

## **MAXIMIZATION OF ECONOMIC COOPERATION AMONG MOSLEM COUNTRIES AND THE URGENCY OF “ISLAMIC COMMON MARKET”**

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*“O humankind! We have created you from male and female, and made you into nations and tribes that you may know one another. Verily, the most honorable of you with Allah is that (believer) who has at-taqwa” (al-Hujurat: 13)*

### **INTRODUCTION**

Moslem countries' economic performance are much varying. While minority are high-income countries, and the other parts are middle-income countries, majority of Moslem countries are categorized as low-income countries. Similar situation prevails in the context of economic resources. While several Moslem countries have abundant natural resources, and some other countries have abundant human resources, most Moslem countries have only scarce economic resources. However, in general, all Moslem countries are categorized as developing countries with little significance in world's economy.

Economic cooperation among Moslem countries can be a solution for the problem of economic development in these countries. Such cooperation is urge, not only supported by the clear normative-religious arguments, but also empiric-pragmatic considerations. Cooperation and mutual assistance (*ta'awun*) among Moslems are kinds of obligations stated clearly (*qath'i*) in holy Quran and Hadist. Besides, cooperation will also be an accelerator for the advancement of economic development in Moslem countries. However, whereas many agreements made by Moslem countries, the practices evidence that the cooperation is still far from optimum, not to mention decreasing, in the last years.

This paper discusses the urgency of economic cooperation among Moslem countries, its problems, and strategies for the

improvements. Acceleration for the realization of “Islamic common market” obtains a wide attention here as it is considered important to boost inter-Islamic trade. The early part of this paper explains general descriptions on Moslem countries' economic performance, followed by deeper explanations on current economic cooperation among Moslem countries, especially on trade. In the last part, problems arise in economic cooperation and the issues of Islamic common market are analyzed.

### **GENERAL DESCRIPTIONS ON MOSLEM COUNTRIES' ECONOMIC PERFORMANCE**

Moslem countries are relatively large portions of the world, viewed from their geographic position, politic-ideological group, and economic potency.<sup>1</sup> The number of Moslem countries joining in Organization of Islamic Conference (OIC) is 53 countries, spreading from North-West Africa to South-East Asia. Currently, Moslem countries'

<sup>1</sup> The use of the term “Moslem country” is actually more precise than “Islamic country”, because it refers to only countries where Moslem residents are majority. The use of the term “Islamic country” possibly raises serious controversies on how a country is considered as “Islamic”, as it refers to the concept of nation based on Islamic law. Such controversies tend to be contra-productive for Moslems, particularly in today's economic development context. More than one-third of Moslems live in non-Moslem countries (Siddiqi, 1992). In practice, the mention of “Moslem country” refers to the 53 members of the Organization of Islamic Conference (OIC).

total population reaches over 1.2 billions, or about one fifth of world's total population. Such a large population is not only potential human resources, but also a market promising mammoth economic gain. Likewise, while more than three quarters of world's oil deposit had by Moslem countries, other natural resources such as natural gas, minerals, forests, and marine resources are abundant in these countries.<sup>2</sup>

However, conditions of Moslem countries individually are much varying. The territories differ from 10 thousand square kilometers (Comoros, Brunei Darussalam, Gambia, and Lebanon) to more than two million square kilometers (Algeria, Kazakhstan, Sudan, Saudi Arabia). Likewise, the populations differ from less than five millions (such as Albania, Brunei, Comoros, and Djibouti, Gabon, Libya, Mauritania, as well as Suriname) to over 100 millions (such as Indonesia, Bangladesh, and Pakistan). Several countries are plentiful with valuable natural resources—especially oil and natural gas—such as countries in Arabic Peninsula and Caspian Sea. Countries in Asia (Indonesia, Malaysia, Pakistan, and Bangladesh) have diverse resources, but in Africa, some countries have no proper economic resources. With this range of economic potency, plus heterogeneity in political, cultural, as well as historical backgrounds, Moslem countries' economic performances are also diverging.

Viewed from "conventional" economic indicators (see table 1), Moslem countries' individual economic performance is indeed diverging. Even, the existence of great economic disparity is a conspicuous

character. Of 53 Moslem countries, several are high-income countries (Uni Arab Emirates, Qatar, Kuwait, Bahrain, and Brunei Darussalam) and several others are middle-income countries (Saudi Arabia, Malaysia, Turkey, Algeria, Lebanon, and Gabon). Remainders, or the majority of Moslem countries, are low-income countries including Indonesia, Afghanistan, Guinea Bissau, and Sierra Leone even hold less than US\$ 200 income per capita. The same phenomenon can also be concluded from GNP per capita data with purchasing power parity (PPP).

