ARAB ECONOMIC COMMUNITY AND INTER ARAB RELATIONS: A REPORT

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Chapter I

INTRODUCTION

There was a movement, in the Near East, toward the formulation of a regional trading bloc, in the first half of the 1960's. Measures were adopted and implemented to create a common market and effect economic integration. Such measures involved only a few of the Arab countries, and there was reluctance by the remainder to become associated with this concept.

On June 6, 1962, representatives of five of the Arab countries (Jordan,Kuwait, Morocco, Syria, U.A.R) signed an Economic Unity Agreement in which they stated that their goal was to establish among themselves complete economic unity and in which they promised to undertake certain general measures at an unspecified future date in order to achieve that goal. Later on December 1963, Iraq and Yemen also signed this agreement, and on April 1964, the agreement came into force for Iraq, Kuwait, Syria and U.A.R following the deposit of their instruments of ratification. Shortly thereafter, Jordan also ratified the agreement.

Following the agreement, an Economic Unity Council was established in Cairo to determine the measures necessary to implement the agreement in stages. On August 13, 1964, the Council adopted a resolution that provided, pending the drafting of schedules containing more favorable treatment, for the removal, in stages, by January 1, 1974, of the customs duties and other restrictions on trade in domestic products between the countries that had ratified the Economic Unity Agreement. This resolution was ratified by Iraq, Jordan, Syria, and the U.A.R, and the initial tariff reductions and exemptions from quantitative restrictions provided for the resolution were placed into effect by these countries on January 1, 1965. Kuwait did not ratify the resolution, and the remainder of the Arab countries were not eligible to participate in the common market undertaking without first ratifying or adhering to the Economic Unity Agreement.

The limited participation in the common market undertaking reflected a number of economic factors. Economically, there were, among other things, differences within the region in economic systems, levels of industrial development, trade and exchange controls, and patterns of international trade that acted as deterrents. Lebanon, for example, with a laissez-faire economy, had long been an advocate of free inter-Arab trade but was reluctant to participate in an economic integration for the fear that such participation would compromise the nature of its economy, which tended to be heavily dependent on trade and other services and on the inward flow of capital.

Kuwait, Saudi Arabia, and Libya, with large annual supplies of foriegn exchange in the form of oil royalties but with a virtual absence of an industrial base, manifested a reluctance to participate in an undertaking that probably would have entailed eventually the imposition by them of a comprehensive system of trade and exchange controls, with restrictions on their capital movements as well as alterations in their patterns of trade. Algeria, Morocco, and Tunisia also found themselves in an economic position that resist against their participation in an Arab common market. With their trade and economies oriented toward France, in particular, and the European Economic Community, in general, these countries were in the process of effecting closer economic ties with the Economic European Community and were reluctant to fail the negotiations in progress by participating in any regional scheme.

Within the economic milieu in the Arab countries, the potential benifits from a regional approach to economic development involving the creation of a wider market for Arab industrial products, the mobilization and utilization of regional resources for regional purposes, and the functioning as an economic entity vis-à vis the rest of the world, did not constitute a sufficient incentive for most of the Arab countries. Such an approach would have required a wide community of interests due to the many measures needed to be adopted and implemented, the accompanying compromises and adjustments, and the requisite institutional structure. But this was the very important thing that was lacking among the Arab countries. These countries were for the most part neither politically nor economically oriented toward each other.

STATEMENT OF THE PURPOSE

The purpose of studying the Arab Economic community in first to place the recent Arab market undertaking in its proper perspective by considering the developments in inter-Arab trade relations leading up to that undertaking and second to evaluate Arab economic integration by considering the economic difficulties involved therein and then looking at the economic benifits that could be derived therefrom. Another main purpose for studying the Arab Economic community is to see that the common market undertaking constituted, in one very important sense, more an attempt to arrest Arab political and economic disintegration than a step in the direction of further political and economic integration. Finally to focus on the possibilities available for Arab economic integration and in what areas.

STATEMENT OF THE PROBLEM

The purpose of this study may be related to the main problem, that is concerned with this study of the Arab economic community, which is the bad Arab-economic relations or, we can state the problem in another way, the Arab relations within the common market was directed toward imposing a further economic disintegration rather than imposing a further economic integration. May be one of the causes of this Arab economic disintegration, that started before the

World War 1, was the customs union between most of the Arab countries as a part of the Ottoman Empire, which did create a freeze in the Arab economic entity. The custom union had imposed high tax on imported and exported goods from and to the Ottoman Empire.

