

**The integration attempts in the fourth world**  
(The Case of Arab World)

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## **The integration attempts in the fourth world\*** (The Case of Arab World)

### **1 Introduction**

This paper derives from a concern with the contemporary Arab integration situation. It delves into the past only because otherwise it would be impossible to understand how the present came into being. And what the trends are for the near future. In the search for an understanding of what is now called 'Economic Integration' in the Arab world, the limits of enquiry have had to be fixed as far apart as the previous century.

Ideally an analysis of Integration and joint ventures in Arab world should come even closer to the present than the end of the period in the 1940s. The phenomenon of contemporary blocs, demands extensive investigation, in order to formulate the strategy and tactics of Arab and gulf Trades' emancipation and development. (Development means a capacity for self-sustaining growth, it means that an economy must register advance which in turn will promote further progress).

This paper does not go that far, but at least certain solutions are implicit in a correct historical evaluation, just as given medical remedies are indicated or contra-indicated by a correct diagnosis of a patient's condition and an accurate case history. Hopefully, the facts and interpretation that follow will make a small contribution towards reinforcing the conclusion that Arab or gulf development is possible only on the equal basis with 'NORTH', which has been (for long period) the principal agency of underdevelopment of 'SOUTH' over the last five centuries.

### **2 The aim of this Paper**

The Arab economic integration is one of the Arab nation ambitions, which they never obtained the lowest step of, since the data of establishing the first national integration organization (Arab League), in 1946.

Many attempts were occurred by Arab integration legislation organizations, resulted all with failure, due to numerous barriers.

The aims of this chapter are:-

- 1-Focus on analysing performance of these organization, and historical foundational background are of the main aims of this chapter, in addition to a suggestion for a new model for more productive integration organization to elaborate the Arab integration efforts.
- 2- comparison of output of these organizations with integration theory and steps, is another aim of this chapter.
- 3- determination or pinpointing the Arab integration's impediment.

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\* The Arab Oil Producing Countries in general and Gulf countries in particular (after huge revenues) are wrapped under the umbrella of blind imitation. This consumption conduct contradicts to the suitable modes for their development and economic growth. In this historical period the Gulf and Arab Peninsula community, (since the beginning of last half of last century up till the end of the first half of this century), could well be related to the fourth world. In my view this 'concept' among the developed and the developing worlds, can have their opposites. These states are like the sick man who bears symptoms for the illness, which differ from the illness itself. The Arab & Gulf community than, the fourth world, include symptoms or shape of civilized world, from one side, and from other side hold the real disease of the backwardness or development world".

See Al-Rumaihi One of Kuwait's Intellectual "Social and Economic Development in Gulf communities", Kadmah Publishing House, Kuwait 1977, P.9.

### **3 The Concept behind Arab Economic Integration**

Arab economies have suffered from two dominant drawbacks A- Backwardness or Underdevelopment<sup>1</sup>, B-Dependency;

the backwardness is not means the absence of development, because every people have developed in one-way or another and to a greater or lesser extent. Development. It is very much tied to the fact that human social development has been uneven and from a strictly economic view-point some human groups have advanced further by producing more and becoming wealthier. The moment that one group appears to be wealthier than others, some enquiry is bound to take place as to the reason for the difference. After Britain had begun to move ahead of the rest of Europe in the 18th century, the famous British economist Adam Smith felt it necessary to look into the causes behind the 'Wealth of Nations'. At the same time, many Russians were very concerned about the fact that their country is backward' in comparison with England, France and Germany in the 18<sup>th</sup> century and subsequently in the 19th century. Today, our main pre-occupation is with the differences in wealth between on the one hand Europe and North America and on the other hand Africa, Asia and Latin America. In comparison with the first, the second group can be said to be backward or underdeveloped. At all times, therefore, one of the ideas behind underdevelopment is a comparative one. It is possible to compare the economic conditions at two different periods for the same country and determine whether or not it had developed; and (more importantly) it is possible to compare the economies of any two countries or sets of countries at any given period in time.

A second and even more indispensable component of modern underdevelopment is that it expresses a particular relationship of exploitation; namely, Dependency. All of the countries, named as 'underdeveloped' in the world were exploited by others; and the underdevelopment with which the world is now pre-occupied was a product of capitalist, exploitation. African, Asian, societies were developing independently until they were taken over directly or indirectly by the capitalist powers. When that happened, exploitation increased, depriving the societies of the benefit of their natural resources and labour. That is an integral part of underdevelopment in the contemporary sense. The following features elaborate further the problems of negative dependency and backwardness particularly from the point of view of Arab integration:

- 1- Weakness, of the Arab economic relationships.
- 2- Regional gains are strongly tied to industrial countries, more so than with other Arab states;
- 3- This gap in the benefits accruing from industrial economies and those from Arab Countries are expanding;

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<sup>1</sup> For more details, see

- a- Shokair M. L. " Economic Relationship between Arab Countries And Arab League" The institute of Arabic Studies, Cairo , 1985, PP.6-28.
- b- Hugair Mubark "Solutions for Arab Economic Problems" Englo- Egyptian library, 1968 , PP.5-58.
- c- Al-barawi R. " Arab world Economy- From the Gulf to the ocean"Al-Nahdah library, Egypt , Second Edition, 1986 , PP.9-57.
- d- Barakat A.A. " Arab economic Resources" Sciences House, Egypt, Second Edition, 1966, P.P 492-562.
- e- Habib K. " Subjects in Arab foreign trade , the underdevelopment and dependency in Arab world Economy" Third Arab Economist Conference , Damascus-Syria 1971, P.P.455-457

4- Political decision-making in the region was and is greatly influenced by these ties with foreign countries and this phenomenon has led to the current divisions among Arab countries.

These points lead to the need for some basis for comparison between actual Regional development, and national development. Regional development should be viewed in the framework of [vertical] integration as against national development in context of the whole Arab region. This comparison should lead to initiatives to tackle simultaneously the problems of backwardness and dependency in the Arab World. In other attempts at comparing development, the focus has been on Isolated development as against global development. However, this ignores the point that national development is still a regional process for the time being. Though this may change in future.

Thus, it is the working hypothesis from the outset that Arab economic integration depends upon creating a large economic unit by combining all the present individual units together. This could do away with negative dependency on industrial nations. In addition, political unity could be encouraged through joint exploitation of economic resources for the Arab community as a whole.

Arab economic integration can thus be defined as being a long-term process aimed at ending negative dependency and removing divisions through cooperation and joint development. Therefore, to pursue economic integration it is very important to consider the following basic relationships:

- A- The relationship between economics and politics; the processes aimed at achieving unity must bear in mind both the political and economic aim, in that while politics may be the basis for taking the decisions that lead towards unity, such unity is underpinned by economic progress;
- B- The relationship between the process of national development and dependency, with the aim of reducing dependency through greater regional cooperation. The relationship between national benefit and regional sovereignty.
- C- The likelihood of relinquishing sovereignty becomes more probable as regional development leads to improved economic strength, which in turn leads to great national economic development.
- D- The relationship between economic integration and the exploitation of economic resources; thereby exploitation of resources (opportunity) increases as the speed of integration rises.
- E- The relationship between integration and the methods of economic development, as can be seen in a more equal distribution of prosperity that springs from integration.
- F- The relationship between integration and human resources; the chances of successful joint economic development and unanimity in decision-making will greatly increase, if combined with the objective circumstances for the entire populace to enjoy full freedom.
- G- The relationship between economic integration and economic welfare. The standard of living and general quality of life increase through successful integration, which in essence is the opposite of backwardness.

#### **4 Economic Integration & Territorial Development**

This section makes use of indicators taken from FAO statistics to briefly analyse Arab economic resources in comparison with the rest of the world to measure the relative impact of Arab countries and the distribution of these resources in the region.

##### **4.1 Agricultural Resources**

The total area of land of the Arab nations amounts to 10.2 km<sup>2</sup>. The Arab population amounts to 4.8% of the total world population. Looking at arable land, the volume of such land in Arab countries accounts for just 4.2% of the world total. 75% of this arable land is concentrated in just five countries: Algeria, Iraq, Morocco, Sudan and Syria. The volume of harvested arable land fell by 3.6% (1999), but still it represents 4.0% of the world total. The impact of regular falls in the harvested area can be seen in the yield. In 1999, total production in Arab countries amounted to only 1.9% of global production. Furthermore, it is interesting to note that the aforementioned five countries supplied 45% of the Arab total.

##### **4.2 Extractive Resources**

In 1997 the Arab countries had 55.3 percent<sup>2</sup> of world proven crude oil reserves. And 35 percent of total world oil production, this means that: -

1-The oil of Arab world has long expiration period compared to the total world production.

2-continuation of strategic importance for Arab area to the whole industrial countries.

In spite of high proportion of Arab oil production in the world, these countries had very low proportion of oil refineries (not exceed 3.6% of the world, in 1997).

In addition, the Arab countries participated with different proportions in the world minerals production, such as, Phosphate, Mercury, Iron, and Aluminium.

##### **4.3 Financial Resources**

Relatively, huge financial resources are available in the Arab world. These resources occupy high percentage compared to the whole world financial resources. However all revenues were fluctuated, due to the oil and US dollar exchange prices.

Arab revenues were characterized with bad distribution among the different economic sectors. Most of the gulf revenues had their way to foreign investments due to, the high Interest rate, lack and un-secured of local investment opportunities, and the un-stable public roles(the economic activities in Arab countries linked with political mode).

