

## **A Comparative Study on European Union and Selected Muslim Countries: The Search for Integrating Muslim Countries for a Common Economy**

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**Abstract:** As economic integration among Muslim countries does not necessarily imply non-economic cooperation with rest of the world, therefore, economic integration among Muslim countries is key to their long-run economic development. This paper focuses on a comparative analysis of selected economic indicators of the selected 12 Muslim countries with European Union. As such, the comparisons between the selected 12 Muslim countries and EU indicate that manufacturing industries and agriculture in the GDPs show wide difference, but GDP growth rate, inflation rate and their average rates are not significantly different. In addition, the 12 Muslim country's mesmerizing consumer market (433.64 million people), which is larger than that of EU (330.4 million people), the investment ardor of foreign suitors. Labour absorbing capacity of the 12 Muslim country's economy is higher than that of EU economy. Apart from petroleum, to establish a common policy for other products within Muslim countries will not necessarily impede their trade relationship with others as well as their export earnings. Thus, there is a potential opportunity to establish a common market within selected Muslim countries. Some policies and issues of common economy within Muslim countries and its effectiveness for sustained economic growth and trade balances to meet emerging challenges also are explored.

**Key Words:** Economic Integration, Consumer Market Size, Muslim Country's Cooperation

### **Introduction**

At the heart of current debates is the issue of economic growth of Muslim countries, and whether particular strategies can engender rapid increase in economic growth by stimulating Muslim country's economic cooperation. In addition, the global changing economic environment creates added looming challenges for Muslim countries from other developed and developing countries alike. These rapid changing circumstances also are crucial issue for the Muslim countries, which enables to rethink and restructure their trade partnerships and investment policies for a sustained economic growth.

It has long been recognized that economic integration is key to long-run economic development. As such, Muslim country's economic integration enables to build up their overall economic sustainability. Therefore, it is essential for the Muslim world to set economic and social development and welfare based on cooperation among Muslim countries from which experience, the world community may benefit to get rid of its current world economic crisis. This in turn will put forward Muslim and non-Muslim economic integration as well. It is because, economic integration among Muslim countries does not necessarily imply non-economic cooperation with rest of the non-Muslim world, and moreover, it provides more meaningful cooperation with rest of the non-Muslim world.

In order to effectively utilizing Muslim country's economic integration policies, recipients must undertake an explicit learning process as well as make accompanying investments in new skills and managerial tools to achieve Muslim country's economic growth for coping with challenges from others. Thus,

the study of the comparison of selected economic indicators of the selected Muslim countries with European Union would provide an indication to practice common economic activities within Muslim countries. This phenomenon in turn could provide efficient use of raw materials from their resource-based economy as a whole, which undoubtedly leads to significant wealth being generated in Muslim countries. This paper focuses on a comparative analysis of selected economic indicators such as GDP growth rate, consumer market size, inflation rate, export and import commodities and partners, and unemployment rate of the selected 12 Muslim countries with European Union. Some policies and issues of common economy within Muslim countries and its effectiveness for sustained economic growth and trade balances to meet emerging challenges also are explored.

**Approaches for Muslim Countries' Economic Integration:** The economic integration approaches can be considered as a guideline or formula to conduct a meaningful economic cooperation. This also is a coordinating mechanism, which promotes and encourages economic cooperation among two or more countries. The impact of integration policies in economic theory is frequently dependent upon the circumstances surrounding individual integration arrangements and member countries (DeRosa, 1998). As such, integrated member states apply approaches with a view to strengthening and linking them so that the establishment of a system of business preferences through a step-by-step process on the part of all interested member states.

The approaches are based on the principles of mutuality of advantages while taking into account the respective levels of economic and industrial development, trade regimes and international

obligations of individual member states with the ultimate aim of a free trade area. This is in view to render support to the efforts towards trade liberalization of global system of trade preferences (GSP) and to recommend to Muslim countries participating in the GSP negotiations to avail that opportunity for pursuing negotiations among themselves.