PERFORMANCE OBJECTIVE AND METHODOLOGY

By studying the Arab economic community and the Arab inter-relations and Arab common market from 1920 and above, the researcher will (a) examine the condition of the inter-Arab trade relations (b) assess their state of condition and provide recommendations as how to improve the economic Arab relations and improve the economic integration between most of the Arab countries.

Chapter 2

PRESENTATION AND ANALYSIS OF RESULTS

A. ARAB POLITICAL AND ECONOMIC DISINTEGRATION

INTER ARAB TRADE

With free trade agreements in effect between most of the Arab countries, inter-Arab trade during 1920's constituted a substantial portion of the total trade of most of these countries. Over one third of the Syrian's exports went to Egypt, Jordan, Saudi Arabia, with Egypt being Syrian's most important Arab customer, and about one tenth of the Syrian's imports came from Egypt, Iraq and some other Arab countries.

TABLE 1

Syrian's total Exports to Arab League countries (1938-1953) value in million of Syrian P.

Countries	1938	1944	1951	1952	1953
Total Exports	29.28	46.20	227.13	319.39	375.83
Lebanon			59.45	70.28	90.38
Iraq	0.96	6.12	20.25	17.18	17.36
Egypt	1.66	2.83	7.20	4.33	3.43
Jordan	1.23	1.44	12.35	16.85	21.71
Sudan			0.22	0.41	0.38
Kuwait			1.20	1.68	1.91
Saudi Arabia	0.26	0.47	8.49	10.33	12.19
Libya				0.03	0.59
Yamen				0.04	

Source: Statistiques du Commerce, United Nations, Syria, yearbook of International Trade.

TABLE 2

Syrian's total Imports to From Arab League countries
(1938-1959 value in million of Syrian Pounds

Countries	1938	1944	1951	1952	1953
Total Imports	70.81	93.66	303.95	313.33	307.05
Lebanon			34.09	35.72	33.38
Iraq	2.35	17.17	8.93	8.53	8.33
Egypt	1.01	4.11	3.70	1.37	0.83
Jordan	0.23	0.30	4.35	6.00	8.31
Sudan			0.05	0.43	0.39
Kuwait			0.17	0.03	0.10
Saudi Arabia	0.03	0.05	3.56	7.91	11.86
Libya				0.04	0.01
Yemen			0.03	0.09	0.03

	1954	1955	1956	1957	1958	1959
Total Imports	408.11	430.53	449.28	616.06	752.62	678.49
	38.57	25.32	40.19	24.60	37.31	29.05
	6.17	26.53	28.31	34.02	24.22	14.98
	4.79	6.82	8.34	14.26	25.51	41.80
	9.08	9.44	10.08	15.59	10.34	7.65
	0.33	0.31	0.37	0.53	1.05	1.98
	0.40	0.50	0.18	1.48	3.70	2.00
	14.72	14.90	22.36	30.78	18.75	5.24
	0;01	0.58	0.04	0.04	0.14	0.17
	0.03	0.04		0.02		

Source: Statistique du Commerce, United Nations, Syria yearbook of International Trade.

About one tenth of Iraq's exports went to the Arabian Peninsula countries and Syria. And although only about one tenth of Egypt's exports and imports went to and come from other Arab countries, Egypt did not try to increase this rate. Egypt did purchase a substantial amount of the exports of Syria and Sudan, and, in turn, sold to those countries a substantial amount of its exports other than cotton.

On the other hand, Iraq obtained a rather small amount of its imports from other Arab countries, and Sudan carried on little trade with Arab countries other than Egypt.

The economies and trade of the Arab countries had over a rather long period of time become oriented toward the economies of the occupying European powers, Great Britain and France. There are many factors which channeled trade to and from these European countries, like foriegn investment and foriegn control, tied currencies.

During the latter part of the 1930's, over one third of Egypt's exports went to and about one fifth of its exports came from Great Britain, while over one third of Sudan's imports came from and about two thirds of its exports, mainly cotton, went to Great Britain. Also about one half of Iraq's imports and exports came from and went to Great Britain. France was the leading exporter to and a good customer of Syria, accounting for about one sixth of Syrian's imports and exports. So as we notice a large percentage of the imports of the Arabian Peninsula countries came from France and Great Britain.[1]

DECADE OF THE 1930's

EGYPT

In 1927 Egypt had given some indication of the type of tariff policy some of the Arab countries were to follow during the decade of the thirties when it appointed an international committee to prepare a new tariff aimed at increasing the revenue derived from import duties and affording protection to existing and potential domestic industries.[2]

Prior to 1930 the general rate of duty was 8 %; under the new tariff the rate of 15 % became applicable to many products. Some goods were dutiable at 20 or 25 % or even at a higher rate. In addition to imposing high import duties, the Egyptian Government also extended funds through banks,[3] to encourage the establishment of new industries and modernization of old industries. All those factors effected the inter-Arab trade relations.