#### **5 The Direction of Arab Economic Relationships**

The Arab League established a framework for cooperation after the Second World War 22/03/1945 and this was the first attempt at building economic relations across a wide range of subjects. The aim was to create a regional organisation involving independent states that retained full sovereignty<sup>3</sup>. The development of the Arab League

<sup>2</sup> OPEC , Table No. 33 "World proven crude oil reserves by country" 1980-1997 (Million Barrels)

<sup>3</sup> a- Arab League , economic administration , Arab economic cooperation within Arab league and Arab organizations 1945- 1976, PP. 1-10

b-Arab Economic Unity Council " symposium of Agriculture integration in between Arabs Countries" Egypt, 2-7 April 1977 PP. 5-11.

was hindered, in a manner similar to the United Nations<sup>4</sup>, by its consultative nature combined with the contrasting positions of member states.

In 1950, the Arab League agreed the formation of the Arab Joint Defence and Economic Cooperation Council. This council was subsequently renamed as the Arab Social and Economic Council by League assembly resolution (No. 3552 – 1977). The impetus behind this name change was largely to make it obvious that this council was a counterpart of a similarly named council in the United Nations. The Council succeeded in reaching numerous agreements that were later implemented, especially with regards to facilitation of trade exchange and payment settlements (1953) and “Arab economic unity”(subsequent section ).

The project of Arab Unity was launched by the Arab League Political Committee decision of 1956. This project came to fruition after seven years in 1964. However, after thirteen years, only fourteen of a total of twenty Arab countries had approved this decision. Thus, this decision and process can be seen as a first attempt at achieving unity under the umbrella of the Arab League.

The League commissioned the Arab Economic Unity Council to examine the means for effecting integration. This decision was greatly influenced by the European Common Market. Council decision 17 (1964) laid the basis for the Arab Common Market Agreement, which came into effect in 13/08/1964 after being approved by Egypt, Iraq, Jordan and Syria. It should be noted that while Kuwait was the first country to sign the agreement, it has still not adopted it formally. Unfortunately, this agreement was flawed in that the wrong methodology was selected. This based the direction of integration on trade liberation, which was weakened by backwardness in structures of production. The free trade area objective of the agreement, which should have come into existence at the start of 1971, was never achieved for a number of reasons:

- Administrative restrictions as applied to trade and mobility, as well as upon shares, currency and licensing systems.
- Lack of a multilateral mechanism for settling trade exchange transactions.
- Members subsidised exports in order to keep prices low profit margins were increased on imported goods from other Common Market states, replacing the removed customs duties.

The following sections contain an analysis of foreign trade that shows clearly that trade with other Arab Common Market states has decreased while trade with other countries has significantly increased. The pattern of trade is typically characterised by imports of investment and consumable goods (industrial, agricultural & foodstuffs) and exports of raw materials (e.g. oil, iron, phosphates, cotton, livestock)(See Page33).

## **6 Means of Arab Economic Integration**

All studies into Arab economic development point to the importance of building economic ties in order to exploit resources jointly and to develop new production structures, generally by means of the following:

4 a – Shukri M.A. “ Arab League and its specialist agencies, in between theory and practice “ Al-Salasil publication ,Cypress 1983, PP.39-88.

b- Murad A. “ Arab Economic Constriction and development of commercial exchange , as interance for for arab economic integration “ Planning Symposium Arab economic unity Council , Cairo , 14-31/01-1975 , PP.36-38.

- 1-Coordination of development programmes or economic plans across Arab countries.
- 2- Establishment of Arab Joint Ventures to foster closer ties and to boost the Integration process. Such ventures can be split either by sector (where different stages of the production process take place in different countries) or geographically (all stages of the production process happen in each country).
- 3-Creation of Arab Organization for Standardization and Metrology specialized and qualified unions to assist in the coordination and integration of join project.
- 4- Re-building regional organisations (Arab League) that are proactive and capable of directing Integration, in contrast to the current, more consultative organisations,(Taking in consideration the globalisation and the new technology), in addition to Develop (gradually) the present Arab commissions, organizations, projects, Comitias and unions, by giving the priority to the more significant and effected Field.

The kind of institutions that should be considered urgently include:

A-The Arab scientific research institute, this institute should be include the four main departments

- a-Research
- b-transfer technology,
- c- productivity
- d- modern network & database .

The budget for this institution should come from permanent financial sources, such as:

- A fixed percentage of the net national income from extractive industries in Arab countries (say 5% per annum);
  - A fixed percentage of the profits (if there is!!) made by current Arab joint ventures in the public sector (say 10% per annum); Such as, Arab Mining Co., Arab Company for Drugs, Arab Company for Industrial Investment.
  - A fixed percentage of personal and business income in the form of a national tax (say 1% per annum);
  - Revenues generated by projects or initiatives run by the institute itself either in the form of dividends on a shareholding or through interest on loans.
- B- An enlarged Secretariat General of the Arab League encompassing:
- Branches and offices in other Arab countries.
  - A unified Arab citizenship to coexist alongside national citizenship in order to instil a sense of loyalty to the Arab union and help stem the flow of valuable human resources out of the Arab world.
- C- An independent, non-governmental organisation representing all Arab peoples, including all factions and movements, that together with the central government would share in making key decisions, but would remain outside of government influence.

This would address the situation that currently faces the Arab people, whereby: Democracy is largely absent and the people are not actively involved in national decision-making nor do they have a voice in setting national policy;

All Arab governments without exception have come to power either as a result of military coup or under the patronage of a dominant ruling family; Consequently, Arab governments are diverse in nature and form and this reduces the scope for coordination of planning or for regional integration.

Following page a suggestion of Organization chart to modify the Arab league organizations.

It is very important to shed light on present Arab league performance in general, and its attempts in the field of integration in particular, and the agencies and organization, which was founded by this national organization to support this type of work.

(With all contemporary norms, the Arab league considers as unsuccessful organization).

## **7 The Integration Organizations in the Arab World –Arab League the first Source of Integration Legislations**

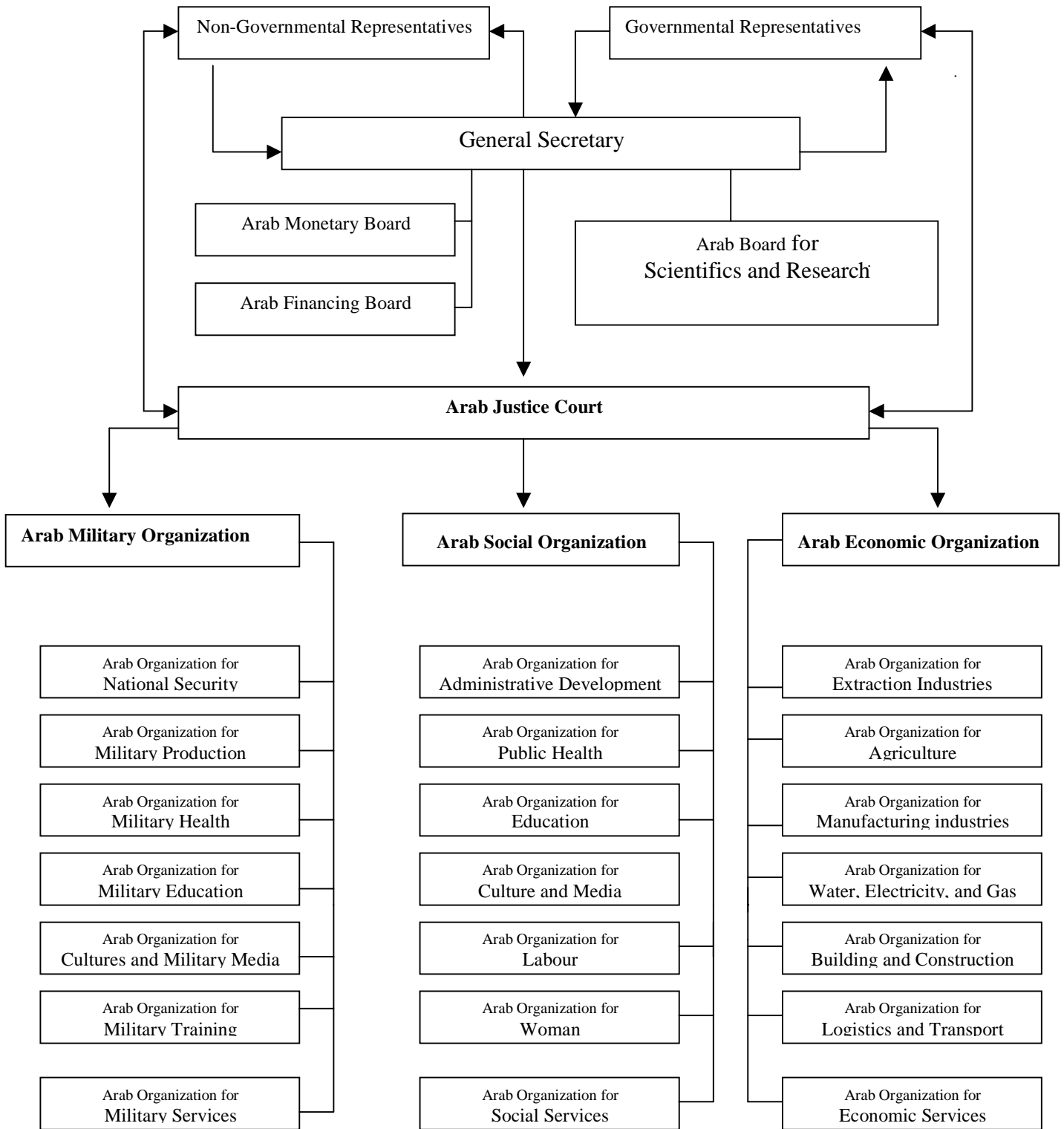
The promotion of trade, especially foreign trade, stimulated Arab and Gulf intelligentsia to organize a number of symposiums and seminars. All these meetings called for Arab joint venture and to establishment common market, Arab joint venture, and Arab industries, a joint Gulf market and economic integration. (See chapter three from our Ph.D thesis). The Arab joint venture, however, has taken manifold forms. Legislation sources also diversified, particularly after the accumulation of oil revenues in the Arab Gulf States.