The ECIC programs envisage a liberalization of both trade and factor movements. Some OIC member countries have been practicing part of this liberalization of both trade and factor movements since its establishment in 1972 (El-Agraa, 1993). As the role of trade liberalization is eliminate barriers to trade for the achievement of sustainable development, particularly for developing countries, and trade liberalization is an important component of progress toward sustainable development for all countries. The contribution of trade liberalization to sustainable development is promoted by policies that respect environmental and social policy goals. Thus, OIC member states those have been practicing trade liberalization in very limited areas since its establishment, at present, it is necessary to evaluate their progress of trade liberalization practices to establish a common market. Systematic approaches for economic integration in ECIC and its further expanded implication for a common market within selected Muslim countries can be seen in Fig. 1.

**Practices in Integration Groupings:** There are well over 50 regional integration and trading arrangements are currently in force around the world, with vast number of these arrangements involving mainly less developed countries. Of them, the European Union (EU) and the North American Free Trade Agreement among Canada, Mexico and the United States are the most prominent regional integration arrangements (IMF1994). Muslim countries are members in 34 integration groupings all over the world. In more than half of the groupings, Muslim countries constitute a majority (Nienhaus 1987). Therefore, they potentially could exercise an important influence on the development of these groupings.

The above phenomenon clearly shows that Muslim countries are experienced in economic integration and cooperation. In addition, OIC member states have been practicing economic integration policies since its establishment in 1972. These experiences in trade liberalization of OIC members states enables to indicate a direction to form a common market. While considering the points mentioned above, EU member countries did not hold any integration experiences in their establishment period in 1958/1960. Therefore, this phenomenon clearly indicates that from the viewpoint of experiences in integration grouping, presently, Muslim countries are having better situation to establish a common market. It is because, experiences in integration grouping is necessary for better understanding and insight to the actual or potential effects of integration on the global trading system and emerging new global economy (DeRosa, 1998). The participation of the selected 12 Muslim countries in integration groupings is summarized in Fig. 2.

### Materials and Methods

Secondary data were obtained from publications, existing reports and web sites on related area. This included annual and technical reports from government agencies. The data obtained were reviewed and analyzed for trends in the status of economic performance. For this purpose, six indicators such as GDP growth rate, consumer markets size, inflation rate, export and import commodities and partners, unemployment rate and labour movements was considered. Published and unpublished articles as well as other information related to this area also were reviewed.

### Results and Discussion

#### Consumer Market, GDP Growth Rate and Inflation Rate:

Although the theory of economic integration had been elaborated with relatively small groups of advanced (industrialized) countries on a similar level of development in mind. It was especially the European integration efforts – the establishment of the European Economic Community in 1957/58, the European Free Trade Association in 1960, which stimulated the refinement of the integration theory. But the idea of economic integration found so much attention worldwide and especially in the developing countries, where a number of integration emerged. This is because, El-Agraa (1979) pointed out that the body of theory developed for economic integration in the advanced world is more appropriate for the developing countries. There is essentially no theoretical difference between economic integration in the advanced world and in the developing world (El-Agraa 1979).

Looking at Table 1, GDP growth rate of the selected 12 Muslim country ranges from 3.5 percent to 8.6 percent and in average 4.96 percent. While inflation rate ranges from 0.5 percent to 8 percent and in average 3.20 percent. At the same time, the shares of the manufacturing industries and agriculture in the GDPs range from 18 to 55 percent and 1 to 30 percent respectively. On the other hand, GDP growth rate of the 13 European countries ranges from 2.7 percent to 5.7 percent and in average 3.56 percent. Meanwhile, inflation rate ranges from 1.7 percent to 7.8 percent and in average 2.94 percent. At the same time, the shares of the manufacturing industries and agriculture in the GDPs range from 24.9 to 36 percent and 1 to 8.3 percent respectively.