The rates of growth of Moslem countries' GNP per capita are also fluctuating, indicating instability and weak economic foundations. Southeast Asian countries initially stated to have good economic performance and growth, such as Indonesia and Malaysia, have been attacked crisis since the middle of 1997. The rates of growth of real GNP per capita in these countries become –18.0 and –8.0 percents respectively, though they reached over 5 percents average in 1990-est. Such a negative growth also experienced by Bahrain, Brunei Darussalam, Comoros, Guinea Bissau, and Saudi Arabia, Sierra Leone, Togo, as well as Uni Arab Emirates. Even, wealthy countries in Arabic Peninsula have experienced low growth rate or negative growth rate from 1985 to 1995 (Naqvy, 1999).

While many Moslem countries bear large external debts, some other Moslem countries can be categorized as creditors. Countries such as Chad, Sierra Leone, Cameroon, and Jordanian, Tunisia, as well as Lebanon are small and medium debtors. Other countries including Indonesia, Malaysia, and Egypt, Morocco, as well as Syria are large debtors. On the contrary, countries in Middle East such as Saudi Arabia, Kuwait, and Uni Arab Emirates have no external debts.

<sup>2</sup> Because of political and technical reasons, the estimation of natural resources in Moslem countries does often not include countries in Caspian region and Central Asia (such as Azerbaijan, Kazakhstan, Turkmenistan, Afghanistan). For example, the potential of oil deposit in Caspian region is more than 2.5 – 4.5 billion tons (according to the US Energy Secretary) or, even, more than 10 billion tons in the sea and 4 billion tons in Azerbaijan (according to Vladislav Shorokhov). See, Assadov, 1999.

**Table 1.** Fundamental Indicators of Moslem Countries' Economy

Country	Territory (000 km <sup>2</sup> )	Population (millions)	GNP/Capita (US dollars)	Real Growth of GNP/Capita (%)	Exchange Rate (Per US dollars)
	1997	1998	1998		1999
1. Afghanistan	652	25.1			3.000,00
2. Albania	27	3.3	810	6.8	135,12
3. Algeria	2.382	29.9	1.550	3.6	69,31
4. Azerbaijan	87	7.9	480	8.9	4.378,00
5. Bahrain	0,7	0.6	7.640	-1.5	0,38
6. Bangladesh	130	125.6	350	4.2	51,00
7. Benin	111	5.9	380	1.9	652,95
8. Brunei	5	0.3		-1.8	1,67
9. Burkina Faso	274	10.7	240	3.8	652,95
10. Cameroon	485	14.3	610	3.8	652,95
11. Chad	1.259	7.3	230	5.5	652,95
12. Comoros	2	0.5	370	-2.5	489,72
13. Djibouti	23	0.6			177,72
14. Egypt	995	61.4	1.290	4.5	3,41
15. Gabon	258	1.2	4.170	3.2	652,95
16. Gambia	10	1.2	340	2.0	11,55
17. Guinea	246	7.1	530	1.5	1.736,00
18. Guinea Bissau	28	1.2	160	-30.4	652,95
19. Indonesia	1.812	203.7	640	-18.0	7.085,00
20. Iran	1.622	61.9	1.650	-0.2	1.752,29
21. Iraq	437	22.3			0,31
22. Jordan	89	4.6	1.150	0.5	0,71
23. Kazakhstan	2.671	15.6	1.340	-1.2	138,20
24. Kuwait	18	1.9			0,30
25. Kyrgyz Rep.	192	4.7	380	2.8	45,43
26. Lebanon	10	4.2	3.560	1.4	1.507,50
27. Libya	1.760	5.3			0,46
28. Malaysia	329	22.2	3.670	-8.0	3,80
29. Maldives	0.3	0.3	1.130	4.4	11,77
30. Mali	1.220	10.6	250	1.3	652,95
31. Mauritania	1.025	2.5	410	1.5	225,00
32. Morocco	446	27.8	1.240	5.3	10,09
33. Mozambique	784	16.9	210	9.7	13.300,00
34. Niger	1.267	10.1	200	4.8	652,95
35. Oman	212	2.3			0,38
36. Pakistan	771	131.6	470	0.5	51,78
37. Palestine		2.7	1.560	3.0	
38. Qatar	11	0.7			3,64
39. Saudi Arabia	2.150	20.7	6.910	-1.0	3,75
40. Senegal	193	9.0	520	3.8	652,95
41. Sierra Leone	72	4.9	140	-2.9	2.276,05
42. Somalia	627	9.1			
43. Sudan	2.367	28.3	290	2.7	257,70