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(1) An Arab Common Market, by Alfred G.Musrey, P.16

(2) Great Britain, Department of Overseas Trade, Report on Economic and Commercial conditions in Egypt, by G.H. Selous, P.14.

(3) Report by Bank of Misr on economic conditions in Egypt

IRAQ

Iraq, like Egypt, pursued during a part of the 1930's a policy of increasing its customs revenue and of affording protection to its industrial and agricultural establishments. The Iraqi Government tried during the 1930's to foster a national movement for the development of domestic manufacturers on modern lines. The objectives of the movement were to make the best use of Iraq's agricultural products, to reduce the imports of manufactured articles, and to shift toward profits from foriegn trade.(4) Companies in Iraq during that period were allowed to import their raw materials from free of duty and were exempted from income tax and they received tariff protection ranging from 25 to 50 % for their products. All those factors effected the inter-Arab relations and was one reason for the Arab disintegration with Iraq, the same thing was applicable on Egypt.

SYRIA

In Syria, import duties were raised substantially on many articles during the early 1930's. In 1936 the Syrian Pound, which was tied to the French Franc, was devaluated, and it still kept devaluating until it reached a level of 50 % depreciation in its value.(5) During that period Syria increased most of its specific import duties by 15% and after a short period it increased them by additional 20%. These two increases applied to many products, and they constituted a

(4) Report on Economic Conditions in Iraq, by C.Empson P.29; Great Britain.

(5) Report on Economic Conditions in Syria and Lebanon by G.T.Haward P.3, Great Britain

substantial rise in the pre-devaluation rates of duty.

OTHER ARAB COUNTRIES

According to the tariff policies of the other Arab countries, Saudi Arabia applied a number of rather high specific rates of duty during the 1930's, whereas Sudan, Kuwait, and Yemen continued to apply low import duties. Sudan which like Egypt had imposed during the 1920's an import duty of 8% on most products, its tariff structure became very different from Egypt. It increased with regard to most products the 8% rate to 10%; and that rate remained in effect during the period preceding World War II.(6)

INTER ARAB RELATIONS

Within the tariff frame works that were effective during the 1930's, few attempts were made to develop regional economic ties. The most economic ties during that period were established between Egypt and Sudan. There were free trade relations between these two countries.

One of the important factors that has effected the inter-Arab relations was that the Arab curriencies were tied to the British Pound and the French Franc. First the British Pound was devaluated during the 1930's, which effected exports from the Arab countries with curriencies tied to the French Franc, and then the Franc was devaluated numerous times during the 1930's, which effected exports to other direction.

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(6) The International Customs Journal Anglo-Egyptian Sudan 3d ed.1931.

EGYPT

The most significant deterioration in inter-Arab trade relations that occurred during the 1930's involved Egypt and Syria. Also during that period trade between these two countries decreased. Syria lost the Egyptian market for most of its traditional exports, and the developing industries in both countries had little opportunity, in view of the tariff and monetary developments, to sell their products in each other's market. During 1930's, Egypt was one of the Syrian's best customers, approximately 17% of Syrian's exports went to Egypt, but during the last part of the 1930 only 5% of its exports went there.[7] (see table 1 & 2). Egypt's exports to Syria also decreased during that period but not to the same extent as Syrian's exports to Egypt. Syria had depended much more on the larger Egyptian market than Egypt had on the Syrian, and Syria had exported a wider variety of products to Egypt than it had imported from there. Egypt's main agricultural product was cotton, which was exported mostly to Great Britain and to other European countries. Its main exports to Syria was rice, which constituted about 50% of its total exports to Syria during the 1930's. Exports from Egypt to Syria amounted to 200000 L.E. in 1937 compared to 400000 L.E. in 1928. We notice that a high decrease in relations between these two countries had took place. This deterioration in trade relations between Egypt and Syria was paralleled by the deterioration in Egypt's trade relations with many other Arab countries.

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(7) Egypt, Annual Statement of Foriegn Trade, United Nations, Year Book of International Trade.

TABLE 3

Egypt's total exports to Arab League Countries
(1938-1959) value in million of Egyptian P.

