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The Establishment of an Efficient Regional Economic Integrative Core Forum among the OIC Members: A Feasibility Study *

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Abstract

In this paper, we have sought to recognize the Islamic countries eligible to participate in the early nucleus of economic integration. In other words, our main question is: by using the key international macro-economic variables, which members of OIC have the capacity to actively participate in regional integration? Or, in the words, which countries enjoy the necessary qualifications for establishing the early nucleus of an effective regional economic integration among the OIC Members?

In order to answer this question, using 16 key international macro-economic and trade indices, which have a bearing on regional economic integration, have attempted to make taxonomy of OIC members and to recognize the most we suitable members for constituting the early nucleus of regional economic integration.

In terms of our aggregate combined index of OIC members, our findings suggest that the United Arab Emirate, Turkey, Kuwait, Bahrain, Indonesia, Malaysia, Saudi Arabia, Iran, Egypt and Lebanon have, respectively, the highest numerical value and ranking. A look at these 10 high-ranking countries reveals that they are members of three major regional arrangements incorporated in the OIC: out of these 10 top countries, 5 countries are among the 8 members of the D-8, 4 countries are among the 6 members of the (P) GCC and 3 countries are among the 10 members of the ECO. It is noteworthy that many members of the (P) GCC and the D-8 are in a better position with respect to this index.

The higher rank of these 10 countries in terms of the above index is due to their relatively higher numerical value and ranking in all three combined indices incorporated in the above index (i.e. economic welfare and development, international economics and foreign trade, and trade development). This has been also confirmed by econometric estimates, as the first two combined indices (i.e. international economics and foreign trade, and economic welfare and development) have played a much more significant role in the aggregate combined index. As a result, the improvement of the first two combined indices leads to the improvement of the aggregate combined index. So, we can conclude that those OIC members with a better position with respect to the key international macro-economic variables are the most eligible countries for establishing the early nucleus of an efficient regional economic integration.

Keywords: feasibility, regional economic integration, Organization of the Islamic Countries (OIC)

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I) Introduction

In the age of globalization and the integration of world economy, economic development is not just a national issue and the states, to achieve a desired level of national development and welfare, have also to avail themselves of existing regional and international resources and opportunities. How to benefit from regional and international resources is one of the most significant questions facing all states, particularly developing countries including Muslim countries.

This very significance of regional and international resources has resulted in a growing interest in the regional economic integration during the last decades. According to the **Yearbook of International Organizations,** the total number of international organizations has been raised from 213 in 1909 to 14271, 28200 and 53841 in 1981, 1991 and 2001 respectively. [1]Specially, in the post-Cold War years, as a result of the collapse of restrictive walls of western and eastern blocs and as a protective means vis-à-vis the overwhelming process of globalization, there has been a record increase in the number of international organizations. In fact, since the late 1980s, regionalism gained momentum for a variety of reasons, including the breakdown of the Soviet Union, greater appeal of liberal policies for developing countries, using regionalism as a means to ease the pressure of globalization, the success of integration in Western Europe and the emergence of a tendency in the United States towards regional arrangements such as NAFTA. According to the **Yearbook of International Organizations,** the total number of international organizations has been raised from 24131 in 1989 to 41722 and 53841 in 1995 and 2001 respectively[2]. From 1986 to 1991, only 5 regional trade agreements were notified to the GATT, but for 1992-96 the number is 60[3]. And according to the WTO figures, nearly all of its Members have notified participation in one or more regional trade arrangements (RTAs) and some Members are party to twenty or more[4]. All in all, nowadays, almost all countries take part in some kind of RTA in its various stages of development and

1-Union of International Association 1997/1998, Vol. 2, P. 1745 , 200/2001, Vol .3, P.1661 and 2001/2002, Vol .3, P.1784

2- Ibid. 1997/ 1998, Vol. 2, P. 1745 and 2001/ 2002, Vol .3, P. 1784.

3- Barry and Keith 1999,p .54.