44. Suriname	156	0.4	1.660	2.5	987,50
45. Syria	184	15.3	1.020	-2.3	11,23
46. Tajikistan	141	6.1	370	13.3	
47. Togo	54	4.5	330	-3.5	652,95
48. Tunisia	155	9.3	2.060	4.1	1,25
49. Turkey	770	63.5	3.160	2.3	541.400,00
50. Turkmenistan	470	4.7			5.200,00
51. Uganda	200	20.9	310	2.8	1.506,04
52. U.A. Emirates	84	2.7	17.870	-10.6	3,67
53. Yemen. Rep.	528	16.6	280	4.3	

Source: Islamic Development Bank, 2001

**Table 2.** External Debt Indicators in Moslem Countries (1980-1995)

COUNTRY	Total External Debt (US\$ millions)		External Debt as percentage of			
	1980	1995	GNP		Total Export	
			1980	1995	1980	1995
Chad	285	908	39.5	81.4	399.6	339.0
Sierra Leone	435	1.226	38.3	159.7	157.7	1163.5
Niger	863	1.633	34.5	91.2	132.8	571.7
Burkina Faso	330	1.267	19.5	55.0	88.0	346.1
Bangladesh	4.230	16.370	32.6	56.3	360.4	298.2
Uganda	689	3.564	54.6	63.7	208.1	555.1
Guinea Bissau	145	894	137.8	353.7		1874.3
Mali	732	3.066	45.4	131.9	227.3	467.1
Yemen Rep.	1.684	6.212		155.2		192.1
Gambia, The	137	426	61.5		206.6	235.1
Benin	424	1.646	30.2	81.8	133.1	285.6
Pakistan	9.930	30.152	42.4	49.5	208.7	257.9
Mauritania	843	2.467	125.5	243.3	306.1	458.5
Guinea	1.134	3.242		91.2		453.4
Senegal	1.473	3.845	50.5	82.3	162.7	274.3
Cameroon	2.588	9.350	37.9	124.4	140.7	338.3
Egypt, Arab Rep	19.131	34.116	89.2	73.3	207.7	208.1
Indonesia	20.938	107.831	28.0	56.9		202.9
Morocco	9.247	22.147	50.7	71.0	213.9	200.9
Syrian Arab Rep	3.552	21.318	27.2	134.8	106.3	336.8
Jordan	1.971	7.944		126.2	129.9	163.8
Tunisia	3.527	9.938	41.6	57.3	96.0	113.2
Lebanon	510	2.966		25.5		152.7
Turkey	19.131	73.592	27.4	44.1	333.1	177.8
Gabon	1.514	4.492	39.2	121.6	62.2	160.3
Malaysia	6.611	34.352	28.0	42.6	44.6	40.8
Oman	599	3.107	11.2	29.5	15.4	48.2
Saudi Arabia						
Kuwait						
Uni Arab Emirates						

Source: World Bank (1997)

On average, comparing to that in 1980, these Moslem countries' external debts increase up to 47 percents in 1995, though all developing countries' external debts increase up to only 43 percents. The increase of such external debts surely raises Moslem countries' burden. Some Moslem countries even experience dangerous economic position. Ratio of External debt to GNP in Sierra Leone, Guinea Bissau, Mali, Yemen, and Mauritania, Cameron, Syria, Jordan, Gabon as well as Indonesia, for example, reach over 100 percents (see table 2). Likewise, average ratio of total external debt to export rate reach over 200 percents in 1980 and increase drastically in 1995. At the same time, debt to service ratio in some countries reach far above 30 percents, such as in Sierra Leone, Guinea Bissau, Pakistan, and Indonesia, as well as Morocco.

## ECONOMIC COOPERATION AMONG MOSLEM COUNTRIES

### Normative and Pragmatic Backgrounds

The existence of great economic disparities among Moslem countries encouraged economic cooperation among these countries. This economic cooperation is in principle based on normative-religious and empiric-pragmatic motives. Normatively, cooperation is an obligation (*fardlu*) laid down in holy Quran and Hadist, which form a collective self-reliance. Some normative beliefs related to cooperation are (see Siddiqi, 1992; Nienhaus, 1992; Ahmad, 1992; Ali, 1999):

- Unity of Ummah  
Moslems are unity, and Islam is even a religion for all human being in the world. Allah states in holy Quran:  
*"Truly, this, your Ummah [Shariah or religion (Islamic monotheism)] is one religion, and I am your Lord, therefore worship Me (Alone)."* (al-Anbiya: 92)
- Natural of Differences

Naturally, there are many differences among people, and so are economic conditions in Moslem countries. All differences are temptations for human obedience to Allah. In holy Quran Allah states that:

*"And it is He who has made you generations coming after generations, replacing each other on the earth. And He has raised you in ranks, some above others that He may try you in that He has bestowed on you. Surely, your Lord is Swift in retribution, and certainly He is Oft-Forgiving, Most Merciful."* (al-An'aam: 165).