Countries	1938	1944	1951	1952	1953
Total Exports	29.34	26.95	200.64	142.85	135.86
Syria	0.25	0.17	0.55	0.14	0.12
Lebanon			0.60	0.70	0.66
Iraq	0.07	0.12	0.07	0.08	0.09
Jordan			0.42	0.12	0.07
Sudan	1.11	1.86	4.26	5.06	5.21
Kuwait	na	na	na	na	na
Saudi Arabia	0.12	0.25	0.45	0.68	1.42
Libya	0.01	0.05	0.41	0.40	0.46
Yamen					0.02

	1954	1955	1956	1957	1958	1959
Total Exports	136.71	137.01	140.94	170.26	165.10	159.14
	0.81	0.93	1.31	1.41	2.47	6.09
	1.48	1.38	2.01	3.47	1.85	2.45
	0.12	0.14	0.08	0.12	0.19	0.09
	0.39	0.61	0.90	0.98	0.37	0.49
	5.58	7.62	9.06	7.38	5.50	5.57
	na	na	na	na	na	na
	1.81	1.99	1.75	3.35	2.96	2.61
	0.67	0.85	0.95	0.95	0.71	0.40
	0.02	0.01		0.03	0.02	0.06

Source: Egypt, annual Statement of Foriegn Trade, United Nations Yearbook of International Trade.

TABLE 4

Egypt's Total Import from Arab League Countries
(1938-L959) value in million of Egyptian P.

Countries	1938	1944	1951	1952	1953
Total Imports	36.95	51.01	279.80	225.80	175.22
Syria	0.20	0.43	1.07	0.48	0.62
Lebanon			1.98	1.45	0.77
Iraq	0.16	0.08	3.21	2.98	0.75
Jordan			0.04	0.02	0.02
Sudan	0.82	2.60	3.02	3.45	2.18
Kuwait	na	na	na	na	na
Saudi Arabia	0.14	0.45	2.84	3.45	4.97
Libya	0.01	0.16	0.68	0.44	0.42
Yamen	0.03	0.04	0.02	0.06	0.03

	1954	1955	1956	1957	1958	1959
Total Imports	161.42	182.92	186.13	182.56	240.27	222.17
	0.65	0.91	1.42	3.46	1.92	7.74
	0.92	1.27	0.81	2.10	0.91	0.73
	0.30	0.34	0.33	0.53	0.41	0.27
	0.03	0.02	0.01	0.04	0.01	0.01
	3.11	4.33	4.68	4.91	2.73	1.80
	na	na	na	na	na	na
	5.62	5.24	4.08	5.99	5.14	5.87
	0.49	0.46	0.38	0.68	0.96	1.39
	0.04	0.05	0.03	0.03	0.05	0.18

Source: Egypt, Annual Statement of Foriegn Trade, United Nations, Yearbook of International Trade.

The effects of Egypt's tariff and trade policies on its relations with Iraq, Saudi Arabia were much less significant than the effects of such policies on its relations with Syria. By 1939 Egypt's inter-Arab relations and trade, excluding its trade with Sudan, constituted less than 3% of the total value of its trade. (see table 3 & 4). As we notice Egypt which constitute a big part of the Arab countries, its inter-Arab trade is only 3% of its total trade, which is a very low percentage which shows the Arab disintegration.

IRAQ

Iraq, like Egypt, carried on during the 1930's only a small part of its import trade with other Arab countries, mainly Egypt and Syria. Most of the imports from Egypt consisted of one product, sugar, and imports from Syria, which decreased substantially during the 1930's, also consisted of small number of products. Less than 5% of the total value of Iraq's imports in 1939,and up to 1959, came from other Arab countries.(8) Iraq's exports to other Arab countries constituted a greater proportion of its export trade than imports from such countries of its import trade. We notice that Iraq's inter-trade relations with other Arab countries and this also shows the Arab economic disintegration.(see table 5 & 6).

ARABIAN PENINSULA COUNTRIES

The inter-Arab trade relations of the Arabian

(8) Said Himadeh, Al-Nizam al-Iqtisadi fial-Iraq (Beirut, 1938) page 414-416.

TABLE 5

Iraq's Total Imports from Arab League countries
Value in million of Iraqi Dinars

Countries	1939	1944	1951	1952	1953	1954
Total Imports	8.16	14.22	50.87	61.78	68.40	72.68
Syria	0.16	2.31	2.73	1.38	1.18	1.19
Lébanom	0.01	0.58	0.21	0.26	0.33	0.35
Egypt	0.18	0.13	0.13	0.11	0.14	0.18
Jordan			0.01	0.03	0.05	0.12
Sudan		0.02		0.01		
Kuwait	0.01	0.04	0.01	0.03	0.06	0.07
Saudi Arabia	0.01	0.01			0.01	0.01
Libya						
Yamen	0	0.05	0.01		0.01	

TABLE 6

Iraq Total Exports to the Atab League countries
Value in million of Iraqi Dinars

Countries	1939	1944	1951	1952	1953	1954
Total Exports	3.52	9.17	27.01	18.77	19.07	17.97
Syria	0.10	0.65	0.51	0.71	0.96	1.08
Lebanon			2.24	1;02	0.64	0.54
Egypt	0.04	0.04	0.76	0.51	0.55	0.26
Jordanc			1.43	0.50	0.41	0.32
Sudan			0.04	0.04	0.07	0.04
Kuwait	0.05	0.14	0.59	0.75	1.47	1.11
Saudi Arabia	0.05	0.13	0.13	0.36	0.53	0.51
Libya						
Yamen	0.02				0.02	0.05

Source Bulletin of Foriegn Trade Statistics (annual), United Nations, Iraq, Yearbook of International Trade.