4 -W.W.W W.T.O org /English / tratop- e / region –e. htm.

many countries enjoy the membership of a handful of RTAs. And it is reported that nearly 60% of international trade flows within these arrangements.[1]

Having substantial potential, most Muslim countries also have been long pushing for the establishment of regional economic and trade arrangements such as the Organization of Islamic Conference (OIC), the [Persian] Cooperation Council (PGCC), the Economic Cooperation Organization (ECO) and the Group of Eight Islamic Developing Countries (D-8). These efforts imply an interest on the side of Muslim countries. However, despite these efforts, no commensurate progress has been made. As to the OIC itself, during three decades since its inception, it has not made a significant breakthrough. It appears that, under the circumstances, it is not feasible to establish an efficient economic and trade arrangement embracing all OIC Members and taking an incremental or step-by-step approach would probably be more successful. Thus, the most practical way to achieve the long-term goal of "sustainable regional development" would be to create an active nucleus of Islamic countries with more capacity, interest and coordination for economic and trade cooperation which other Islamic countries can join later.

So, this paper which is a summarized form of a research project, seeks to recognize the Islamic countries eligible to participate in the early nucleus of economic integration. In other words, our main question is: by the key international macro-economic variables, which Members of OIC have the capacity to actively participate in regional integration? Or, which countries enjoy the necessary qualifications for establishing the early nucleus of an effective regional economic integration among the OIC Members? Our assumption is that those OIC Members which hold a better status as to the key international macro-economic variables are the most suitable countries to form the said nucleus and our objective here is to recognize those countries.

To this end, using 16 key economic and trade indices having a bearing on regional economic integration, we attempt to make taxonomy of OIC Members and to identify the most suitable Members for constituting the early nucleus of regional economic integration. But, prior to that, in the next section, we would briefly review the theoretical literature on integration in international relations

1- Schiff and winters 1998, P.177-8.

and international economics on the one hand and among Islamic countries on the other.

II) Theoretical Literature on Integration

In International Relations (IR)

In IR, regional integration has been conceptualized in theories of interdependence, functionalism and international regimes. Theorists such as Inis L. Claude, Robert O.Keohane, Joseph S.Nye and James Rosenau believe that growing interdependence due to substantial advances in various fields including transportation and communications has created issues of an inherently international or global nature which require regional or global solutions and can not be resolved by individual nation-states. This very development has been one of the major causes behind the cumulative growth of regional and international organizations since 19th century. In other words, these theorists reiterate that increasing interdependence in a global scale has resulted in a greater significance of functional matters and the extension and diversification of national agendas on the one hand and a greater diversity of channels of contact among societies including formal and informal relations of states and non-state actors on the other[1].

In this context, functionalists such as David Mitrany, Ernst B.Haas, Philippe C.Schmitter and Joseph S.Nye believe that nation-states increasingly lose their ability to fulfill human needs, because nation-states are limited to a circumscribed territory, while human needs transcend national borders. These writers argue that, instead of having recourse to ambitious political schemes, we should promote functional cooperation within international institutions which can also eventually lead to political integration. In other words, cooperation within functional institutions can transfer individual allegiances to international community[2].

Later, functionalism, due to criticism leveled at its relative disregard for international milieu or system and its emphasis on political union as the final stage of integration, gave way to the concept of international regimes as a

1 - Claude 1964, Keohane and Nye 1977 and Rosenau 1990 and 1992.
2 - Mittany 1966, Haas 1968, Schmitter 1970 and Nye 1971.

framework for international cooperation. International regimes can be defined as sets of implicit or explicit principles, norms, rules and decision-making procedures around which actors' expectations converge in a given area of international relations. Partisan proponents of this theoretical persuasion argue that social interaction is, in principle, conducted through regimes and these regimes, when established, would have an independent effect on the process and persistence of cooperation and integration[1].

Generally, three points can be inferred from the IR literature on integration. First, the greater interdependence and the influences such as transnational and transregional pressures and threats have reduced the ability of nation-states to treat human needs and international affairs and hence made more urgent the greater regional and international cooperation via international regimes and organizations. Second, due to the states' concern about their national sovereignty resulting in the failure of the past ambitious political schemes for political unification, it seems better, in any integrative effort, to give priority to social and economic issues and begin with functional cooperation. And finally, to the mind of above writers, functional cooperation would contribute not only to the satisfaction of human needs and the improvement of human welfare but also to the maintenance of international peace.

1- In International Economics (IE)

A historical study of the attempts towards regionalism and removing the trade barriers reveals that, apart from its ups and downs from 19th century, regional integration with an outward-looking and liberalist approach has gained a record momentum since the 1980s and the end of Cold War. It appears that countries and specially developing countries which are not fairly prepared to adopt a fully-fledged free-trade policy have chosen the regional integration as a step towards incremental liberalization and integration into the world economy.