As to the Arab economic integration and joint ventures, one may point out here that there have been thought of and executed long time before the 1970s. In the 1940s, for instance the Alexandria Conference was held for the period 25 September-6 October 1944 (Called Alexandria Protocol). This Conference has embodied the idea of the Arab league and draw up the general form. The Arab Charter signed in 22 March 1945 has followed this. It has been assayed that inception of the Arab League came in response to the calls of the Arab masses. The League in fact, was formed at that time for two main reasons. First, the Arab countries, following World War II, were weak in economic, military and political sphere. They, thus, found it quite suitable to economic integration and political plans, a step towards the realization of the Arab unity.

However, the Arab League is, in fact, the oldest Arab regional organization in the post-second World war which paid due attention to foster Arab economic cooperation. (2nd article of Arab League charter), being the essential basis in realizing pan-Arab unity.



**Chart No. 1.1**  
**Suggested Organization Stricture for Arab League**



Accordingly the Arab league was formed new organization, main function, was to but the Arab economic integration in reality.

### **7.1 Arab Economic Unity Council**

The Arab countries recognized, yet, that the realization of their goals is closely related to their progress and cooperation in the economic field. Article eight of the Arab joint defence agreement and economic cooperation signed on 13 April, 1950, stipulated the establishment of the Arab Economic Council. The Council was committed to raise suggestions pertinent to bringing out security, providing welfare for the Arab people, seeking to raise the standard of living, growing Arab economics, exploiting their various natural resources, facilitating the exchange of their national agricultural and industrial produces, and coordinating the economic activities at large. The Economic Council held a lot of meetings. In these meetings, the Council dealt with a large number of Arab economic cases and attempted at laying the foundations for joint venture in various economic spheres. It also sought to create and continue the intellectual and organizational framework for Arab joint venture in the economic sector. Such a drift facilitated the establishment of mutual economic ties among Arab countries and the emanation of non-governmental unions in various economic sectors, especially during the 1970s.

In the mid-1980s, however, the Council began to suffer a lot. In 1988, it became urgent to hold exceptional meetings to save the Economic Council from total collapse, where council failure to realize Arab Common market which it was one of economic council tasks. Some top Arab official sources expected that the Arab Economic Council would witness significant developments later on owing to the dispersion of the efforts of the member states (Al-Qabas Newspaper. No.5790. 25/6/1988 P.15).

The same paper added, quoting the above-mentioned sources, that the Arab Economic Council would observe, in the following month, some substantial changes including fusing or liquidating the non-productive projects. Besides, the Council has failed in creating the common Arab Market after 24 years of its establishment, despite all facilities and privileges granted to it through the large number of resolution, which exceeded 250 in number.

In 5 July, 1988, the Arab foreign ministries were called for an emergency meeting in Amman. A message, addressed to the Arab ministers of Finance and Economy, published in Al-Qabas Newspaper No. 5800, 5/7/1988, P.11), pointed to the tragic state and frustration on the part of Arab economic organizations. The Arab Economic Council,

it added, suffered from isolation and negligence, which conduced naturally to paralysis and decline. It suffered also from disproportionate shares and financial contributions of its member states. Out of the 12 members, only 4 paid 80% of the total budget, while the other states paid 20% only and the council became absolute paralysed. The council's sole achievement, since its foundation, was the establishment the Arab common market decision which stay that decision on paper only and remained non-vital, as most of the member states did not sign for its favour and had only 12 Arab members, the majority or greater parts were absence from the council meetings. The last meeting, the council had 2 ministers only out of 12.

The Arab Economic Council, during the 1980s, has proved to be a failure. While some member states expressed the wish to withdraw from the Council, others have actually withdrawn. Some member states did not pay their financial commitments; others have abstained from attending meetings. Reasons for such attitudes would then be dealt with in detail.

### **8 Arab Organizations of the Petroleum Exporting Countries (AOPEC)**

The Arab League, utilizing the second article of its charter, tended to qualify the problems of oil. It aimed at showing clearly its importance for Arab and world economics, and drew the attention of the member states for the injustice exercised on the Arab Countries as to Foreign privileges. This meant preventing these countries from using their rights in investing their natural resources, and consequently in deciding prices and programming production and transportation. The realization of such a policy requires the formation of technical boards concerned with the undertaking research. As a result, the Arab League formed the first limit form to Arab cooperation oil field, and presenting the Committee of Arab Oil Experts in 1951 according to the recommendation of ministers Committee of Arab League, in 1953, the Committee proposed three decisions for the political committee of the Arab League, these could well be looked at as a framework for an Arab real petroleum policy. As a response, a permanent oil council has been approved in 1956 in the Bureau of the Arab League. This Bureau has gradually developed to become in 1959 an office for oil affairs which began lending help for the Experts Committee in gathering data on Arab countries and petroleum companies working in them.

It was the Experts Committee, which drew the framework for the establishment of an Arab Maritime petroleum Transport Company (AMPTC), and other oil companies. It also drew attention to the importance of organizing Arab Special Conferences an oil.

This last drift proved successful as the first official meeting was held in Cairo in 1959 and by delegates from Iran and Venezuela. For the first time, the meeting discussed the idea of setting up a permanent board for coordinating the processes of oil production, transportation and marketing. The idea went for discussion for about one year. In March, 1960, the first oil organization saw the light when an Arab Oil Agreement was concluded. A few months after that, Baghdad conference was held in response to the initiative of both Saudi Arabia and Venezuela. This conference, attended by representatives from Iraq, Saudi Arabia, Iran, Venezuela and Kuwait, however, witnessed the inception of OPEC in 14 September, 1960. The Organization's aims were defined clearly; non-political demands were raised.

When oil prices went down during 1959 and 1960 some Arab oil producing countries found it ineditible to coordinate with other non-Arab oil producing countries to face the world grand oil companies. But, politically OPEC itself included also some non-Arab countries such as Iran and Venezuela which might tend to increase their oil exports in case Arab exports are stopped or when Arab countries tend to use oil as a political weapon against consuming countries.

Arab countries found it, then, quite necessary to establish an Arab Oil producing organization(AOPEC) to achieve Arab economic integration.

AOPEC, however, saw no disruption in its new form owing to prudence and common interests. The Organization managed, with the increasing funds, to achieve continuous success at that time. During the 1970s, the AOPEC sought to establish a number of specialized companies such as Arab Maritime Petroleum Transport Company, Arab Shipbuilding and Repair Yard Company, Arab Petroleum Investments Corporation, Arab Petroleum Services Company, and a number of other Arab companies which saw the light due primarily to the huge financial revenues which resulted from the improved oil prices in October 1973.

### **9 Arab Bilateral Cooperation**

The Arab Joint Venture was not restricted to AOPEC the Arab League, or the Economic Unity Council. There have arisen before World War II, calls from Arab intellectuals for pan-Arab unity. These have looked at economic liberation. Political and social liberation were looked at as inseparable. Since then, there have been calls for joint Arab economic cooperation via bilateral, or more, agreements, among Arab countries for trade arrangement, decreasing the customs duties, and to develop the economic relationship. These attempts, however, have mostly ended in failure, as political relationships had left their passive impact on economic cooperation among countries concerned. We may cite,

for instance. The Agreement of Fraternity and Alliance between Iraq and Arabia Saudi in 1936(Ghalan B. Arab cooperation council and the unity experiment, Gulf Economic No. 4 March 1990, P.30), the Trust Union between the Lebanon and Syria in 1943 which was tumbled down in 13th March, 1950, when Syria asked for reconsidering transit items. There was also the unity between Egypt and Syria in 1958which led to the establishment of an economic unity. When their unity ended politically in 1963, the economic cooperation between the two countries ended as well. The Egyptian-Iraqi Agreement is another example. The relations between Egypt and Iraq have improved. Consequently, they have concluded an agreement between them in February, 1964, but the agreement ended in 1965. Jordan and Iraq have concluded an economic agreement in December 1965, it ended in 1966. An accord among Egypt, the Sudan and Libya has failed, so was the fate of the unity between Egypt and Libya, and the economic cooperation between Syria and Jordan.

The most important agreement among Arab countries was the economic integration between Egypt, Syria and Libya (1971-1977). This agreement was concluded under the pressure of the political leadership in Libya. It was based mainly on the joint venture, being one aspect of economic means to come to a combinatory unity. This agreement, known as the 'Arab Republics Union' helped in setting up a number of joint ventures (See chapter four-Arab Republic Union). Unfortunately, no single project has seen the light.

A number of joint ventures in the Arab World crystallized their work independently i.e. they were not attached to government organizations. According to this conception a number of companies were established, but they were doomed to failure. In the Arab Gulf area, however, the United Arab Shipping Company was able to continue working up to now despite all difficulties it had faced. The Arab Gulf states have also decided to establish the Gulf cooperation council which was in fact, the most important Arab economic agreement concluded by Saudi Arabia, Kuwait, Bahrain, United Arab Emirates, Qatar and Oman in 11 November, 1981. The motivations for founding the Council are similar to those which led to the establishment of the Arab League at the beginning. In its third supreme Council Meeting held in Bahrain in 9 November 1982, the Supreme Council decided to start implementing the executive steps of the agreement mainly:

1. Granting the necessary facilities for the passage of goods by way of transit.
2. Excepting agricultural, industrial and animal products and products of natural resources from custom duties.

3. Allowing citizens of the Gulf cooperation states to undertake economic activity freely.
4. Granting facilities for ships or boats of the Arab Gulf States.