Peninsula countries, which had begun to deteriorate during the 1920's, furthur deteriorated during the 1930's and continued the following years. Trade between Saudi Arabia and Jordan, for example, ceased during the early 1930's due to the political crisis between these two countries. Another example is the restrictions that were imposed by Saudi Arabia on imports from Syria which effected the trade relations between these two countries. The inter-Arab trade of the Arabian Peninsula countries was very small during the 1930's. The primitive economies of the Arabian Peninsula countries, oil; did not enable them to buy or sell very much from or to the other Arab countries, and the tariff and trade policies of Saudi Arabia did little to facilitate the development of inter-Arab trade.

THE SYRIAN-LEBANESE CUSTOMS UNION (1946-51)

After the decade of the 1930's, the Arab inter relations began to improve. One segnificant attempt was made to achieve a degree of economic cooperation and coordination, Syria and Lebanon, as independent countries, sought to preserve the economic ties that had existed between them during the Ottoman and mandatory periods by establishing a customs union.

CUSTOMS UNION FRAME WORK

Although the Ottoman economic entity was dissolved shortly after World War II, there continued to exist an economic union between Syria and Lebanon involving the free movement of capital, labor, and goods and the application of common tariff. The common tariff for the two territories was made and administered by the French, their common unit of currency was linked to the Franc and issued by the "Banque de Syrie et du Liban", a French controlled bank with its head office in Paris ;[9] and various administrations, which regulated and administered activities considered common to the two territories, were under French supervision.

In 1941 Syria and Lebanon were declared independent states, and after the elections that were held during the summer of 1943 and national governments had taken office, the two countries entered into discussions concerning their future economic relations. These resulted in the agreement signed in Damascus on October 1943, which provided for the establishment of customs union between Syria and Lebanon and for the assumption of control by both countries of some of the administration and under French supervision.[10] This agreement stated that Syria and Lebanon will become a single customs area with a single tariff schedule. The transportation of goods will be guaranteed complete freedom without any customs duty or customs tax. On this basis, the two countries will possess a single customs administration, and

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(9) An Arab Common Market, by Alfred G.Musrey, P.41.

(10) Lebanon, Al Wathaiq wa al-Nusus al-Mukhtasa bil Alaqat al-Iqtisadia wa al Maliya bain Suyria wa Lubnan, Beirut 1950, issue of Ministry of Foriegn Affairs.

and this administration will perform its work within the framework of a single customs plan.

Regarding the distribution of the duty and tax proceeds to be collected by the joint administrations, it was provided that after deductions had been made to pay their expenses, the proceeds would be divided between the two countries in the proportions that the people of Syria and Lebanon participated in the paying of the duties and taxes making up the resources of the administrations.

The agreement was to remain in effect for a period of two years and was to be renewed by force of law for similar periods unless one of the parties expressed its desire to terminate the agreement by giving six months notice.

When the agreement was established, Syria and Lebanon proceeded to conclude with France and with other various monetary agreements involving their respective currencies and the organization for the control of foriegn exchange in the two countries? On 1944 both countries concluded a financial agreement with France in which the value of the Syrian and Lebanese Pounds was fixed with regard to the French Franc.(11)

The two countries merely continued some of the measures that had been applicable when they were under the French mandate. There were no provisions dealing specifically

(11) Agreement included in "Lebanese Compilation", page 26

with the common tariff, nor anything said regarding restrictions such as quotas. The distribution of the income of the joint administrations was agreed to on a provisional basis only. Nothing specific was said regarding the power of payment of the Syrian and the Lebanese currencies that circulated throughout the customs union, and the organization and structure of the customs administration and other joint administrations were set forth in the briefest terms. All these matters were to become the subject for future negotiations and the two countries were often unable to reach any other agreement.