In IE, various theories have been formulated on the cost and benefit of regional economic integration. The differences concern the two concepts of "trade creation" of "trade diversion". Proponents of regional integration underscore its contribution to trade creation, but the opponents underline its

1 - Kvasner 1983.

effect as a source of trade diversion through discrimination among Members' trade partners[1]. For example, Jacob Viner argues that if two countries remove their tariffs for their own goods while retaining them for third country's goods, they increase the profitability of exchange between their own businesses by the import of their cheaper products but divert the trade, because their now cheaper imports were hitherto bought from more efficient countries. The gist of Viner's argument is that regional preferential arrangements can affect their Members' trade and world welfare by discrimination in trade liberalization[2].

Others rely on natural partners theory, putting emphasis on the growth of trade between countries with the least geographical distance. Economists like Paul Wonnacot and Mark Lutz[3] and Lawrence Summers[4] argue that regional trade arrangements, due to the geographical (natural) proximity of their Members, bear more benefit than diversion. Paul Krugman[5] also says that although trade is based on the comparative advantage, but it is also influenced by factors such as geography and the geographical proximity reduces the cost of transportation. Therefore, neighbor countries in these regions make extensive trade with each others without much trade diversion.

Some theorists such as Jadish Bhagwati[6] believe that the above economists have treated the regional trade arrangements in a static way without regard to their dynamic implications through time for trade barriers across the world. He introduces two concepts of building and stumbling blocks which are similar to Viner's concepts of trade diversion and trade creation[7].

In conclusion, many studies on the relationship between foreign trade and economic growth confirm the existence of a direct one. The openness of economies and the flow of international trade result in more competition and efficiency, abolition of market limitations and enjoyment of economies of scale, more foreign exchange revenue and other useful structural changes. In addition, economic analyses show that regional economic integration can be highly

1 - Melo 1992, P.33.
2- Viner 1950.
3- Wonnacot and Lutz 1988.
4- Summers 1991.
5- Krugman 1991.
6- Bhagwati and Panagaria 1996.
7 -Ibid., P.83.

contributive to the economic development of developing countries. The most probable effects of regionalism are as follows:

1- Commercial effects, through trade liberalization, including market extension, trade creation, trade diversion, and improvement of trade balance through collective contracts in world markets.

2- Economic effects such as economies of scale, greater access to productive resources, more consummer's surplus, and increased tariff revenue of states.

3- Non-economic effects like better political agreements, coordination of regional political and security issues, and paving the way for a long-term political union[1].

3- On Islamic Countries

Current literature on the prospect of economic integration among Islamic countries can be divided into three categories:

1- Works such as the article of Ott, Blova and Al-Salem[2] which totally deny the feasibility of economic integration among Islamic countries;

2- Works including those of Abootorabian[3], Hashemian[4], Marzooghi[5], Hassan[6], Hashemian and Hassanpoor[7], and Khorshidi[8] which confirm the feasibility of economic integration among Islamic countries but take them as a whole;

3- Works like those of Yazdanpanah and Karimi[9], Khiabani, Rahmani and Razini[10], and Metwally[11] which accept the feasibility of economic integration only among a handful of Islamic countries but rely just on one index.

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1 -Riedel 1984, P.35.
2 - University of Qatar and DIC 2002, P. 3-42.
3-Institute for Trade Studies and Research 2000, P. 29-44.
4 - Ibid., P.155-214.
5 - Ibid., P.251-310.
6 - University of Qatar and OIC 2002, 43-78.
7 - Institute for Trade Studies and Research and Islamic Development Bank 2000, p 1-36.
8 - Institute for Trade Studies and Research 2000, P. 67-81.
9 - Ibid,P.45-66
10- Ibid., P.215-222.
11 - University of Qatar and OIC 2002, P.83-104.

On balance, our review reveals that even those works supporting the establishment of an integrative nucleus of a handful of suitable Islamic countries have used a specific index-such as the degree of economic complementarity, potential export diversification and geographical proximity- to identify the eligible countries. In this article, we also make an effort to recognize the eligible countries but by using a great many indices which obviously would raise the credibility of our findings.

III) Research Methodology and Indices

As stated above, in this paper, we, using 16 key economic and trade indices having a bearing on regional economic integration, attempt to make a taxonomy of OIC Members and to identify the most suitable Members for constituting the early nucleus of regional economic integration.