None of the agreements cited above was fulfilled. But the 1990 events gave a momentum for these accords. The Arab Gulf States, therefore, tended to consider and overcome all hurdles. They tried hard to achieve pending matters.

However the Arab world in general and the gulf in particular were lacking in vision, had no effective plans and had no clear aims. They were basically stumbling, and they need for clear theoretical and professional lesson, in order to find the divergences from the basic steps. What is the essence of economic integration? Answers to these questions are given below.

### **10 Integration**

The dictionary definition<sup>5</sup> of integration is the combination of two things so that one becomes fully part of the other. In other words, the two merge together rather than remain wholly separated. Many definitions have been created for Economic Integration, of which a selection is provided here, starting with two that were published in 1998 by Peter Robson and Miroslav N. Jovanic.

Peter Robson<sup>6</sup>

Economic integration is concerned with efficient use of resources, with particular reference to spatial aspects. Robson defines full integration as the free movement of goods and factors of production without any form of discrimination. Freedom of movement for factors of production is not allowed in certain forms of international economic integration. As a result, this definition cannot be applied in all cases.

Miroslav N. Jovanic<sup>7</sup>

International economic integration is just one of the means to increase welfare. Welfare can increase either within the integrated group, in just some of the countries within the group or at the global level.

Gunnar Myrdal<sup>8</sup>

In his book, Myrdal stated that integration means nothing more than the bringing together of the individual parts into the whole. Later, he described economic integration as the realization of the old Western ideal of equality of opportunity.

However, we can define the integration concept as following; Integration means an agreement between a group of participant (countries, firms, organization) either based on geographical location, or on mutual economic benefits. In such agreement, all restrictions

5 Oxford Advanced Learners (English) Dictionary, Oxford University Press 1998, p.62

6 Robson Peter, "The Economics of International Integration", Routledge, London, U.K., 1998, p.2

7 Miroslav N. Jovanovic, "International Economic Integration", Second Edition, Routledge, New York, USA, 1998, p.5

8 Myrdal Gunnar, "An International Economy, Problems and Prospects", Harper & Brothers, New York, USA, 1956, PP.9&11

on the free movement of goods, capitals and labour between partner states would be abolished, and economic policies would be co-ordinated and integrated to benefit the welfare of the population.

### **10.1 Stages of Economic Integration**

Economic integration among nations can occur in varying stages, representing various degrees of economic cooperation between the participants. The stages of integration can be separated into two broad categories:

- those which encourage the free movement of goods and services as well as factors of production between participating nations and
  - those which, in addition to free trade and factor movements, involve increased cooperation in the areas of monetary and fiscal policy. Let us now define more precisely the specific forms of economic integration.
- of the types of integration that involve liberalization of trade between the participating nations, the most limited in scope are

1- preferential trading agreements: Participants in a preferential trading agreement reduce restrictions on trade between themselves, while maintaining a higher level of restrictions on goods imported from nations outside the agreement. Frequently, the reductions in trade restrictions are one-sided, in that only a small group of the participants reduce their trade barriers on imports from the other member nations. The other group may not reciprocate with a reduction in its barriers. Examples of preferential trading arrangements include the favourable tariff treatment granted by the European nations to imports from many of the developing countries.

2-partial customs union: is established when the participating countries retain their tariff on their mutual trade and introduce a common external tariff on trade third countries.

3-free trade area: With the establishment of a free trade area, member nations agree to completely dismantle trade barriers on products traded among themselves, while maintaining their own, individual trade restrictions on goods imported from nonmember nations. In practice, certain product groups are frequently excluded from the elimination of mutual trade barriers a

4-customs union :represents the next stage of economic integration and involves an even greater degree of cooperation among its members. Under this arrangement a group of nations will remove all trade restrictions on goods traded within the union and, in addition, will adopt a system of common trade restrictions to be applied to goods imported into the union from the outside. When the member nations extend the arrangements of the customs unions to include the free movement of factors of production— labour and capital—between the participating nations, those nations have established the next degree of integration, a

5-common market: All of the stages of integration discussed so far involved the lowering of restrictions on the movement of goods and services or factors of production among the participating nations. Under these arrangements the member nations remain free to undertake their own monetary and fiscal policies to achieve their domestic macroeconomic objectives—such as inflation and employment goals. However, in the most advanced stage of integration, an

6-economic union: the freedom of individual nations to engage in independent macroeconomic policy is diminished. Specifically, an economic union not only has all the characteristics of a common market, but in its most complete form it also involves the transfer of the responsibility for economic policy from the individual member nations to a supranational decision-making unit representing all members. Such an arrangement would involve the establishment of a single monetary and banking system, a unified monetary and fiscal policy and a government body to establish and implement economic policy for the entire union. A less complete form of an economic union is a

7- monetary union: which involves the establishment of fixed exchange rates between nations (a currency area) along with a harmonization of monetary and fiscal policy. It should be noted that an economic union differs from a monetary union since it represents an actual forfeiture by individual nations of their right to form domestic economic policy; not just a harmonization of policies as in a monetary union.

8- supranational union: among countries assumes union with a single economic policy and a supranational government (of this confederation) with great economic authority, or complete political integration, where the participants become literally one nation, where the respective government abandon completely their sovereignty, in addition there are no administrative barriers to the movement of goods, services and factors, hence prices are equalized net ton transport costs.

### **11 The Present Scope of International Economic Integration– A Global Perspective**

Many of the arrangements for international economic integration have only come into being in the past quarter century or so. The most of important of these started as the European Economic Community (EEC), which was founded by the Treaty of Rome (1957). The founding members were France, the Federal Republic of Germany, Italy and the Benelux countries (Belgium, Netherlands and Luxembourg) – collectively known as the Six. These were joined by the United Kingdom, Ireland and Denmark in 1973, by Greece in 1981, by Spain and Portugal in 1986, and by Austria, Finland and Sweden in 1995.

The EEC was a common market with common external tariffs and free internal movement of goods, labour and capital. The effectiveness of the common market was ensured by harmonising various national policies, primarily to do with agriculture, finance, competition and regional development. During its first enlargement, the EEC introduced its own regional policy, which was designed to complement national policies while at the same time reduce economic disparity. In the late 1960s, the Council of the European Communities (colloquially known as the European Council) adopted proposals to evolve the EEC into a full monetary and economic union by 1980. Progress towards this goal was slowed by the combination of a succession of international economic crises and unforeseen delays caused by enlarging the Community. A significant step forward was taken in March 1979 with the creation of the European Monetary System (EMS), which aimed at providing greater monetary stability.



A second group in Western Europe is the European Free Trade Association (EFTA). The United Kingdom originally proposed in the mid-1950s the formation of a European-wide free trade association. The aim was to provide countries – that were not prepared to sign up for the common agricultural policy or the political and economic objectives of the EEC – with the benefits to be gained from free trade of industrial goods. This was not acceptable to the Six and membership of the eventual free trade association, formed in 1960, was limited to just Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the United Kingdom. The following year saw Finland joining. EFTA is purely a trade grouping and has none of the supranational features of the EEC. After the United Kingdom, Ireland and Denmark entered the EEC, the importance of EFTA diminished considerably. Nonetheless, the remaining EFTA countries formed ties with the enlarged EEC through a series of free trade agreements, aimed at creating a broader European industrial free trade area.

Consequently, Curzon remarked that the wheel had come full circle and the solutions proposed in 1956-58 ... after negotiations were finally adopted after a delay of fifteen years ... the important difference being that the United Kingdom was no longer on the free trade side of the fence, but on the economic union side (1974, p.34). Thus after more than a decade of transition, European economic integration had become to function effectively.

Other initiatives of potential considerable significance regarding integration of advanced market economies include those of Canada and the USA, and of Australia and New Zealand. It has been proposed, initially in 1982 by a Senate Committee in Canada, that the close trade relations between USA and Canada be developed into a fully functioning industrial free trade area (Lipsey & Smith, 1985). On the other side of the globe, Australia and New Zealand – countries that since 1965 have together operated a free trade area (NAFTA) – have agreed to build even closer economic ties, resulting in the Australia New Zealand Closer Economic Relations Trade Agreement (ANZCERTA or more simply, the CER Agreement) of 1983.

Thus far, all instances of economic integration described here have involved advanced market economies. However, advanced market economies are not the only ones in principal that are capable of economic integration. The Council for Mutual Economic Assistance CMEA or COMECON) was an economic association of planned economies, formed in 1949. Its members were the Soviet Union, Bulgaria, Czechoslovakia, Cuba, the German Democratic Republic, Hungary, Mongolia, Poland, Romania and for a short period, Albania. Its objectives were to accelerate economic development and establish a more rational division of labour among member states.

Many examples of international economic integration can be found in the less developed world. Africa has proved to be fertile ground for integration, perhaps due to the numbers of very small and poor nations, resulting in eight or nine cases. Three economic groups exist in West Africa alone. The *Communauté Economique de l'Afrique de l'Ouest* (CEAO), set up in 1974, is a purely francophone grouping of the Ivory Coast, Mali, Mauritania, Niger, Senegal and Burkina Faso (formerly Upper Volta). The CEAO has its roots in the 1959 collapse of the French West African Federation and is the third attempt by these countries to recreate the ties they had prior to gaining independence. Benin joined the CEAO in 1985. The CEAO states, together with Togo, but with the exception of Mauritania, are also members of a monetary union.

The Mano River Union (MRU) was established in 1973 between Liberia and Sierra Leone, and entails a customs union plus other forms of cooperation, including working to establish industries at the union level. Guinea joined this union in 1980.