- Obligatory for cooperation  
Cooperation among Moslems is an obligation and, hence, cooperation is a religious service. Allah states:<sup>3</sup>  
*"O mankind! We have created you from male and female, and made you into nations and tribes that you may know one another. Verily, the most honorable of you with Allah is that (believer) who has at-taqwa."* (al-Hujurat: 13)

The existence of strong normative foundation should result in a strong cooperation among Moslem countries with characteristics (Ahmad, 1992): First, more than a new economic arrangement, where cooperation exceeds common economic mission, but also has transcendental dimensions. Second, a value oriented or moral approach, where the approach used is always based on moral considerations. Third, an Islamic approach, that Islamic norms should be comprehensive

<sup>3</sup> Some of Hadist relevant in this context are:

- *"Orang mukmin yang satu dengan yang lain seperti bangunan yang menguatkan sebagian akan sebagian lainnya"* (HR Bukhari-Muslim)
- *"Kamu akan melihat kepada orang-orang mukmin itu dalam hal kasih sayang di antara mereka, dalam kecintaan dan belas kasihan di antara mereka adalah satu tubuh. Jika satu anggota tubuh itu merasa sakit, maka akan menjarlah kesakitan itu pada anggota tubuh yang lain dengan menyebabkan tidak dapat tidur dan merasakan demam"* (HR Bukhari)

framework in such cooperation. Fourth, a unique approach to social change, the implementation of Islamic norms will result in a unique form of cooperation.

Besides, historical background where Moslems all over the world have ever been joined in a caliphate is also significant motivation for the cooperation. Even, from political perspective, movements for "Pan Islamism" are still actual issues until the middle of 20th century. Empirical conditions create the urgency of economic cooperation are among others:

- Almost all Moslem countries belong to developing countries, and even, some of them belong to least developing countries. As developing countries, they have the same interest to be faced with developed countries. Almost all Moslem countries currently have a close and "exploitative" relationship with western developed countries. The existence of a "common enemy" (or partner?), being realized or not, created the feeling of togetherness for these countries.
- The heights of some Moslem countries' GNP per capita are laid on economic gains from certain sectors particularly using un-renewable resources. The economy of wealthy countries such as Uni Arab Emirates, Bahrain, Saudi Arabia, and Brunei as well as Qatar is much depended on oil. In order to strengthen their economy, developing countries have to work out a closer cooperative program. The improvement of economic cooperation among Moslem countries will not only meet each country's need, but also improve the performance of these countries' international trade.
- The condition of Moslem countries is varying. Some countries have abundant natural resources, while some others have abundant human resources or labor. Some countries have abundant cap-

ital, while some others belong to highly indebtedness countries. The variation will be potency for a mutually benefit economic cooperation.

- Many valuable natural resources in Moslem countries have not been managed carefully. Majority of Moslem countries so far cooperate with (non-Moslem) developed countries in managing these natural resources.<sup>4</sup>
- Since the last two decades, world's economy has moved toward the same direction, i.e. globalization and regionalization. Globalization with trade liberalization as its content evidenced to potentially bring serious threat and economic loss –rather than economic gain– for developing countries, including Moslem countries.<sup>5</sup> Along with globalization, regionalization is also emerging signed with economic/ trade blocks, both formed by non-Moslem countries, non-Moslem and Moslem countries, and fellow Moslem countries. The emerging of European Union with its sole currency (Euro which is officially used on 1 January 2002), NAFTA (North American Free Trade Area), APEC (Asia Pacific Economic Cooperation), and ECO (Economic Cooperation Organization), as well as GCC (Gulf Countries Coun-

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<sup>4</sup>It has been generally known that Moslem countries' main partners in managing natural resources are Western developed countries, such as in Indonesia, Malaysia, Saudi Arabia, Kuwait, and Uni Arab Emirates. Even, Western corporations such as BP-AMOCO, Exxon, Chevron, Pennzoil, UNOCAL, Statoil, and Total, as well as Elf Aquitan have more roles that are dominant in Caspian region than other corporations from Moslem countries. Three Moslem countries have a little roles in this region are Turkey, Iran, and Saudi Arabia. See, Assadov, 1999.

<sup>5</sup>Several researches show the similar conclusions, that world trade liberalization tends to benefit more to Western developed countries. Of US\$ 213 billions total benefits obtained by GATT member countries, developed countries benefit more than 67% (See, Goldin, et al, 1994; IBRD, 1992).

cil) are parts of this regionalization phenomena.

#### **Moslem Countries Internal Trade**

In general, Moslem countries' contribution to world's trade is not significant, even among Moslem countries themselves. Moslem countries' contribution to world's trade in the period of 1996-1998 is less than 7%, even though the average developing countries' contribution as whole reaches 33% (see table 3). In such period, Moslem countries' contribution decreases, as the similar phenomena also experience in world's and other developing countries' trade. Whereas world's export increases to 6.5% in 1997, in 1998, it decreases about 2.6%. Likewise, in 1998, developing countries' export declines about 5.1% and Moslem countries' export even declines 14%. This decrease simultaneously caused by among others economic crisis in some Asian countries, its contagion effects, and the decrease of global demand, as well as the decline in world's oil and other primary commodities price (IDB, 2001).