During our preliminary studies, it was found that there was not enough statistical information for 7 out of 57 OIC Member Countries. So, this countries- Afghanistan, Iraq, Palestine, Bosnia-Herzegovina, Somalia, Comoro and Sierra Leone- were omitted from our project. We should bear in mind that these countries were, during the studied period, deprived of an established polity and economy to make a report on their international economic condition. In addition, according to **Human Development Report** (UNDP) and **World Development Indicators** (World Bank), most of these countries are among the least-developed countries.

As to the indices, it is worth noting that, out of 40 indices of economics, international economics and foreign trade of the countries in question, 11 indices were omitted, due to a paucity of relevant figures for over 40 countries. These indices included the share of gross capital formation in GDP, the share of industrial value added in GDP, the share of industrial exports in merchandise exports, net barter terms of trade in 1999 (1990=100), performance index of Iran's imports from the OIC Members, performance index of average tariff of all products, performance index of average tariff of manufactures, simple average tariff of all products for 1989 and 2001, and simple average tariff of manufactures for 1989 and 2001.

It should be added that we found a high correlation between some of the relevant indices; therefore, we put aside 10 other indices to avoid their overestimation.

Thus, given the aforesaid omissions as well as the omission of 3 indices specific to Iran, the research indices have been reduced to 16 indices which can be divided into three categories:

a- Indices pertaining to economic welfare and development

1- Human Development Index (HDI)
2- Gross Domestic Product (GDP)
3- GDP Growth Rate (GDPGR)
4- Per Capita GDP (PGDP)
5- Economic Freedom Index (EFI)
6- Level of Per Capita Income (LPI)

b- Indices pertaining to international economics and foreign trade

7- Total Value of Trade in Goods (TVTG 2001)
8- Performance Index of Trade in Goods (PITG)
9- Degree of Economic Openness (DEO)
10- Trade Freedom Index (TFI)
11- Export Concentration Index (ECI)
12- Import Concentration Index (ICI)

c- Other indices related to trade development

13- Geographical Comparative Advantage (GCA)
14- Size of Population (SP)
15- Population Growth Rate (PGR)
16- FDI Inflows (FDII)

IV) Research Findings

The value and rank of the OIC Member Countries in terms of our three combined indices as well as an aggregate combined index have been shown in tables 1 through 4.

As these tables indicate:

1- In terms of the combined index of economic welfare and development, our findings suggest that Bahrain, Kuwait, the United Arab Emirates and the Federation of Malaysia have, respectively, the highest numerical value and ranking and the next six countries include Saudi Arabia, Lebanon, Turkey, Indonesia, Tunisia and Iran. A look at these 10 high-ranking countries makes it clear that among the Islamic regional arrangements incorporated in the OIC-such as the Economic Cooperation Organization (ECO), the [Persian] Cooperation

Council (PGCC) and the Group of Eight Islamic Developing Countries (D-8) - the PGCC is the most homogeneous grouping in terms of this combined index. Out of the above-mentioned 10 top countries, 5 countries are among the 6 members of the PGCC, 2 countries are among the 10 members of the ECO and 4 countries are among the 8 members of the D-8.

2- In terms of the combined index of international economics and foreign trade, our findings suggest that the United Arab Emirates, Malaysia, Indonesia and Turkey have, respectively, the highest numerical value and ranking and the next six countries include Saudi Arabia, Kuwait, Qatar, Bahrain, Jordan and Iran. A look at these 10 high-ranking countries reveals that among the three Islamic regional arrangements incorporated in the OIC, the PGCC is again the most homogeneous grouping in terms of this combined index. Out of the above-mentioned 10 top countries, 5 countries are among the 6 members of the PGCC, 2 countries are among the 10 members of the ECO and 4 countries are among the 8 members of the D-8. It is worth noting that the PGCC stands in a lower position in terms of this combined index than the previous index.

3- In terms of our third combined index of trade development, our findings suggest that Pakistan, Turkey, Iran and Egypt have, respectively, the highest numerical value and ranking and the next six countries include Azerbaijan, Djibouti, Algeria, Lebanon, Tunisia and Bangladesh. By a look at these 10 high-ranking countries, we find that among the three Islamic regional arrangements incorporated in the OIC, the D-8 is the most homogeneous grouping in terms of this combined index, since out of the above-mentioned 10 top countries, 5 countries are among the 8 members of the D-8, 4 countries are among the 10 members of the ECO and no one is of the 6 members of the PGCC. It is worth noting that the PGCC is again in a lower position in terms of this combined index than the first combined index. By this index, 17 countries have a numerical value below 30 and a ranking above 33.