FRENCH-LEBANESE MONETARY AGREEMENT

On 1948, France devaluated its Franc for the second time since the end of the World War II. Prior to that period, Syria and Lebanon had been negotiating with France with regard to the guarantee of the Sterling value of the French Francs possessed by the two countries, with France. France had informed Syria and Lebanon in 1946 that the obligation that it had undertaken to maintain the Sterling value of the two countries' Franc assets had been fulfilled when the Franc was devaluated in 1945 and therefore it was no longer in force. Syria and Lebanon had refused to accept France's interpretation in the two countries commitments and all the negotiations between the three countries failed to reach an agreement.

After a period negotiations took place between France and Lebanon and an agreement was signed between the two countries. The monetary agreement between Lebanon and France was signed in 1948. The agreement provided for the maintenance, for 10 years, of the guarantee by France of the Sterling value of the Franc assets held by the Lebanese, as a cover for the Lebanese Pounds. These Francs could not be used to pay for imports from the French Franc area or to transfer capital to countries within that area. The agreement also provided that payments for imports into Lebanon from the Frech Franc area and capital transfers from Lebanon to the French Franc area, as well as payments for invisibles, were not to be subjected to exchange restrictions if effected through authorized dealers.[12]

FRENCH-SYRIAN MONETARY AGREEMENT

In 1949, Syria withdrew from the Franc area. An agreement was concluded with France during the same period with regard to the Syrian Franc reserves. The Francs held as a cover for the Syrian Pound were guaranteed in terms of Sterling by France for a period of 10 years. After deductions of French claims on Syria, these holding could be used for the purchase from the Bank of France of European currencies at the French official rate.[13]

Unlike the Lebanese agreement with France, the Syrian agreement did not provide for the free movement of

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(12) Ibid, P.70-78 and United Nations issues

(13) United Nations, op.cit., P.197

capital from Syria to the French Franc area. Since Syria continued to subject such capital transfers to exchange restrictions, one of the basic reasons for the inequality in the value of the Syrian and Lebanese Pounds continued to exist.

Although the two agreement, the Syrian-French and Lebanese-French agreement, had took place still many problems were existing.

ARAB COMMON MARKET AGREEMENTS (1964-67)

In 1960 the Arab countries approved the establishment of a common market and set up a special committee to determine the steps to be taken for that purpose. The main job of that committee is to set and consider the plans for economic integration. The U.A.R. asked to be the largest contributer in this Arab common market, so that it had the power to determine the economic, fiscal, industrial, trade and policies of the Arab world.

Lebanon, with essentially a free enterprise economy, asked the Arab countries first to establish legislation against the business activities of each other's nationals and then provide for the free flow of capital, labor, and goods, as the first step toward full economic integration. Lebanon had the more acceptable proposal while U.A.R's proposal to be a leading contributor was rejected.

In 1962 the committee met in Cairo. The meeting was attended by delegates from the U.A.R, Jordan, Saudi Arabia, Syria, Lebanon, Yemen, Kuwait and by observers from Lybia, Algeria, Sudan, Iraq and Tunisia. The main agenda of this meeting was to restudy the U.A.R's proposed agreement for the establishment of an economic unity. After discussions an agreement was signed in 1962 between the states of the Arab League.[14] Lebanon did not sign, nor did Saudi Arabia and Yemen.

ECONOMIC UNITY AGREEMENT

The economic unity agreement, which went into effect, constituted essentially a statement of the goal of the contracting parties and a committment by them to undertake certain general measures at an unspecified future date in order to achieve that goal. The parties stated in the agreement that their goal or aim was to establish among themselves complete economic unity that would insure for them and their citizens on an equal basis the freedom of movement of persons, capital, and goods, the freedom of residence, employment, and economic activity, the freedom of transport and transit, and the right to own and inherit. To achieve this goal of complete economic unity, they promised to make their countries a single customs entity with a unified external tariff and unified customs laws and regulations; to unify their exports and imports policies and regulations and their transport and transit regulations, to coordinate their industrial, commercial, and economic policies, and their taxes, so as to ensure uniform

(14) An Arab Common Market, Alfred G.Musrey, P.108

opportunity for their citizens. Another aim from the agreement was to conclude the unification of their currencies and conclude jointly trade agreements with foriegn countries.

IMPLEMENTATION OF COMMON MARKET AGREEMENTS

On first of January 1965, the initial tariff reduction and the exemptions from restrictions provided for in the resolution were placed into effect by the member countries of the Economic Unity Committee. However, only four of these countries, Syria, Iraq, Jordan, and U.A.R, had ratified the resolution, and they reserved a rather substantial number of industrial products from the specified tariff reductions and the removal of restrictions.[15]

Although the manner of implementation of the common market resolution was cause for concern during 1965 and 1966, the economic transformations taking place within the region were much more segnificant, tending to minimize the importance of the resolution.itself. The international trade of U.A.R and Syria had become a function of the state, and planned trade had replaced tariffs and specified restrictions as the regulztor of access to and of exports from such countries.