The largest part of Moslem countries' exports have been surely destined to developed countries, though the nominal de-

creased from 1996 to 1998. In 1996, Moslem countries' exports to developed countries reached US\$ 200.9 billion and decreased to US\$ 183.7 billion in 1998. Developing countries in general have also been being main export destinations. In 1996, Moslem countries' exports to developing countries reached US\$ 157 billion. This number increased to US\$ 166 billion in 1997, before the decrease of US\$ 138.8 billion at the year-end.

At the same time, the proportion of Moslem countries' import is also relatively small. Whereas the total volume of Moslem countries' import reaches 6.8% in 1996, in 1998, this volume decreases to 6.2%. Similar phenomenon exists in the volume of Moslem countries' import both from developed and developing countries, i.e. reaches 6.1% and 8.35 in 1996, and decreases to 5.6% and 7.5% in 1996 respectively. In contrast, the proportion of Moslem countries' import from fellow Moslem countries' increases, although its nominal is lower than that from world countries as whole. In 1996, intra-trade volume of Moslem countries is only 10.1% of their international trade volume, but in 1997, it increases to 10.4%.

**Table 3**  
**Intra and Inter-Trade Among Members IDB, Developed Countries, and Developing Countries**  
**1996-1998 (in US\$ billion)**

To From	World			Industrial Countries			Developing Countries			IDB Members		
	1996	1997	1998	1996	1997	1998	1996	1997	1998	1996	1997	1998
World	\$ 5279	5622.8	5474.6	3416.4	3643.9	3681.7	1792.1	1916	1738.1	357.4	379.4	339.4
	% 100	100	100	64.7	64.8	67.3	33.9	34.1	31.7	6.8	6.7	6.2
Industrial Countries	\$ 3513.9	3737.8	3686.3	2459.1	2621.7	2664.4	1020.7	1081.8	997.3	214.6	231.2	204.7
	% 66.6	66.5	67.3	70.0	70.1	72.3	29.0	28.9	27.1	6.1	6.2	5.6
Developing Countries	\$ 1763.0	1882.3	1785.8	956.1	1020.9	1016.2	769.7	832.8	739.4	145.6	153.5	134.3
	% 33.4	33.5	32.6	54.2	54.2	56.9	43.7	44.2	41.4	8.3	8.2	7.5
IDB Members	\$ 368.6	383.4	330.3	200.9	209.6	183.7	157.5	166.0	138.8	37.2	37.7	34.4
	% 7.0	6.8	6.0	54.1	54.7	55.6	42.4	43.3	42.0	10.1	9.8	10.4

Source: IDB, 2001

**Table 4.**  
IDB Members Internal Trade in 1998 (1418 –1419 H) (US\$ million)

Countries	Internal Export	Total Ex- port	% Internal Export to Total Ex- port	Internal Import	Total Im- port	% Internal Import to Total Im- port
1. Afghanistan	43	143	30.1	155	495	31.3
2. Albania	3	255	1.2	51	865	5.9
3. Algeria	741	10.991	6.7	788	9.927	7.9
4. Azerbaijan	288	699	41.2	556	1.601	34.7
5. Bahrain	815	3.117	26.1	521	2.831	18.4
6. Bangladesh	187	3.822	4.9	550	6.863	8.0
7. Benin	46	246	18.7	51	1.048	4.9
8. Brunei	11	1.985	0.6	314	2.394	13.1
9. Burkina Faso	26	191	13.6	26	641	4.1
10. Cameroon	158	2.026	7.8	203	1.702	11.9
11. Chad	3	124	2.4	40	153	26.1
12. Comoros		4	0.0	10	48	20.8
13. Djibouti	101	125	80.8	75	514	14.6
14. Egypt	119	4.899	2.4	1.738	22.100	7.9
15. Gabon	69	2.223	3.1	104	1.171	8.9
16. Gambia	4	128	3.1	3	341	8.8
17. Guinea	45	814	5.5	37	740	5.0
18. Guinea Bissau	1	75	1.3	15	93	16.1
19. Indonesia	4.645	54.341	8.5	2.821	29.185	9.7
20. Iran	1.401	12.861	10.9	1.221	13.107	9.3
21. Iraq	11	3.959	0.3	95	1.338	7.1
22. Jordan	599	1.348	44.4	728	3.913	18.6
23. Kazakhstan	713	4.852	14.7	580	5.258	11.0
24. Kuwait	626	7.922	7.9	383	7.489	5.1
25. Kyrgyz Rep.	65	513	12.7	268	841	31.9
26. Lebanon	348	716	48.6	805	7.060	11.4
27. Libya	941	7.052	13.3	632	3.560	17.8
28. Malaysia	4.397	73.470	6.0	2.143	58.319	3.7
29. Maldives	7	98	7.1	167	433	38.6
30. Mali	24	286	8.4	63	1.237	5.1
31. Mauritania	34	499	6.8	87	391	22.3
32. Morocco	246	4.634	5.3	744	8.427	8.8
33. Mozambique	3	271	1.1	104	1.360	7.6
34. Niger	9	271	3.3	41	630	6.5
35. Oman	187	4.424	4.2	1.488	5.097	29.2
36. Pakistan	1.406	8.433	16.7	3.130	9.308	33.6
37. Palestine						
38. Qatar	429	4.911	8.7	592	3.842	15.4
39. Saudi Arabia	4.856	41.424	11.7	3.742	42.443	8.8
40. Senegal	153	536	28.5	192	1.650	11.6
41. Sierra Leone	1	147	0.7	16	200	8.0
42. Somalia	180	197	91.4	131	280	46.8
43. Sudan	238	546	43.6	660	1.976	33.4
44. Suriname	1	436	0.2	2	552	0.4
45. Syria	1.105	2.890	38.2	525	3.895	13.5