By far the largest grouping is the Economic Community of West African States (ECOWAS), which was founded by the Treaty of Lagos in 1975. It consists of sixteen Anglophone, Francophone and Lusophone nations, some of which are already associated with the CEAO and the MRU. ECOWAS<sup>9</sup> has ambitious aims to promote economic integration in all fields of economic activity, especially regarding the liberalisation of trade and creation of common external tariffs. However, progress towards these aims has been slow.

Three economic groups exist in Equatorial and Central Africa as well. The *Union Douanière et Economique des Etats de l'Afrique Centrale* (UDEAC) was established in 1964 and links Congo, Gabon, Cameroon, Chad, the Central African Republic and Equatorial Guinea.

These same countries are also grouped together in a well-established monetary union, the *Communauté Economique et Monétaire de l'Afrique Centrale* (CEMAC).

In 1976, Burundi, Rwanda and Zaire set up the *Communauté Economique des Pays des Grands Lacs* (CEPGL). In 1983, the *Communauté Economique des Etats de l'Afrique Centrale* (CEEAC) grouped together the members of UDEAC and CEPGL with Sao Tome et Principe. This bloc of ten nations serves as the Central African equivalent of ECOWAS.

Turning to Eastern and Southern Africa, several groups should be noted. The East African Community (EAC) was until its dissolution in 1978 one of the most effective blocs. The EAC, with Kenya, Uganda and Tanzania as members, represented a half-century of economic integration involving a customs union, a common market and a common currency.

The Southern African Customs Union (SACU), consisting of Botswana, Lesotho, Namibia, South Africa and Swaziland, was established in 1969, but on foundations dating back to 1910.

Other less formalised arrangements include the Preferential Trade Area for Eastern Africa (PTA), which was founded in 1981 by fifteen member states, and the Southern African Development Coordination Conference (SADCC), which first met in 1980 and aims at economic cooperation without the basis of a formal trade bloc.

Four main regional blocs exist in Latin America and the Caribbean. In 1960, the Latin American Free Trade Association (LAFTA) was established. The Treaty of Montevideo in 1980 led to the formation of its successor, the Latin American Integration Association (LAIA). This association consists of Mexico and all South American countries excluding Guyana, French Guiana and Surinam.

Also in 1960, the Managua Treaty saw the creation of the Central American Common

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<sup>9</sup> composition for all these Groups/ See Appendix No.2.5 in our Ph.D Thesis

Market (CACM), which includes Guatemala, Honduras, Costa Rica, Nicaragua and El Salvador.

The Andean Group was established by the Cartagena Agreement of 1969 and current membership includes Colombia, Venezuela, Ecuador, Peru and Bolivia. These countries are also some of the least developed members of LAFTA, but the Andean Group provides much closer ties.

In 1973, the English-speaking countries of the Caribbean formed the Caribbean Community (CARICOM). With the exception of some of the smaller islands and the Bahamas, these countries had all previously been members of the Caribbean Free Trade Area (CARIFTA). Two key elements of CARICOM are the Caribbean Common Market and the Eastern Caribbean Common Market (ECCM); the latter being for less developed members.

International economic integration in Asia has made little progress as yet. In Western Asia, close integration of the financial and labour markets of Arab states has been achieved, but because regional cross border trade is very low, little progress towards forming a trade bloc has been made. Regional Cooperation for Development (Iran, Turkey and Pakistan were members) – a now-defunct group made limited attempts at integrating various industrial sectors in the past.

The Association of South-East Asian Nations (ASEAN), comprising Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand, have made greater progress towards sectoral industrial integration and have introduced some preferential trade agreements, which may indicate movement towards closer trade integration at some point in the future.

Many Third World groups serve as examples of negative integration that arose out of attempts at broad sweeping trade liberalisation. In nearly every instance, relations within these groups were very stressed and frequently gave rise to controversy, especially regarding issues relating to distribution. These problems could well have been resolved through positive integration, coordinating development on a more efficient and balanced basis, but this has proved to be elusive. In some cases, painkilling measures have been initiated, but groups have either dissolved (the East African Community broke up in 1978) or stagnated.

## **12 Features of Economic Integration**

The features of economic integration can be easily classified in two separate ways: by the nature of the integration itself and by the nature of the integrating entities (level of development, social and economic systems etc.).

### **12.1 The Nature of Integration**

In classifying economic integration according to the nature of that integration, it is important to look closely at the characteristics of the relationship between integrating countries, such as what are the dominant features of the relationship, how are the benefits from integration distributed and what are the beneficial effects on individual countries.

From this perspective, two kinds of relationship can be identified: Vertical and Horizontal.

### **12.1.1 Vertical Integration**

Various imperialism throughout history provide classic examples of vertical relationships, between two sets of countries, one set countries is called the centre or metropolitan centre (macrocosmic- DCs)<sup>10</sup>, and other set of countries is called the periphery or satellite<sup>14</sup> (microcosmic-LDCs).

The centre represents developed capitalism and the periphery represents underdeveloped region. Whereby the periphery were to a degree incorporated into the metropolitan nation.

The economies are a type of mechanism, which can explain the causes of economic development and underdevelopment. When a peripheral country is integrated with the world capitalist system, the world is polarized into two: centre and periphery. The centre draws away the surplus from the periphery, and as a result, the centre becomes developed and the periphery becomes underdeveloped. Thus, development and underdevelopment are the two processes of the same world – wide integrated capitalist system. Underdevelopment can be explained as a historical stage of capitalist development. Development of the periphery is possible only when its relationship with the centre is raw materials were mined or harvested by the countries at the bottom of the vertical relationship and supplied to the principal country for manufacturing or processing into finished products. The benefits of supplying raw materials are relatively much lower than those to be gained from manufacturing<sup>11</sup>. Thus, the economy of the more developed nation had a greater growth potential. Indeed, this unequal<sup>12</sup> growth led only to increase the gap between the two economies. Hence, vertical integration relationships are seen to create negative economic dependency<sup>13</sup>, resulting in the situation where the economies of developing nations appear to shrink in comparison to their more developed masters. This exploitive relationship was very typical of imperialism and characterized<sup>14</sup> with following:

- 1- central capitalism is imposed on the periphery.
  - 2- surplus is extracted from the periphery. DCs exploit the LDCs.
  - 3- surplus extraction leads to development of the center and underdevelopment at the periphery. It is believed that underdevelopment is not a national or endogenous problem. It is an exogenous problem.
- Development of periphery is conditioned by the world capitalist structure.
- 4- there is unequal and uneven development between DCs and LDCs.

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10 The macrocosmic and microcosmic system: The macrocosmic system represents world capitalism Which controlling and influencing its sub-system or microcosmic system, See:- Ghosh B.N."Dependency Theory Revisited" Ashgate Publishing Limited, Hampshire-UK, 2001,P.2

11 Ghosh B.N.Op.Cit. P.1

12 a- Ghosh B.N. Op.Cit.2001 P.1

b- Georgakopoulos T."Economic Integration Between Unequal Partners" Edward Elgar Ltd. 1994.

13 Nafziger E.Wayne "The Economics of Developing Countries" Second Edition, Prentice-Hall, Inc. New Jersey – USA, 1990, P.91.

14 Ray Debraj "Development Economics" Princeton University Press, New Jersey – USA, 1998. PP.171, 197

- 5- integration with world capitalism aggravates the problem of national/international inequalities and underdevelopment.
- 6- the trade relations between DCs and LDCs are unequal relation favoring the DCs and discriminating against the LDCs.
- 7- LDCs have subordinate status to the DCs.
- 8- Development of LDCs is not possible unless and until the tie with the central capitalism is snapped. Socialisms is regarded as the best alternative for having rapid economic development with social justice and equity.

### **12.1.2 Horizontal Integration Relationship**

The aftermath of the Second World War saw the appearance of horizontal integration relationships. There were two underlying circumstances for this: firstly, a technical and scientific revolution, and secondly, ideological changes at the time. Socialism was beginning to appear on the world stage. While at the same time, many countries strove for and achieved independence.

Thus, the seeds were sown for more equitable relationships to form between countries with similar social and economic systems or countries with a common bond. It also helped that integrating countries were at similar stages of economic Development<sup>15</sup>. Production processes were now more closely integrated and were often characterised by specialisation and the distribution of work on a more mutually beneficial basis

### **13 Theory and Practice of Arab and Gulf Integration**

This part is concern with analysing integration theoretically and empirically, with comparing integration theory and actual Arab attempts at integration. However, before starting this comparison, we will analyse and compare the actual steps towards integration taken in both Europe and the Arab world, in order to highlight the differences arising from integration theory.

#### **1-Time lapse between foundation and implementation:**

- a-The treaty of Rome was signed on 25<sup>th</sup> March 1957, and came into force on 1<sup>st</sup> January 1958, a period of only 8 months between ratification and implementation.
  - b-The Arab league was founded in march 1945, though it was not until 1950, a period of five years , that the joint defence and Economic Cooperation treaty was signed . Further, 1957 saw the formation of the council of Arab Economic Unity,
  - c-though the formal ratification did not happen until 5 year later, in 1962, when the agreement was signed at the council first meeting.
- Two years later, 1964, the agreement came into force. So there was a period of seven years between foundation and implementation.

#### **2- Application:**

- a-The Treaty of Rome's enforcement date was 1<sup>st</sup> January 1958. on the same day,

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<sup>15</sup> Gosh B.N." Dependency Theory Revisited"Op.Cit. 2001, PP. 8-9

a-the EEU appointed its first president with full authority to action the terms of the agreement .A little over a year later, on 21<sup>st</sup> July 1959, seven member states of OEEC agreed to set up EFTA, the decision – making process had a low hierarchy, in other word short channels were used in order to speed up the time between executive decision and practical application.

b-The council of Arab Economic Unity main objective was the abolition of all Economic barriers, leading to full Arab economic unity (see Agreement of Arab Economic Unity – Chapter 3, P.9 and section 6.5.3.1 Ph.D thesis )and five years were fixed to achieve this target ( see paragraph 2, special appendix to “The necessary steps to achieving Arab Economic Unity). Unfortunately, no serious steps have been taken in this direction by the member states to date.