The results of the Table 1 indicate that GDP growth rate, inflation rate and their average rates of the 12 Muslim countries are not significantly different with EU countries. But the shares of the manufacturing industries and agriculture in the GDPs show wide difference between these two groups of countries. It is to be mentioned that EU countries have been practicing a common market since its establishment, which provides well

documentation of above mentioned economic indicators. But the 12 Muslim countries are not practicing a common market except limited activities within OIC member states or other groupings. In addition, the 12 Muslim country's mesmerizing consumer market (433.64 million people), which is



## Hossain: A Comparative Study on European Union and Selected Muslim Countries

Table 1: Consumer Market Sizes, GDP Growth Rate, and its Shares and Inflation Rate of the 12 Selected Muslim Countries and EU in 2000

Country	Consumer market size (population in millions)	GDP		GDP Growth rate (%)	Inflation rate
		% Agriculture	% Industry		
Saudi Arabia	22.75	6.0	47.0	4.0	0.5
Oman	2.62	3.0	40.0	4.6	0.8
Qatar	0.77	1.0	49.0	4.0	2.5
Bahrain	0.64	1.0	46.0	5.0	2.0
Kuwait	2.04	0.0	55.0	6.0	3.0
UAE	2.40	3.0	52.0	4.0	4.5
Syria	16.72	29.0	22.0	3.5	1.5
Egypt	69.53	17.0	32.0	5.0	3.0
Indonesia	228.43	21.0	35.0	4.8	8.0
Bangladesh	131.26	30.0	18.0	5.3	5.8
Pakistan	144.61	25.4	24.9	4.8	5.2
Malaysia	22.22	14.0	44.0	8.6	1.7
Total/Average	433.64 <sup>T</sup>			4.96 <sup>A</sup>	3.20 <sup>A</sup>
<b>European Union</b>					
Austria	8.15	2.2	30.4	3.1	2.0
Belgium	10.25	1.4	26.0	4.1	2.2
Denmark	5.35	3.0	25.0	2.8	2.9
France	59.55	3.3	26.1	3.1	1.7
Finland	5.17	3.5	29.0	5.6	3.4
Germany	83.02	1.2	30.4	3.0	2.0
Greece	10.62	8.3	27.3	3.8	3.1
Italy	57.67	2.5	30.4	2.7	2.5
Luxembourg	0.44	1.0	30.0	5.7	7.8
Portugal	10.06	4.0	36.0	2.7	2.8
Netherlands	15.98	3.3	26.3	4.0	2.6
Norway	4.50	2.0	25.0	2.7	2.9
UK	59.64	1.7	24.9	3.0	2.4
Total <sup>T</sup> /Average <sup>A</sup>	330.4 <sup>T</sup>			3.56 <sup>A</sup>	2.94 <sup>A</sup>

Note: T = Total; A = Average

Source: Adapted from CIA-The World Factbook 2001

appropriate technology, resources like labor and others can be used more efficiently.

Looking at Table 2, the selected 12 Muslim country's and EU's total labour force are 248.39 millions and 150.76 millions, of them, they have average unemployment rate 7.69 percent and 7.79 percent respectively. The results of Table 2 clearly show that the labour absorbing capacity of the selected 12 Muslim country's economy is higher than that of EU's economy.

CIA-The World Factbook 2001 is the US government profiles of countries and territories around the world, 2001. The data is obtained from the World Factbook 2001 does not show significant difference from the data of the Wall Street Journal (The Heritage Foundation - The Index of Economic Freedom 2002).

- The share of the GDP growth rates of the OIC ranges from 0 to 20 percent, which is greater than that of the selected 12 Muslim countries means that heterogeneity in the GDP of the selected 12 Muslim countries is less than that of the OIC.
- The shares of the manufacturing industries and agriculture in the GDPs of the selected 12 Muslim countries are better than that of the OIC that

ranges from 2 to 24 percent and 1 to 50 percent respectively.

Therefore, it can be concluded that selected Muslim countries could be in better position to form a common market that can be extended further, which is practiced by the EU.

In addition, on one hand, Muslim countries such as Indonesia, Bangladesh, Pakistan, Syria and Egypt are having labour surplus and higher rates of unemployment. And on the other hand, Saudi Arabia, Oman, Qatar, Bahrain, Kuwait, UAE and Malaysia are holding labour shortage and hardly any unemployment or very small (Malaysia and Kuwait) percent of unemployment. This phenomenon would provide economic benefits for both groups of countries.