46. Tajikistan	343	577	59.4	423	738	57.3
47. Togo	79	420	18.8	95	1.106	8.6
48. Tunisia	488	5.748	8.5	1.076	8.827	12.2
49. Turkey	4.383	26.974	16.2	4.224	45.935	9.2
50. Turkmenistan	343	575	59.7	547	1.116	49.0
51. Uganda	3.331	25.201	13.2	4.594	32.882	14.0
52. U.A. Emirates	15	416	3.6	44	890	4.9
53. Yemen. Rep.	180	1.497	12.0	833	2.167	38.4
<b>Total</b>	<b>34.447</b>	<b>330.312</b>	<b>10.4</b>	<b>38.460</b>	<b>358.979</b>	<b>10.7</b>

Note: All export data is f.o.b and import is c.i.f

Source: Islamic Development Bank, 2001

Viewing the above structure of trade, we can conclude that Moslem countries economic integration is relatively low. Of their international trade, more has not been done with Moslem countries. However, there is a tendency toward the increase of such economic integration, as appeared from the enlargement of Moslem countries intra-trade proportion from 1996 to 1998.

Nevertheless, Moslem countries individual intra-trade seems to have a slight different picture. Some countries have a relatively large proportion of Moslem countries intra-trade, both in term of export and import. During 1998, there are 12 countries (Afghanistan, Azerbaijan, Bahrain, Djibouti, Jordan, Lebanon, Senegal, Somalia, Senegal, Sudan, Syria, Tajikistan and Turkmenistan) having more than 25% Moslem countries intra-trade proportion in export. Related to import, there are also 14 countries (Afghanistan, Azerbaijan, Chad, Comoros, Kyrgyz Republic, Maldives, Mauritania, Oman, Pakistan, Somalia, Sudan, Tajikistan, Turkmenistan and Yemen) having more than 20% Moslem countries intra-trade proportion in import.

Nominally, the largest contribution comes from five countries, i.e. Indonesia,

Malaysia, Saudi Arabia, Turkey, and Uni Arab Emirates. Volume of total export among these five countries reaches US\$ 21.6 billion or about 63% of all Moslem countries internal export. After all, this volume is only a small part (9.8%) of their total export (US\$ 221.4 billion).

#### **Economic Block Intra-Trade Among Moslem Countries**

It has been known that many Moslem countries join in regional economic block and trade organizations, both with fellow Moslem countries and other non-Moslem countries. Among economic blocks involving Moslem countries, ECO, GCC, and D-8 are the largest, whereas Arab Maghreb Union (AMU), Economic Community of West African States (ECOWAS), and *Union Douaniere de Etats de l'Afrique Centrale* (UDEAC) are relatively small. Some Moslem countries join also in other larger blocks such as APEC and AFTA. Generally, it can be said that intra-trade volume of regional economic blocks among Moslem countries is also relatively low and having tendency to decrease, particularly compared to other economic blocks.

