught with challenges and opportunities. They have to realize that the way they deal with these challenges and opportunities is bound to have a direct impact on their nation's destiny and the kind of future that awaits them.

Although there is a great interest for Arab cooperation and integration, it would be quite ironical to talk about immediate successful schemes for economic integration among Arab or Islamic countries. Some reasons are the greed of many Arab nations in becoming the leaders in every thing without realizing their areas of strength and weakness, the high illiteracy rate of many Arab countries (education is a necessary element to compete economically), and the territorial disputes between many Arab countries which result in conflicts that interfere with economic planning. The example of Arab common Market is quite enough in this respect. If Arabs like just to talk about their dreams and hops without taking serious actions towards first rearranging and rebuilding the Arab house from the inside, I strongly believe that this will never happen in the near future.

It is quite strange that actually, a great part of the world is cooperating and integrating to achieve more developments and improvements right now, but not Arabs. They still have conflicts and they are fighting between each others. There are actually conflicts between the following Arab brothers and sisters: Syria - Palestine, Syria-Jordanian, Syria-Iraq, Gulf-Gulf, Egypt-Sudan, Algeria-Morocco. Some Arab countries impose customs duties of up to 100 per cent on imports form other Arab countries. This is something which even Israel of any other country does not do. The US-GCC (Gulf Cooperation Council) bilateral trade and other investment and business relations are strong enough more than between GCC and other Arab countries.

Thus, the main problem now is not that those in charge of the project of Arab Common Market, the project of economic integration or representatives of Arab league's member countries- are not showing enough enthusiasm and dreams. The Arab real problem is not with United States, Israel, or other Western countries. If the Arabs stopped blaming others for all their troubles and worried more about their own identity, values, religion, education, experimented science and technology, sounding economic liberalization and economic integration among themselves, their economies would quickly become competitive. We have to admit that it is clear that the economic woes of the

Arab countries stem more from their own internal policies than from the conflict with others. For the Arab world, it has become a matter of some urgency to develop such an economic integration in order to allow the region to move beyond the current position where inter-Arab trade presents only 8 per cent of the Arab world's total trade.

Unless Arabs create mutual trust and commitment and learn from other nation's economic experiences, they will always remain the last in everything and ultimately the biggest losers. The real issue is the trust, commitment between Arab governments as well as their capability to readiness to face the storm of protests that will be unleashed by importers and local manufacturers who may fight any idea that will result in a loss of their market share, no matter how small. And the biggest test for Arab counties will be if they are flexible enough to adopt the idea and treat it as a matter of strategic importance to be implemented in the shortest possible time? They should ignore the talk about domination of countries. All will realize after a while that whatever domination there is, it will be win-win relationship, mutual interdependence, and mutual interest of all. The representatives of Arab countries who are trying to setup free market have a chance to achieve their aim now.

There is no substitute for mutual trust and commitment as well as for Arab common market and economic integration. Without such a mutual trust, commitment and interdependence, economic cooperation and integration will be limited and will fail to achieve its ultimate goal. An Arab economic integration or real cooperation will provide better economic opportunities for all Arabs and lessen threats of Arab dependence on foreign nations, particularly the West, for most of its consumer and industrial products. Most of Arab nations are buying goods and services from Europe, Asia and the United State. A free trade agreement or Arab common market will naturally speed up their industrialization and substantially increase the wealth of almost all the Arab nations. Such economic co-operation will increase the market size of any Arab country and naturally create the factors necessary for the Arab nations to become producers and exports rather than just importers and consumers. It also will create the necessary for Arab nations to be equal partner in the global era and gives them the fair opportunity to compete more effectively which reduce the tension between them and the Western countries.

The Arab countries' habit of disagreeing with each other on strategic policies has resulted in their economies being a little behind for example the Asian tigers. Arabs have to improve their internal relations with each other in order to build up a mutual trusting and cooperating atmosphere. For

any real development to take place in the Arab economies, it is vital that some positive internal changes have to be realized.

The economic reforms now being applied by Egypt and Jordan as part of the Structural Adjustment programs advocated by the international financial institutions promote an ever larger role for the private sector, with a transfer of ownership from the State into private hands. One of the most significant actions taken by the Egyptian government in this regard was the introduction of the policy of more open and market-oriented economy. The State is gradually withdrawing from its regulatory role to give free rein to the rules of the market. These economic reforms have social consequences. Privatization process, in several sectors of the economy, is gathering pace, threatening thousands of jobs and exacerbating the already high level of unemployment (about 13 per cent in both Egypt and Jordan).

The development of the Egyptian market through foreign investment including investment of other Arab countries is welcome in the form of joint ventures with the private and/or public sector. Priority is given to those projects designed to generate exports, encourage tourism, or reduce the need to import the basic commodities, as well as the projects which require advanced technical expertise or make use of patents or trade marks. These economic liberalization measures constitute a big push toward the revitalization of Egypt's economy through combining foreign capital and technology with Egyptian labor. Consequently, the role of the private sector in the country has been enhanced. *Unless* carefully and gradually implemented liberalization and economic integration among Arab countries often creates social and political tensions that can force a government to abandon or change drastically the policy. There is need for greater market liberalization as well as the need for government to unleash the creative forces of private industry. The economic reforms and integration among the region's countries can only become effective where there is democracy, social stability and above all lasting peace, of which sadly there is little prospect in this region for the time being.

The relationship between an Arab and another Arab has to be founded on amity, cooperation and giving counsel on a reciprocal basis, out of key points of agreement, rather than minor point of disagreements, to serve as their starting point. The relationship among themselves and between others should be based on peaceful coexistence. The state of disunity runs counter to the most distinctive characteristic of the present age, namely the inability of smaller entities to wield an influence in their international contemporary society wherein the trend is for such smaller entities to unite or merge together to form more powerful and efficient units. Arabic unity or at least an

Arab common market is not an impossible objective, nor is it wishful thinking. It must be a legitimate demand which they should be able to transform into a tangible reality provided that they put the interest of the whole before that of the part. There is no longer a place in the world that is isolated and is basking in the warmth of isolation.

Without cooperation and integration between Arab countries, it will be difficult for them to face the new global economic order. If such a cooperation is to survive, a regional SWOT (Strengths, Weakness, Threats and Opportunities) analysis, and a regional development plan should be prepared, taking into account each country's comparative advantage and preventing lateral competition between Arab countries. Table 1, however, presents some SWOT to be considered by Arab countries.

QUESTIONS A RESOLUTION MUST ANSWER

- 1)What is the function of OIC to ensure economic empowerment & development ?
- 2)What are the current economic problem in OIC member states?
- 3)What are the challenges in the regional integration among Islamic countries ?
- 4)What are the current economic crises the OIC member states are facing ?
- 5)Solutions to solve the economic crisis for both present & Future?
- 6)How can involvement of IDB group foster the economic development?
- 7) How can OIC implement the action plans on this agenda?

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