For oil rich above mentioned labour shortage countries can invest their overhead capital to labour surplus countries. This would bring two folded benefits for oil rich countries - they can use labour-intensive technologies, which gives cheaper products and larger integrated market for their products. Moreover, they also could import labour from labour surplus countries and they have been doing so since 1960s<sup>2</sup>. On the other hand, labour surplus countries get an opportunity

## Hossain: A Comparative Study on European Union and Selected Muslim Countries

Table 2: Total Labour force and Unemployment rate of the 12 selected Muslim countries and EU in 1999/2000

### Selected 12 Muslim Countries

Country	Total labour force (million)	Unemployment rate (%)
Saudi Arabia	7.00	NA
Oman	0.85	NA
Qatar	0.24	NA
Bahrain	0.30	NA
Kuwait	1.30	1.80
UAE	1.40	NA
Syria	4.70	20.00
Egypt	19.90	11.50
Indonesia	99.00	15.00
Bangladesh	64.10	35.20
Pakistan	40.00	6.00
Malaysia	9.60	2.80
Total/Average	248.39 <sup>T</sup>	7.69 <sup>A</sup>
<b>European Union</b>		
Austria	3.70	5.40
Belgium	4.34	8.40
Denmark	2.85	5.30
France	25.00	9.70
Finland	2.60	9.80
Germany	40.50	9.90
Greece	4.32	11.30
Italy	23.40	10.40
Luxembourg	0.25	2.70
Portugal	5.00	4.30
Netherlands	7.20	2.60
Norway	2.40	3.00
UK	29.20	5.50
Total/Average	150.76 <sup>T</sup>	7.79 <sup>A</sup>

Source: Adapted from CIA-The World Factbook 2001

to solve their unemployment problems from the oil rich country's direct investments, which enhance their per capita income, enables to improve purchasing power and social peace as well. This in turn would enlarge their common market as well as their overall economic growth. In addition, this enlarged common market enables to attract high-tech developed countries to invest more as well. Therefore, the comparison of the selected 12 Muslim country's labour force situation with EU clearly shows that to establish a common market within selected Muslim countries would provide an opportunity to prepare and implement their ambitious development plans.

### Export-import Commodities and Partners:

Economic development of a country or group countries is largely determined by its commodity market and trade partners as well. The major handicap of the Muslim countries is their dependent relationship on industrialized countries for high-tech equipment and machinery. As evident from Table 3, all the selected 12 Muslim countries are importing high-tech equipment and machinery from developed countries. On the other extreme, apart from Indonesia, Bangladesh and Pakistan, all other 9 Muslim countries are exporting petroleum and petroleum products to developed

countries (Table 3). This means that all the developed countries are largely dependent on oil exporting countries such as Saudi Arabia, Oman, Qatar, Bahrain, Kuwait, and UAE. As the demand for petroleum tends to be price-inelastic means that it is a necessity for the developed and non-oil exporting countries as well.

In addition, from Table 3, apart from Egypt, Indonesia, Bangladesh and Pakistan, all other 8 Muslim countries have highly positive trade balances. Hence, there is an opportunity to minimize Muslim country's dependency for high-tech equipment and machinery on developed countries through exporting petroleum and petroleum products. Moreover, Bangladesh and Pakistan are exporting garments and agricultural products, on the other extreme, Saudi Arabia, Oman, Qatar, Bahrain, Kuwait, UAE and Malaysia importing agricultural products and garments. Meanwhile, Malaysia is exporting electronics and electrical goods, and selected agricultural products as well. Therefore, apart from Petroleum and petroleum products, to establish a common policy for other products within the selected Muslim countries will not necessarily impede their trade relationship with other developed countries as well as their export earnings.