**Table 5.**  
Volume of Global Trade and Regional Intra Economic Block Trade  
Moslem Countries 1993-1995

Economic Blocks	1993			1994			1995		
	US\$ Million	US\$ Million	%	US\$ Million	US\$ Million	%	US\$ Million	US\$ Million	%
	101297	2524	2.5	103579	5169	5	124732	5111	4.1
<b>D-8</b>	298192	10248	3.4	320795	11938	3.7	391716	14304	3.7
<b>GCC</b>	171297	12480	7.3	154383	10058	6.5	179900	9925	5.5

Source: IDB, 2001

**Table 6.**  
Volume of Regional Intra Economic Block Trade  
Moslem Countries 1996-1997

Economic Blocks	Total Export (US\$ Million)			% Regional Intra Economic Block Export to Total Export		
	1996	1997	1998	1996	1997	1998
<b>GCC</b>	112400	120977	86817	4.48	4.38	4.16
<b>ECO</b>	64470	62493	55627	3.94	4.50	5.10
<b>AMU</b>	33947	34956	28924	3.37	2.63	2.57
<b>ECOWAS</b>	3179	3304	3613	5.44	4.66	4.95
<b>UDEAC</b>	4741	5090	4373	0.93	1.16	1.69

Source: IDB, 2001

Table 5 above shows that, during 1993-1995, the intra-trade volume of regional economic blocks among Moslem countries is less than 10% of their total international trade volume. In 1993, total international trade volume of ECO group is US\$ 101,297 million, whereas intra-trade volume of regional economic block is only US\$ 2,524 million (2.5%). Although there is a tendency to increase, but until 1995, this intra-trade volume of economic block does not exceed 5%. Total international volume and intra-trade volume of D-8 countries are the highest, although the proportion of intra-trade volume to total trade volume is relatively indifferent from that of ECO. Even, in 1994 and 1995, such proportion is less than that of ECO. GCC seems to have the largest proportion of intra-trade volume, i.e. US\$ 12,480 million or about 7.3% of its interna-

tional trade volume. However, until 1995, this volume has exactly been decreased.

Situation in the period of 1996-1998 is not so different. The proportion of GCC's intra-trade volume decreases along with the decrease of its total international trade volume, i.e. 4.48%, 4.38%, and 4.16% respectively. Smaller blocks such as AMU and ECOWAS have similar tendencies. Different tendency happens to ECO countries, whose proportion increases, though their international trade volume decreases. The same tendency happens to other smaller block, that is UDEAC. The low of total international trade volume and intra-trade volume of ECOWAS and UDEAC is assumed caused by the unavailability of accurate data on the trade, as many trades have been done in informal matters (Dongola, 1993; Saalih, 1995). The trade structure of these economic blocks can be seen in attachment.

## **PROBLEMS AND THE URGENCY OF ISLAMIC COMMON MARKET**

Although Moslem countries' intra-trade volume is not the only indicator for their economic cooperation, but it indicates that economic cooperation among Moslem countries has not been optimal. A deeper study on the content of Moslem countries intra-trade indicates the case of trade diversion rather than trade creation, and hence, provides less real benefit for the economy (Naqvi, 1999). Factors have frequently become constraint in Moslem countries cooperation are (Sadeq, 1990; Ali, 1999):

- The inexistence of serious commitment to make mutual economic cooperation. Normative foundations lain down in holy Quran and Hadist have not been able to motivate Moslem countries to practically implement such cooperation.
  - Some Moslem countries are involved in political and military conflicts, both domestic and internationally with other Moslem countries, such as Middle East countries.
  - There are many gaps on the notion of economic cooperation, and consequently, their targets and orientations are different. For example, GCC countries have a foresight to form an Arab Common Market (as European Common Market), whereas D-8 countries have so far no clear targets.
  - Differences in potential economic benefit and loss force Moslem countries to seriously calculate the impacts of such cooperation.
  - Varying economic performance, structure, and infrastructure have potential impacts possibly disturbing the economic cooperation. Some African countries have many weaknesses here rather than Middle Eastern and Asian countries.
  - Moslem countries' geographical positions are diverging throughout the world, causing technical problems for the implementation of economic cooperation.
- The improvement of economic cooperation among Moslem countries is seriously urgent, in these days and in the future. The existence of normative foundations in holy Quran and Hadist should be able to serve as motivator for the cooperation. Without having intention to ignore empiric-pragmatic-technical problems, these problems should be placed under normative foundations, and not vice versa. In other words, cooperation will be implemented is "more than an economic cooperation".
- Economic cooperation among Moslem countries should not be oriented to create an Islamic closed economy. Such an orientation is exactly contra-productive with economic development strategies as a whole. The orientation of Moslem countries economic cooperation is to fasten economic development in Moslem countries. Several issues need to be paid attention:
- Financial abilities of some wealthy Moslem countries can actually be alternative capital resources for majority of other Moslem countries having dependence on western developed countries. Thereby, wealthy Moslem countries earn profits, whereas another part of Moslem countries' vicious cycle of external debts can be solvent. Here, wealthy Moslem countries should agree to relocate their investments currently spreading in western countries' financial center.
  - Economic cooperation in general should be enlarged to various aspects of economic development. This cooperation should be directed to facilitate economic output and input mobility among Moslem countries, such as the elimination of tariff and non-tariff barriers and the simplification of fiscal and other administrative processes for investment and other capital flows. Waiting time for the implementation of world's trade liberalization, both in the scheme of

WTO-APEC or NAFTA, can be used to make special treatments in Moslem countries intra-trade. The existence of an Islamic Free Trade Area (IFTA) or Islamic Common Market (ICM) will benefit more than merely an Arab Common Market as the larger economic cooperation area and the more intense economic integration, the more benefits will be gained (Tinbergen, 1957, Sadeq 1990).