As we notice, although a common market or economic unity agreement was reached at, still the economic integration between the Arab countries is difficult to establish during

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(15) United Nations Economic and Social Office in Beirut, Studies on Selected Development Problems in Various Countries in the Middle East, P.26

that time because the common market agreement solved some problems but at the same time it had created a lot of problems.

DIFFICULTIES IN ARAB ECONOMIC INTEGRATION

DIFFERENT ECONOMIC SYSTEMS

One of the primary difficulties involved in Arab economic integration stems from the existence of different economic systems in the Arab world, which range from the socialist economy of the U.A.R to the laissez-faire economy in Lebanon.

The economies of the remainder of the Arab countries are essentialy private or free enterprise economies with varying amounts of state participation. There is little participation by the state in the Lebanese economy, whereas there is a substantial amount of public participation in the Moroccou economy. Within the economic admixture in the Arab world, the Lebanese economy is about as far removed from the state socialism as one could expect.

With the presence of Arab socialism, the difficulties involved in economic integration become quite apparent. Since planned trade through state agencies acting within the frame work of an overall economic plan has replaced tariffs and specified restrictions as the regulator of access to and of exports from the socialist countries, reductions in or the removal of such restrictions by these countries have had a very limited effect on their markets. Moreover, restrictions on the use of foriegn capital in these countries and governmental ownership and control at the production have constituted further inhibitions, as could the price structures gradually evolving within these countries that reflect to a large extent fixed prices. This situation was most applicable in Syria.(16)

This fact shows that an integration trade between such countries tend to be impossible. The markets of the non socialist Arab countries would constitute one market, and the remainder of the so-called common market would be composed of the individual markets of the socialist countries.

There is a big diversification in economic systems in the Arab world, the factor that Arab socialism introduces is the transforming of economic planning on a regional scale from being a complement to the creation of an Arab common market to being a prime determinant of what markets shall exist for regional products.(17)

DIFFERENT LEVELS OF INDUSTRIAL DEVELOPMENT

Another main difficulty involved in economic integration stems from the different levels of industrial development in the Arab world. The U.A.R for example has a much broader industrial base than the other countries;

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(16) The New York Times, January 1965, and August 1965

(17) Michael Kaser, Integration Problems of the Planned Economies, London Oxford University Press, 1965

Syria and Lebanon have much broader industrial bases than have Jordan and Iraq; and also they have broader industrial bases than have Yemen, Saudi Arabia, Kuwait and Lybia.

The difficulties in economic integration that arise from the existence of different levels of industrial development tend to revolve arround the relative importance attached to industrialization and diversification within national boundaries, as compared to regional industrializatiom and specialization.

Although each Arab country would like to have a broader market for the products of its existing industrial establishments, most of these countries appear to be reluctant to undertake the neccessary measures to establish a broader market for each other's products. The major reason for that was that the less-industrialized countries in the Arab World was affaired of the fact that concentration of industrialization will be or will take place in the more advanced Arab countries.

So with the existence of socialist economies in the Arab world, the industrialization unity, which lead more or less to economic integration, becomes somehow difficult, but not impossible.

SHORTAGES OF CONVERTIBLE CURRENCIES

An additional factor underlying the reluctance of most of the Arab countries to concentrate their controls on inter-Arab trade in industrial products has been the shortage of convertible foriegn exchange. The only Arab states that appear to have high supplies of convertible currencies within their present social and economic frameworks are Kuwait, Saudi Arabia, Lybia (which was receiving high revenues from oil) and Lebanon. Both the Kuwaiti and Saudi Arabian currencies are convertible currencies for purposes of current transactions,

The earnings of foriegn exchange of most of the Arab countries have been inadequate for their needs and they have had to rely on grants and loans to supplement their foreign exchange earnings.

The shortage of convertible currencies in most of the Arab countries has tended to lead to economic disintegration in a number of ways. In order to increase their supplies of such currencies, most of these countries have applied prescription of currency requirements to their most important exports, as well as to products in short supply domestically, neccessitating payment in a convertible currency. Conversely; in order to conserve and allocate these foreign exchange earnings, most of these countries have applied systems of restrictions control to imports and other current transactions, as well as to capital movements. For balance of payments purposes, many articles have been prohibited from importation or have been subject to restrictive quotas. Due to these import and export controls, the Arab countries have found it extremly difficult to increase their trade with each other. On one hand, they either have lacked convertible currencies or have been unwilling to allocate such currencies for imports of consumer products from each other, and , on the other hand, they have been unwilling to permit many of their products to be sold for other than convertible currencies. Moreover, this shortage in convertible currencies has constituted a bloc in the face of economic integration not only in the inter-Arab trade but also in the expansion of Arab industrial production, which is dependent on imports of capital goods and raw materials and intermediate products from outside the region.