It is worth mentioning that, in March 1995, The Arab League announced the Intention to finding a mechanism, for Arab cooperation [see Arab League events Year 1995-Chapter 6 Appendix]. On the other hand,it must be observed that, even after forty years .relationship and barriers within the Arab world have only become more complex.

In 1964 , the council of Arab Economic Unity took the initiative in the setting up of an Arab common Market (Jumping to fifth step in Integration process- see section 4.3.1 in this thesis), Various attempts were made , but all failed and today, after 36 years , there is still no sign of this market. Worse, there is little or no hope of creating this kind of cooperation between the Arab countries , due to an obscure and ambiguous future.

c- Both the Arab League and the Gulf Cooperation Council established a plethora of sub-committees and groups, so any suggestions had to move through the long bureaucratic chain of committees, feasibility studies, assessment, first approval from foreign ministries, then to the supreme committee for approval.

It is quite clear that the Arab organizations had high hierarchy , meaning that the decision making process was forced to move through a long channel before application. During this time lapse , the political and economic climate may change dramatically , clearly affecting application.

3-On 1<sup>st</sup> January 1959, one year after the treaty implementation, the EEC reduce customs duties by 10% (second stage of integration process- see section 4.3.1 in our Ph.D thesis).

On 1<sup>st</sup> July 1968, the customs union was completed and a common market external tariff established. In addition, 29<sup>th</sup> July 1968 saw the granting of freedom of movement for workers within the community, thus establishing a common labour market. So in eleven years, Europe achieved its target.

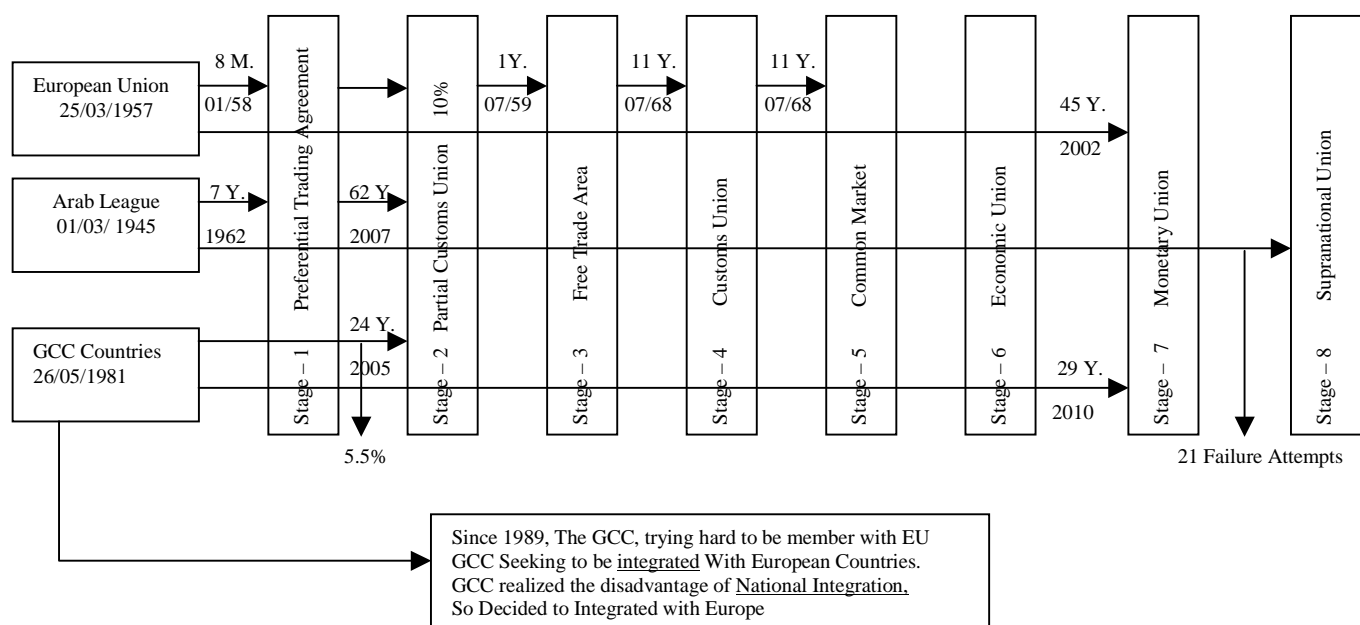
The Arabs, on the other hand, will take 62 years, from 1945 to 2007, to reduce duties by 10%. The GCC reduced duties by 4% two years after establishment, and according to a council decision of 13<sup>th</sup> October 2001 , will reduce them further to 5.5% in 2005 .a

period 1981-2005, of twenty four years. I do not believe that there is any hope of general economic integration in the Arab world , at least in the foreseeable future.

However , it is possible that , in the near future , some kind of cooperation [complete integration; barriers abolished totally ,whereas cooperation led to reducing barriers partially.( see Bela Balassa Difinition, Section 4.1, Ph.D thesis ) ]may be achieved in the gulf region by reducing the economic barriers on capital investments and the regional skilled labour market. Though this is due to popular pressure than a belief in integration theory.

However , we must not forget the two distinct , yet interrelated, issues of foreign political pressure and dependency (for more details , see Chapter XI and section 11.5.3.5, of Ph.D thesis), especially when we know that the Arab world has witnessed more than 21 failures in attempts at political and economic integration , both on national and regional levels. Regarding monetary integration; neither Arab league nor social and economic council take any initiative in this trend, (such type of integration does not appeared in Arab economic dictionary), whereas GCC, after 53 meetings of the Economics and financial committee, purposed year 2010 a primarily date to unifying the Gulf Currency (after 29 years), [ see resolutions of preparation ministerial meeting No.77 dated 13/10-2001]. The committee fixed, the US Dollar, is the official joint currency in between Gulf countries. (See the section of dependency).

The estimation period of achieving Economic Integration Steps (According to Integration Theories)



Source: Ph.D thesis , Chapter 4 , Section 4.3.1, Stages of Economic Integration, and Chapter 6, Section 6.6

#### **14 Arab Economic Integration Impediments**

Arab efforts for integration are liable to failure. The same goes for Arab joint projects. obstacle can be summed up as follows:

- 1-Attention paid to strategic solutions pertinent to general economic projects has been insufficient. Such projects can well play an important part in the development process and also in the Arab integration. Much attention was focused on /or immediate solutions when projects were chosen for limited economic activities.
- 2-The absence of a unified Arab guide that comprises criteria and clear-cut methods for the purposes of practice and assessment of joint projects. The existence of such a guide is quite appropriate to cope with the Arab economic and social conditions. It could also form an important basis for evaluating and choosing investment substitutes. The obstacles that faced joint projects in the planning stage or applying, and operating stages or after they had started their activities may be summed up as follows: -
  - 1-The non-existence of clear texts recording characteristics and immunities, the tendency of some sharing states to abstain from providing competitive atmosphere for the products or services of the Arab joint projects, and the non- commitment in carrying out decisions unanimously adopted. As such, these decisions and commitments are left invalid or put on paper only. This is liable to in still disappointment in the personnel working in these projects.
  - 2-The absence of clear rules which exempt the Company from the burdens of exports, importing its needs, etc. The joint projects or companies were left out alone to come to terms with states concerned.
  - 3-The status or foundation contracts have mirrored both ambiguity and shortages as to organic rules. There has also been lack of obligation pertinent to marketing and production activities such as compelling member states to marketing products or shipping imports on the ships of joint projects.
  - 4-The existence, between now and then, of cadres who show inefficiency in directing joint projects. There is also the problem of quickly altering top management, namely members of the Board of Directors.
  - 5-There is the difficulty of getting or preparing proficient and experienced cadres to compete with the private sector via providing better privileges such as wages, salaries, or better residency etc. The Arab maritime industry, on the other hand, is only recent, which explains why qualified technical manpower is not easy to find.
  - 6-A noticeable feature is the dualism one can notice in both joint projects and state projects. A number of Arab and Gulf states have set up regional projects and, at the same time, contributed to similar joint projects. This phenomenon stimulated



competition between joint projects and regional projects, which in turn weakened joint projects.

- 7-The absence of necessary coordination in investment and production between existing joint projects and regional projects to boost economics of Arab States and bolster commercial exchange among them.
- 8-There has been no specialized board to follow up works of Arab joint projects, study practical problems facing them and find out suitable solutions for them.
- 9-The gap in statistical data required assessing joint projects.
- 10-Lack of coordination among joint projects themselves. This is liable to affect its integrated effectiveness in both Arab and Gulf economics.
- 11-The political conditions in the Arab world have played an important role in hindering carrying out some joint projects. A number of these projects have been liquidated.
- 12-Non-commitment in paying financial shares in their due time. This has led to inefficiency. Besides, some joint projects were obliged to get loans, which meant more financial burdens not taken into account when economic and technical feasibility studies were prepared.

The amounts of funds invested in joint projects are rather little when compared with sums of money invested in international monetary markets.

### **15 Arab Joint Venture failure's reasons**

#### **1-The regional and domestic individuality**

Following their independence, regimes in the Gulf and other Arab states concentrated on identifying the local individuality through utilizing themselves their natural resources and monitoring the army, security, foreign relations or education. As a result, the local individuality has been confirmed. On the national level, activity was not only slow but shadowed with shyness. Together with this, there were those who have felt continuously dubious about national joint venture due to discrepancies of interests or unsuitability of circumstances. Doubts arose from lack of clarity, individual motivation, or fear from a setback engendered by foreign powers.