## Hossain: A Comparative Study on European Union and Selected Muslim Countries

**Table 3: Export-import Commodities and Partners of the Selected 12 Muslim Countries**

Country	Exports			Imports		
	Export (\$ bill)	Commodities	Major Partners	Import (\$bill)	Commodities	Major Partners
Saudi Arabia	81.2	petroleum and petroleum products	Japan, US, France, South Korea, Singapore, India	30.1	Machinery, equipment, foodstuffs, chemicals, motor vehicles, textiles	US, Japan, Germany, Italy, France, UK
Oman	11.1	petroleum, reexports, fish, metals, textiles	Japan, Thailand, South Korea, China, UAE	5.4	Machinery, transport equipment, manufactured goods, food, livestock, lubricants	UAE, Japan, UK, Italy, Germany, US
Qatar	9.8	petroleum products, fertilizers, steel	Japan, Singapore, South Korea, US, UAE	3.8	machinery and transport equipment, food, chemicals	UK, Japan, Germany, US, Italy(1998)
Bahrain	5.8	petroleum and petroleum products, aluminum	India, Arabla, US, Japan, Korea	4.2	No-noil, crude oil	France, US, UK, Saudi Arabia, Japan
Kuwait	23.2	oil and refined products, fertilizers	Japan, Singapore, Netherlands, US	7.2	food, construction materials, vehicles and parts, clothing	US, Japan, UK, Germany
UAE	46	Crude-oil, naturalgas, reexports, dried fish, dates	Japan, Singapore, Korea, Oman, India, South Iran	34	machinery and transport equipment, chemicals, food	Japan, US, UK, Italy, Germany, South Korea
Syria	4.8	petroleum, textiles, manufactured goods, fruits and vegetables	Germany, France, Saudi Arabia, Turkey, Italy	3.5	machinery and equipment, foodstuffs, metal/ metal products, textiles, chemicals	France, Italy, Germany, Turkey, China
Egypt	7.3	crude oil and petroleum products, cotton, textiles, metal products, chemicals	EU, US, Afro-Asian countries, Middle East	17	machinery and equipment, foodstuffs, chemicals, wood products, fuels	EU, US, Afro-Asian countries, Middle East
Indonesia	64.7	oil and gas, plywood, textiles, rubber	Japan, US, Singapore, South Korea, Netherlands, Australia, Hong Kong, China, Taiwan	40.4	machinery and equipment; chemicals, fuels, foodstuffs	Japan, US, Singapore, Germany, Australia, South Korea, Taiwan, China
Bangladesh	5.9	garments, jute and jute goods, leather, frozen fish and seafood	US, Germany, UK, France, Italy	8.1	machinery, chemicals, iron and steel, textiles, raw cotton, food, crude oil and petroleum products, cement	India, Singapore, Japan, China, US
Pakistan	8.6	textiles, rice, other agricultural products	US, Hong Kong, UK, Germany, UAE	9.6	machinery, petroleum, chemicals, edible oils, pulses, flour	Saudi Arabia, UAE, US, Japan, Malaysia
Malaysia	97.9	electronic, petroleum, naturalgas, chemicals, palm oil, wood products, rubber, textiles	US, Singapore, Japan, Hong Kong, Netherlands, Taiwan, Thailand	82.6	machinery and transport equipment, chemicals, food, fuel, lubricants	Japan, US, Singapore, Taiwan, South Korea, Thailand, China

Note: Figs. of Export and Import in 2000, and commodities and partners in 1998/99  
 Source: Adapted from CIA-The World Factbook 2001

## Hossain: A Comparative Study on European Union and Selected Muslim Countries

### Conclusions:

Although Muslim world is elaborated with relatively small and large groups of countries on a heterogeneous level of developmental stage, but when comparing selected economic indicators of the selected Muslim countries with EU, there is an opportunity to establish common economic activities within selected Muslim countries. And this can be established through a step-by-step process taking into consideration each country's interest, developmental stage and available resources. As evident from the EU's present well documented common economic position that has been achieved through a step-by-step process. As such, the goals of the selected Muslim country's Common Market as well as the developmental interests should be directed as follows:

- For the small rich countries, they have to get potential opportunities for their industrial development that they can enlarge their too small domestic markets and find outlets for the output of their industries in other integrated large countries. They also will be given opportunity to invest their capital in a labour-intensive manner for cost effective production, which will provide cheaper consumer level price.
- For the large labour surplus countries, they have to obtain direct investment from small rich countries in a way that enables to employ most of their unemployed labours, which in turn will increase their per capita income, enhance their purchasing power and social peace as well. This further enlarges the integrated market and economic development as a whole.

All those policies already mentioned have a great meaning with respect to the development of a common market within Muslim countries as whole. Therefore, it needs to be supported by a great deal of dedication and commitment from the existing economic system and political leadership at state level.

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