- In general, benefits will be gained from economic integration are (Copper-Massell-Johnson, 1965, Nienhaus, 1992): First, the increase of economies of scale as the market is enlarged. Second, a more intense and dynamic competition will emerge from the enlargement of trade in the economic block, especially with the existence of efficient producer in the block. Third, larger investments will exist with financial and resource supports from countries in the block. Fourth, with the investment relocation, marginal productivity of each resource will increase. Fifth, the division of labor will be better, as more job choices available. Sixth, generally, each country's term of trade will be better off. Moreover, the existence of Islamic Common Market will strengthen Moslem countries' bargaining power and position in world's economy.

The process of Islamic Common Market formation can be done in multistage as following:

1. Started from the optimizing of economic cooperation among present economic blocks, particularly three largest blocks ECO, GCC, and D-8. These three blocks should first improve their level of economic cooperation by forming a Sub Regional Islamic Common Market.
2. The next step is unification of the three blocks, GCC, ECO, and D-8, into a single larger block named Regional Islamic Common Market. Totally (in 1995), these blocks cover 75.6% of Moslem countries' total population, and their total GDP and intra-trade volume reach 81.5% of total Moslem countries' intra-trade volume. Moreover, these three blocks have relatively better requirements (such as economic performance, structure, and infrastructure) than others.
3. The last step, every Moslem country will be integrated in Islamic Common Market.
4. Gradually, such cooperation should also be accompanied with other steps of monetary aspect, i.e. by creating an Islamic Single Currency or at least Islamic Optimum Currency Area. The creation of optimum currency area will increase monetary efficiency among Moslem countries, as it decreases the risk of foreign exchange uncertainty (Krugman, 2000). In this scheme, Islamic Single Currency can be gradually used as Moslem countries intra-trade currency, and at the some time, to islamize world' larger monetary system.<sup>6</sup> The scheme of such process toward Islamic Common Market is attached.

## CONCLUSION

Economic cooperation among Moslem countries is so far not optimal, whereas normative-religious and empirical-pragmatically there is a strong urgency and potency for the cooperation. Despite the inexistence of strong commitment, some other factors such as political and military conflicts, geographical dispersion, and varying level of economic development have

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<sup>6</sup> Mammoth reformation effort in monetary system by returning to gold standard is one big issue in Islamic economics. Islamic Dinar has been mold and used limitedly as a legal currency in some countries (Uchrowi, 1999; Yulianto, 2000).

frequently become constraint in such cooperation.

Considering the strategic meaning of the cooperation, various steps should be done, among others: First, strengthening the commitment for the improvement of cooperation among Moslem countries, because such cooperation is basically "more than an economic cooperation". Second, economic cooperation among Moslem countries should not be oriented to create an Islamic closed economy, but to fasten economic development in Moslem countries and to toughen these countries' position in world's economy.

In a more technical term, the above steps can be in forms of: First, investment relocation from wealthy Moslem countries to other Moslem countries having need. Second, the maximization of economic cooperation toward Islamic common market formation can be implemented in multistage. From Sub Regional Islamic Common Market, Regional Islamic Common Market, and the last, Islamic Common Market involving all Moslem countries. Together with this process, Islamic Optimum Currency Area or even Islamic Single Currency can also be prepared gradually. With such process in monetary sector, efficiency in economic cooperation can be increased.

To fasten this idea, some Moslem countries should become leader (for instance wealthy Moslem countries), besides utilizing organized collective power through Organization of Islamic Conference (OIC). Multilateral organization founded by Moslem countries, such as Islamic Development Bank, should pay more attention to this cooperation.<sup>7</sup> Scientific forum on Islamic economics

should also pay more attention to practical efforts heading for the implementation of Islamic values in developing economy.

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<sup>7</sup> Several efforts have been done by IDB are (IDB, 2002, h. 73): the promotion of regional and intra-regional trade, support for the cooperation of Islamic banks and other Islamic financial institutions, financing for regional projects, and technical and biological transfers, as well as development facilities and

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consultancies for other Moslem countries. To improve Moslem countries' trade performance, IDB provides three financing schemes, i.e. Import Trade Financing Operation (ITFO), the Export Financing Scheme (EFS), and the Islamic Banks Portfolio for Investment and Development (IBP).

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**Attachment**