The economic and social movement in Arab countries after independence has materialized into subjective dependency individuality, which is the philosophy of economic freedom in its primitive form, which prevailed in Europe during the 9th Century. This philosophy considers the subjective movement of the individual as the pivot of development by means of his search for his interests and his incessant work for reconciling available elements to get as much profit as possible with the least possible effort.

This philosophy was reflected on the government offices in the Arab countries whether deliberately or not. These offices have been working individually, despondently or semi despondently, which naturally led to much waste of money. The industrial or agricultural products, for instance, faced the problem of distribution; also, institutions have been founded without links among them. Other problems used to appear when these institutions began to face the problem of the necessary qualified cadres. There have been also the problem of the graduates who were unable to find suitable places to make use of their capabilities. Besides, one may refer to the projects, which were established without considering their effect on the infrastructure of the economy. The phenomenon of individualism used to spread in government offices, projects and administration etc.

Over-indulgence in individualism and independence has led to squandering efforts and resources. High-level meeting were held to discuss this. Yet, the result was only limited due to the absence of an evident social philosophy on which work must be based. Besides, development projects have often been suggested away from planning which was done hastily. Projects have been listed with specified funds. The result was mere high costs will little products. The case being so on the level on one country, one can imagine the extent of contradiction in aims among various projects set up in different parts in the Arab World, which lack connecting factors. In this context, most of the Arab regional plans focus on self-sufficiency, scurrying local opportunities for employment, raising living standard, or facing problems of deficit in external payments through exports. Only a few Arab countries adhere to plans of Arab integration, though only few would refer to special regional ties, no single project was established as a direct response to Arab or Gulf integration. Even in those countries, which advocated for joint Arab integration and cooperation, one can hardly find even one project set up as a reflection of Arab integration. Related to this, the Arab regional plans are, being in need of unity, incapable of tackling broader matter-namely Arab integration. The problem however, is not in setting out plans, but in adhering to individualism, which normally leads to many surprises. Hence, no single Arab country has ever achieved self-sufficiency in any essential commodity whatsoever. No tangible improvement in the living standard was felt as a result of these plans. The forthcoming stage entails, first, finding connection among various projects of the one country, then endeavouring to link these projects on the regional or national level. This can well be brought to reality through crystal-clear national planning.

After independence, Arab and Gulf countries began to discern the problems they faced as a consequence of the following individualism. They, therefore, started paying due to

attention to cooperation and Arab integration. A number of accords and agreements have been concluded. But many of these stumbled down or failed owing primarily to individual or regional outlooks in every country. Here, it is not noticed that Arab countries still believe in individualism, even those countries which could get rid of the restricted outlook of this philosophy tended to agglomerate with others and regulate their roles in accordance with that.

Emphasis on joint national projects does not imply rejecting regional grouping or agglomerations, as these would express the demands of the respective region. Yet, there is the fear that indulgence in regional integration might lead to future problems emanating from Arab integration, as the regional agglomeration would expectedly be tied to great economic power.

This has conducted to crises in economic and social spheres. Hardships of various sorts have been discussed in Amman Summit, which called for applying logical thinking in national planning and joint Arab economic strategy. The Summit have pointed out that joint Arab work is much more important and effective than regionalism. It has further advocated for enhancing Arab potentialities in science and technology, putting the Arab World's development plans to serve the basic needs of Arab people, beside connecting productive structures together, providing opportunities for, employment's, achieving economic and social equilibrium, and finally encountering backwardness and obedience to others. In conformity with this strategy, a five-year national plan was set out costing about 21.2 billion dollars distributed among various sectors of production. The plan, however, was not realized on account of Arab dispersion.

## 2- Spread of illiteracy

Another problem facing Arab countries is the spread of illiteracy. The unified Arab Economic Report of 1986 (P.354) indicates that the average of illiteracy in the Arab Homeland amounts approximately to 43.9%, taking into account the whole population aging (15-45) years.

Despite the perils of illiteracy in its literal sense, i.e. ignorance of reading and writing, Arab countries face another illiteracy of a gravity sort-the scientific, social and political illiteracy. This last sort has its impact on adopting resolutions and monitoring general affairs. With the expansion and modernization of deferent types of work (will be 70%, new work on year 2000) in the Arab world, so there is a question here.

Would Arab countries be able to prepare cadres who are able to cope with this fact and undertake the suitable decision towards joint projects? and capable to take right

discussion on joint venture direction ? Mr. Kachel Aidy has pinpointed (1979) that illiterates in the near future would not be these who would not be able to read or write. Instead, they would be these who would not show tendency to learn new things or to learn classify information and check out its validity. Mr. Toffler Alvin in his book 'Future Shock' has provided a social analysis. He displayed his ideas about a third cultural or civilization wave basically different from both the first agricultural wave and the second industrial wave. It is a giant wave which makes full use of the resources of energy and reclines on a diversified technological foundation taking its sources from biology genetics and electronics, new minerals distraction processing, and oceans, then an inexhaustible and intrinsic source, will diffident a data, which would exercise colossal effects on the system of education, scientific research, communication, etc.

Arab and Gulf countries are in dire need, for scientifically qualified cadres with analytical minds who are able to adopt resolutions away from prevalent practices in developed societies.

Ideas could well be impractical due to contradictions in the Arab world which arise from conceptual differences with different explainers my created highly contradiction for Arab joint venture, Beside the traces of old obedience or dependency of various sorts in Arab countries play a key role as well. Such a thing has led to severance within the Arab world. Besides there is the problem on the part of some ruling bodies who utilize groups of highly qualified specialists to justify certain economic, social or political policies for the behalf and interests of these bodies. The Arab world then needs badly fully prudent and highly educated class having the necessary means and enough ventures to bring to light the significance of Arab Joint Venture in various aspects.

### 3- Non-Commitment to agreements

Arab countries have collaborated in founding the Arab League, which ratified many agreements and pacts in various fields. The Arab League Councils, and the many specialized organizations, have adopted large number of resolutions to push Arab Joint Ventures forward. Yet, commitment of Arab countries proved to be quite restricted, which weakened Arab joint work and made its effect less, not on Arab countries only, but also on the relationship of Arab countries with the world.

In 1977, for example, a transit agreement was concluded and signed by twelve Arab countries. The agreement called for transporting goods across these countries freely, providing facilities for trucks and divers, and giving these countries the privilege of using quays of their ports for transport purposes. The agreement stressed that political reasons should not hamper the execution of the terms of the agreement. In addition, the Arab

joint Economic Agreement confirm on neutralization and to observe those countries to carrying out the agreement.

Unfortunately, some Arab countries that ratified that agreement tended to ban exports and imports to/or from other member countries of the agreement. Other countries insisted on giving permission for one trip only to truck men crossing their territories. Stringent precautions have also been resorted to as part of local national security, as they have claimed. Taxes were also imposed on trucks under the pretext of 'Watching' or other nominations. Some Arab countries tended to force some trucks to transport local commodities after discharging its cargoes (local use), while others made the passing trucks discharging their cargoes on borderline and reloaded on local trucks to transport goods. Thus, the agreements of the Arab economic expired without achieving any practical profits, such as, persons and capitals transition, residency, work, other economic activities and owning properties.

The agreement on establishing the Arab common Market abolished taxes imposed on national products, which are exchanged among Arab member countries. This has led to put down one of the hurdles obstructing the commercial exchange movement among the countries concerned. The unified customs tariff was also ratified. But in terms of reality, much of what has been cited above was more theory than practice.

The Arab Economic and Social Council has adopted a number of resolutions (approved by Amman Summit) which have not seen light. Beside that, the resolutions has no enough care from Arab countries to support Arab Joint Venture. In addition to the summit's resolution concern the Arab countries developments plan, which has no way to execution. This has created a state of frustration for Arab joint work. Some Arab countries notice, that the Arab League, used to adopt two types of resolutions: obligatory and non-obligatory. Obligatory resolutions are adopted unanimously; non-obligatory ones are adopted by majority. Those latter become obligatory only for those Arab countries that ratified them only. Those disparate resolutions put Arab countries in a disturbed position vis-à-vis the legitimate quality and rights of other countries. Beside that there is no Arab court of Justice has been established yet settle disagreements that may arise among Arab countries. The only court founded was the Arab Investment Court as an outcome of the unified agreement of investing Arab capitals. Arab countries, however, have witnessed troubles due to decision-making policies. The joint Arab work gives one votes for every member state irrespective of the size, population, economy, material or political responsibility of different countries. This has posed big obstacles. A serious study on this situation becomes then a necessity.

#### 4- Ideological discrepancy and the absence of the real Arab popular contributions

Ideological differences among Arab regimes represent a big obstacle in the way of Arab joint venture. This is based on the fact that each ideology emanates from a specific economic and social basis; economic liberty model differs either from socialism or state capitalism. When Arab countries collaborate on a specific joint work, their ideologies would surely fight and contradict with one another for their economic goals.

Arab countries that have refitted the Arab League Charter have agreed that the Charter should form the bases for all member states concerned. The charter has pointed out to the necessity of consolidating ties among member states and coordinating their political plans, but not unifying them. It also stressed that each member state should respect other Arab regimes; no attempt whatsoever should be aimed at toppling other Arab regimes. If ideological differences lead to disagreement. Then the Arab League would turn to an unjustifiable arena. It is worth mentioning here that the Arab League has been set up originally as a voluntary organization based upon equality and respect of the sovereignty of member states and not an overruling one. The Arab countries regimes consist the Arab League, and not the Arab populace (The general Arab Strategic Report, for year 1985, the Central political and strategic studies, Egypt, Al-Ahram press, 1985, P.189) indicated that each Arab member state has its own interests, which might differ from others. Joint Ventures are therefore expected to face obstructions related to understanding and applying necessity on the part of each member state. Arab masses should have been given the opportunities to express their interests. Discarding Arab masses from adopting decisions should have made Arab joint work swing in accordance with the stances of regimes. The absence of the masses in decision-making is considered to be one of the more serious and dangerous problems facing the Arab world as a whole. Such contribution, if made viable, could play a leading part in achieving joint work and bolstering Arab joint ventures.