4- In terms of the aggregate combined index of OIC Members, our findings show that the United Arab Emirates, Turkey, Kuwait and Bahrain have, respectively, the highest numerical value and ranking, due to enjoying a relatively higher numerical value and ranking in all three indices incorporated in this index. The next six countries include Indonesia, Malaysia, Saudi Arabia, Iran, Egypt and Lebanon respectively. A look at these 10 high-ranking countries reveals that among the three Islamic regional arrangements incorporated in the

OIC, the PGCC is the most homogeneous grouping in terms of our aggregate combined index. Out of the above 10 top countries, 5 countries are among the 8 members of the D-8, 4 countries are among the 6 members of the PGCC and 3 countries are among the 10 members of the ECO. It is noteworthy that many members of the PGCC and the D-8 are in a better position with respect to this index.

5- The coefficients of the variables constituting the aggregate combined index imply that the shares of our three combined indices in our aggregate combined index are 0.348, 0.35 and 0.259 respectively. In other words, our first two combined indices (i.e. international economics and foreign trade; and economic welfare and development respectively) play a much more significant role in our aggregate combined index. As a result, the improvement of our first two combined indices leads to the improvement of the aggregate combined index. So, we can conclude that those OIC Members with a better position in respect of the key international macroeconomic variable are the most eligible countries for establishing the early nucleus of an efficient regional economic integration.

Table 1: Combined Index of Economic Welfare and Development

OIC Members	Combined Index	
	Numerical value	Ranking
1. Republic of Albania	42/42	15
2. People's Democratic Republic of Algeria	45/065	13
3. Republic of Azerbaijan	27/266	25
4. Kingdom of Bahrain	76/354	1
5. People's Republic of Bangladesh	32/037	21
6. Republic of Benin	24/402	32
7. Burkina Faso	23/078	34
8. Republic of Cameroon	25/749	28
9. Republic of Chad	19/864	38
10. Arab Republic of Egypt	45/482	12
11. Republic of Gabon	46/707	11
12. Republic of the Gambia	22/853	36
13. Republic of Guinea	27/128	26
14. Republic of Guinea-Bissau	15/229	40
15. Republic of Indonesia	51/553	8
16. Islamic Republic of Iran	47/269	10
17. Hashemi Kingdom of Jordan	44/593	14
18. Republic of Kazakhstan	40/523	17
19. State of Kuwait	70/129	2
20. Kyrgyz Republic	28/052	23
21. Republic of Lebanon	51/720	7
22. Malaysia	64/131	4
23. Republic of Mali	25/356	30
24. Islamic Republic of Mauritania	26/779	27
25. Kingdom of Morocco	41/916	16
26. Republic of Mozambique	24/417	31
27. Republic of Niger	17/054	39
28. Federal Republic of Nigeria	22/591	36
29. Islamic Republic of Pakistan	34/150	20
30. Kingdom of Saudi Arabia	61/337	5
31. Republic of Senegal	26/748	29
32. Republic of Suriname	39/035	18
33. Syrian Arab Republic	38/196	19
34. Republic of Tajikistan	14/318	41
35. Republic of Togo	23/030	35
36. Republic of Tunisia	49/332	9
37. Republic of Turkey	55/935	6
38. Turkmenistan	27/268	24
39. Republic of Uganda	31/380	22
40. United Arab Emirates	69/417	3
41. Republic of Uzbekistan	25/514	31