#### 5-Foreign Economic Pressures and Political dependency

Arab countries were occupied by big industrial power for a long time. As such, Arab commercial dealing with foreign countries have increased while commercial dealings among Arab countries themselves have decreased. Large numbers of foreign manpower have been employed as a result of expanding regional development projects. Besides equipment and machinery's have been imported for these projects away from planning or understanding among other Arab countries. To circumscribe problems by planning or Arab coordination, to provide financial resources to the development of Arab countries.

But such a move proved to be fruitless, as monetary surpluses began to pour into foreign markets despite the fact that a number of Arab countries were suffering from deficits in their payments balance and also their inability to fund their development projects. They were, therefore, forced to resort to take on loans from foreign countries. On the other hand, absence of coordination motivated some Arab States to link their economics to the former imperialist countries. In this respect, dealings between north -African Arab countries continued with Common European Market, especially France, which granted them special privileges. The Arab African countries, which were less developed, have concluded 'Lumy Agreement' with the Common European Market to secure monetary and commercial advantages. This is other evidence to penetrate deeply into economic dependency. The majority of Arab-Arab trade is declining owing to the independent regional economic policies. The trade of Arab Gulf States is geared mainly to the developed industrial countries. Such a tendency would not project a noticeable change because of the source of consumption and production prevailing at present, and also the absence of co-ordination among Arab countries to provide Arab substitutes for the equipment and machinery needed. Increase foreign linkage of some Arab countries to foreign countries is depended by means of huge Arab instruments in industrial countries besides this, some Arab countries are indebted to industrial countries and world Funding bodies. This should have forced Arab countries concerned to shape their economic in such a way as to export goods and services to foreign creditors to pay their own debts. This only means that Arab economics would be subjected to creditors. The way to get rid of such ties can well be achieved through adopting a unified economic policy based on Arab resources and potentialities.

Industrial countries, for reasons related to their interests, prefer to deal with a dismantled Arab world, and not a unified one, in 1979, the American International Development Agency has issued an important document entitled "Regional cooperation in the Middle East". The document called for Arab countries to do away with Arab regional action, which is based on national foundations. It encouraged the formation of Arab blocs on geographical considerations as, for instance, the countries located on the Nile Valley, North-African Arab countries, Arab Gulf states and so on (Al-Nasser. K. & Group of researchers. The Democracy crisis, and Human right in Arab World, Arab Unity Studies Center Beirut, 1983, P.47). The USA document appeared at the time when the Arab Economic Unity Council was preparing an strategic documents of the joint Arab economic action, offered later on to the eleventh Arab Summit held in Amman.

Dependency to the United States and industrial countries enhanced American influence in the Arab world to the extent that it included interference in political decision-making

(Shukeir, L. Arab Economic Unity, its experiment and expectation, first volume, Arab Unity Studies Centre, Beirut 1986, P.327).

The danger of political dependency on Arab economic action and joint venture comes also from the ruling elite which find Arab integration most unfavourable, since such and elite have no wish to relinquish some of its powers and specialties for the behalf of integration institutions. This, they think, might passively affect their might and influence inside their countries. It is also not in their interest to establish an Arab economic integration which would lead to self-sufficiency instead of depending on industrial countries for their trade, foodstuff, weapons and economics, in addition to increasing the dependency on food imports, besides, Arab indebtedness to foreign creditors, excepting Arab Gulf states, has increased, which naturally meant more obedience and dependency.

#### 6- Poor Achievements of Arab Joint Venture Systems

Arab joint action bodies lack integration in their performance, which constitutes a noticeable effect. This did not come out of vacuum. It is rather a reflection of what is going on in the Arab world and these systems as a part of it. The Arab joint action was active during the 1950s and 1960s. Its activity increased during the 1970s with the tremendous increase of oil revenues. The activity in this respect was much less during the 1980s. A large number of joint organizations came to a halt. It was felt therefore that the expenses spent on these bodies were disproportionate to their achievements. Arab countries, on their part, began showing reluctance in paying their financial commitments. The joint bodies, cited above, comprise the Arab League and specialized organizations, unions, and joint companies. Personnel working in these institutions are nominated by their respective countries. Each candidate for a post in these institutions should primarily meet his country's satisfactions, despite the fact that he is appointed as an 'international' official the moment he joins his job and the representative doesn't accept any guidance from any bodies, except the instruction of his body, it is worth mentioning that neither the Arab League nor other organizations are in a position to provide 'special' passports as is the case with international organizations to make the representative whatever his grade to keep him under the procedure of his country for any movements he can do, and to be continued by their own countries. On other hand, the joint venture organization cadre, representing their country and, they would continue to hold with them the view points and contradictions of their own countries. This is liable to weaken these joint organization which would then be unable to work for the welfare and security of the Arab countries as is recorded in the Arab League Charter.

In recent years, the Joint Organization insisting on undertaking research themselves for their own programs without recourse to highly qualified experts from outside their



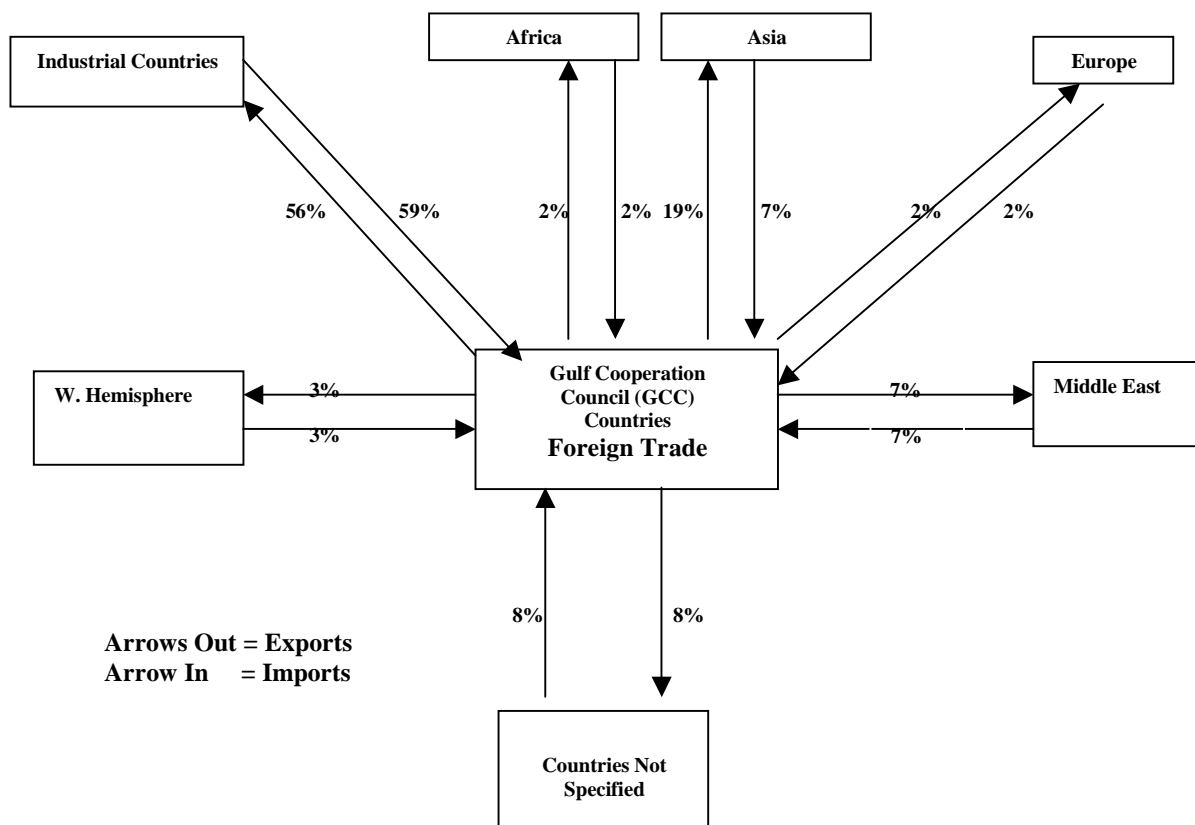
establishment (They have liberated from international pressure and they are able to put down their more logic and serious imagination). This has been dictated by the financial authorities of these establishments, and they justify that the expenses of international experts, were so high that budgets were incapable of meeting them. Besides, some Arab countries have even interfered in channeling research concerned in conformity with their goals. The all above reasons shown clearly why Arab joint organizations have generally failed. In the following pages, the study will outline Arab joint maritime projects.

## **16 Conclusion**

The study ends with Integration and Arab Joint ventures attempts failure, to deadlock or overcoming, that depends on the following:

First: Credibility of decisions of the nature of the Arab Joint Venture as to its aims, conclusiveness, and suitability of its mechanisms and administration.

Second: Credibility in carrying out these projects in conformity with the aims to be fulfilled. An important point to pinpoint here is the political strategies and to what extent these may agree on one model for various joint projects with emphasis on liberating foreign trade from the constraints of subjugation, extricating the people of the area from ignorance, dispersion and backwardness, promoting the Arab human performance, liberating people from short-sightedness and exaggerated longings, and emancipating these projects from politicization and leading them scientifically with the aim of attaining better future for the people of the area.



# **The Integration Attempts in the Fourth World**

## **(The Case of Arab World)**

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