Source: Authors' calculations

Table 2: Combined Index of International Economics and Foreign Trade

OIC Members	Combined Index	
	Numerical value	Ranking
1. Republic of Albania	32/058	23
2. People's Democratic Republic of Algeria	33/580	21
3. Republic of Azerbaijan	39/932	12
4. Kingdom of Bahrain	42/510	8
5. People's Republic of Bangladesh	37/117	15
6. Republic of Benin	24/249	35
7. Burkina Faso	26/829	29
8. Republic of Cameroon	25/796	31
9. Republic of Djibouti	26/127	30
10. Arab Republic of Egypt	39/202	13
11. Republic of Gabon	24/722	34
12. Republic of the Gambia	25/401	33
13. Republic of Guinea	21/483	39
14. Republic of Guinea-Bissau	18/458	40
15. Republic of Indonesia	64/126	3
16. Islamic Republic of Iran	40/881	10
17. Hashemi Kingdom of Jordan	38/107	14
18. Republic of Kazakhstan	40/249	11
19. State of Kuwait	48/944	6
20. Kyrgyz Republic	32/166	22
21. Republic of Lebanon	34/808	20
22. Malaysia	70/972	2
23. Republic of Mali	23/936	36
24. Islamic Republic of Mauritania	25/650	32
25. Kingdom of Morocco	37/387	17
26. Republic of Mozambique	36/567	18
27. Republic of Niger	23/305	37
28. Federal Republic of Nigeria	28/534	28
29. Kingdom of Oman	41/195	9
30. Islamic Republic of Pakistan	30/100	26
31. State of Qatar	44/156	7
32. Kingdom of Saudi Arabia	52/602	5
33. Republic of Senegal	36/386	19
34. Republic of Suriname	30/319	25
35. Syrian Arab Republic	29/441	27
36. Republic of Togo	21/572	38
37. Republic of Tunisia	38/629	16
38. Republic of Turkey	57/325	4
39. United Arab Emirates	86/202	1
40. Republic of Yemen	31/278	24

Source: Authors' calculations

Table 3: Combined Index of other Indices Related to Trade Development

OIC Members	Combined index	
	Numerical value	Ranking
1. Republic of Albania	46/164	25
2. People's Democratic Republic of Algeria	69/017	7
3. Republic of Azerbaijan	72/337	5
4. Kingdom of Bahrain	66/107	12
5. People's Republic of Bangladesh	66/778	10
6. Republic of Benin	21/542	45
7. Niagara Brunei Darussalam	27/381	34
8. Burkina Faso	19/179	49
9. Republic of Cameroon	26/723	35
10. Republic of Chad	19/945	47
11. Republic of Djibouti	70/274	6
12. Arab Republic of Egypt	73/455	4
13. Republic of Gabon	22/725	42
14. Republic of the Gambia	24/523	38
15. Republic of Guinea	24/742	37
16. Republic of Guinea-Bissau	22/725	41
17. Co-operative Republic of Guyana	25/059	36
18. Republic of Indonesia	55/357	22
19. Islamic Republic of Iran	74/334	3
20. Hashemi Kingdom of Jordan	60/067	17
21. Republic of Kazakhstan	51/877	24
22. State of Kuwait	59/713	18
23. Kyrgyz Republic	43/400	28
24. Republic of Lebanon	67/044	8
25. Great Socialist People's Libyan Arab Jamahiriya	63/685	15
26. Malaysia	30/561	32
27. Republic of Maldives	32/143	30
28. Republic of Mali	20/953	46
29. Islamic Republic of Mauritania	57/426	20
30. Kingdom of Morocco	31/470	31
31. Republic of Mozambique	17/601	51
32. Republic of Niger	23/263	40
33. Federal Republic of Nigeria	35/433	29
34. Kingdom of Oman	55/617	21
35. Islamic Republic of Pakistan	76/167	1
36. State of Qatar	66/107	13
37. Kingdom of Saudi Arabia	58/908	19
38. Republic of Senegal	23/693	39
39. Republic of the Sudan	28/040	33
40. Republic of Suriname	22/631	43
41. Syrian Arab Republic	61/996	16
42. Republic of Tajikistan	44/137	26
43. Republic of Togo	22/520	44
44. Republic of Tunisia	68/348	9
45. Republic of Turkey	75/695	2
46. Turkmenistan	65/400	14
47. Republic of Uganda	19/381	48
48. United Arab Emirates	66/343	11
49. Republic of Uzbekistan	43/975	27
50. Republic of Yemen	53/315	23

Source: Authors' calculations

Table 4: Aggregate Combined Index

OIC Members	Combined Index	
	Numerical value	Ranking
1. Republic of Albania	39/010	19
2. People's Democratic Republic of Algeria	44/040	12
3. Republic of Azerbaijan	43/236	14
4. Kingdom of Bahrain	56/958	4
5. People's Republic of Bangladesh	42/559	16
6. Republic of Benin	22/731	30
7. Burkina Faso	22/483	32
8. Republic of Cameroon	24/933	28
9. Arab Republic of Egypt	49/130	9
10. Republic of Gabon	30/795	24
11. Republic of the Gambia	23/292	29
12. Republic of Guinea	22/561	31
13. Republic of Guinea-Bissau	18/624	36
14. Republic of Indonesia	54/382	5
15. Islamic Republic of Iran	50/616	8
16. Hashemi Kingdom of Jordan	44/323	13
17. Republic of Kazakhstan	42/983	15
18. State of Kuwait	57/064	3
19. Kyrgyz Republic	32/982	21
20. Republic of Lebanon	48/442	10
21. Malaysia	54/039	6
22. Republic of Mali	21/517	34
23. Islamic Republic of Mauritania	32/501	23
24. Kingdom of Morocco	35/447	20
25. Republic of Mozambique	26/823	27
26. Republic of Niger	20/121	35
27. Federal Republic of Nigeria	27/065	26
28. Islamic Republic of Pakistan	41/413	17
29. Kingdom of Saudi Arabia	51/008	7
30. Republic of Senegal	28/489	25
31. Republic of Suriname	32/779	22
32. Syrian Arab Republic	41/403	18
33. Republic of Togo	21/958	33
34. Republic of Tunisia	48/187	11
35. Republic of Turkey	59/810	2
36. United Arab Emirates	71/733	1

Source: Authors' calculations

V) Concluding Remarks and Recommendations

On the basis of our research findings, we can make some policy remarks and recommendations:

1- In the age of globalization and interdependence, regional economic integration is one of the best ways facing Islamic countries to temper globalization pressure and at the same time to prepare for the gradual integration into the world economy.

2- Due to the states' concern about their national sovereignty resulting in the failure of the past ambitious political schemes for political unification, it seems better for Islamic countries to accord priority to functional and economic cooperation in any integrative effort, putting aside political ambitions.

3- In view of the failure of OIC integrative efforts due to, inter alia, OIC Members heterogeneity as to the level of development and the key international macroeconomic variables, establishing an initial integrative nucleus comprising those Islamic countries in a better position regarding the key international macroeconomic variables would be the most appropriate way to initiate the regional economic integration and then to incorporate, in due course, other Islamic countries. Our findings indicate that the most eligible OIC Members for constituting the initial integrative nucleus are the United Arab Emirates, Turkey, Kuwait, Bahrain, Indonesia, Malaysia, Saudi Arabia, Iran, Egypt and Lebanon.

4- Out of the 10 top countries in terms of our aggregate combined index, 5 countries belong to the D-8 and 4 countries belong to the PGCC. This implies that the initial integrative nucleus is better to consist of the Members of D-8 (Iran, Egypt, Turkey, Indonesia and Malaysia) and PGCC (the United Arab Emirates, Saudi Arabia, Kuwait and Bahrain).

5- These countries are required to initiate regional economic integration to reap its fruits, including economies of scale, trade creation and promotion, export competitiveness and diversification, extended scientific and technical cooperation, more bargaining power at the global level, etc.

6- These countries can take following measures to achieve the benefits of regional economic integration:

a- Through the encouragement of joint ventures, these countries can take benefit of the economies of scale and create new comparative advantages which can, in turn, result in the fulfilment of domestic needs and the extension of intra-regional trade on the one hand and increase their competitiveness in the world markets on the other.

b- In their joint ventures, these countries need to take into account their trade structural reform, directing their investments towards more export diversification with a priority for more value-added products.

c- These countries should promote their intra-regional trade by more liberalization, trade facilitation, and affording trade preferences, including preferential tariffs.

d- The removal of trade barriers, through measures such as supplementing and facilitating the trade laws and regulations, is also required to promote intra-regional trade among these countries.

e- Another essential requirement for promoting intra-regional trade among these countries is to conduct trade research, including joint research, to identify the actual and potential needs and capacities of these countries.

f- Due consideration should also be given to the establishment of an integrated trade data base easily providing businesses with the necessary information about these countries, including their trade laws and regulations as well as their capacities and opportunities.

g- The extension of scientific and technical cooperation among these countries would be very helpful to build up their scientific and technical infrastructure and to produce high value-added products.

h- Specially in view of their common religion, the extension of cultural cooperation among these countries would be highly instrumental in consolidating intra-regional ties and, as a result, in facilitating and promoting intra-regional trade.

7- It goes without saying that implementation of the above points requires new dynamic executive mechanisms and institutional arrangements. Otherwise, they would be up in the air. In fact, the well-defined progress of regional economic integration toward its final aims entails a policy coordination among all participating countries in all stages of integration process.

8- And finally, in their planning in the course of integration, participating countries are required to envisage the stage next to the regional economic integration-i.e. the integration into the world economy-and make preparations therefore.

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