Most of the Arab countries are not in a position to undertake to import substantial quantities of consumer products, nor do they have the foreign exchange necessary to effect the large scale expansion of their industrial production.(18)

The most shortage in foreign currencies in the Arab world appear in less industrialized countries because they do not have the enough exchange currencies to import their raw materials from outside and they cannot expand their industrial production without such importation.

So we notice that shortage of convertible currencies in the Arab world was a barrier in the face of Arab economic integration and also a barrier in the face of industrial expansion.

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(18) Overseas Business Report, U.S.A. No;66, 1966 P.10 "Market Profiles for the Near East"

TARIFFS AS A SOURCE OF REVENUE

The importance of customs duties a s a source of revenue for most of the Arab countries has also constituted a barrier in the face of Arab economic integration. Whereas in many of the industrialized countries, direct taxes constitute the main budgetary source of revenue, in most of the Arab countries, indirect taxes are the principal source of revenue of the ordinary budgets. Indirect taxes, mainly in the form of excise taxes and customs duties, constituted 40 to 60% of the revenues of the ordinary budgets of most of the Arab countries during the 1960's, whereas direct taxes constituted about 10 to 20%. Customs duties in many cases were the most important single source of revenue, accounting for 20 to 40% of the total revenues of the ordinary budgets.(19)

Because of the heavy reliance placed by most of the Arab countries on customs revenue to finance governmental operations and programs, any Arab country was reluctant to negociate any tariff reductions, but on the converse the Arab countries were tending to increase tariffs on most of the imported articles although there were an agreement between most of the Arab countries which stated that no Arab country can increase its duties or taxes on the exchange of product with any other Arab country.

Any Arab country which is ready to reduce its duties then it will be lossing from its customs revenues. These losses

(19) International Monetary fund, International Financial News Survey, August 26, 1960 P.472

in customs revenue might be avoided if underdeveloped countries undertaking regional integration were prepared to replace their import duties on manifactured products that account for a substantial part of their customs revenue with excise taxes that would be applicable to domestic and regional products.

Jordan in 1963, 57% of total revenue for ordinary Budget came from indirect taxes.[20] In Lebanon ordinary budgets during 1961 estimates for customs duties were high. 57% of total revenue was derived from indirect taxes, with customs receipts supplying about 38% of total Revenue.[21]

So we notice that the tariff as a source of revenue for most of the Arab countries constitute a barrier in the face of Arab economic integration because the biggest part of the Arab revenues are from customs duties and taxes on imported articles.

TRADE AND ECONOMIC RELATIONS WITH THIRD COUNTRIES AND INTERNATIONAL INSTITUTIONS

Another difficulty facing the Arab economic integration stems from the external trade and economic policies and relations of the individual Arab countries. There are variations in the trade and exchange controls of these countries, in their economic relations with third

(20) Statistical Year Book 1963 United Nations Amman, P.140

(21) International Monetary Fund, International Financial News Survey August 1960 P.472

countries, and in their international patterns of trade, reflecting a number of economic factors that have conditioned to a large extent their attitudes toward Arab economic integration.

Kuwait, Saudi Arabia and Libya, with their large supplies of foreign exchange in the form of oil royalties, have been away from participation in an Arab common market undertaking that in all probability would have eventually entailed the imposition by them of a comprehensive system of trade and exchange controls, with consequent restrictions on their capital movements as well as alternations in their patterns of trade.

Also Lebanon has pronounced itself in favor of free inter-Arab trade and the free movement of capital and labor, it has avoided becoming a participant in any regional undertaking that might necessitate substantial alternations in the Lebanese economy for the sake of industrial and economic development within the region.

Although the utilization on a broad scale of regional funds for regional development and the creation of a wider market could present many opportunities for economic gains, the Arab countries still would require additional capital to establish and maintain a well-diversified industrial structure. Most of the Arab countries think that the Arab common market would not be able to sustain a fully integrated industry, and they think that such an integration could effect their relations with the third world and with international institutions.

The major resource in the Arab world is oil. Western European countries are in need for oil while most of the Arab countries do not. If a common Arab market is created for the aim of Arab economic relations then most of the Arab countries will be losing most part of their revenues which comes from oil exportation to the third world.

So the committments of the Arab countries with the third world had a great effect on the Arab economic integration and was one of the difficulties.

REGIONAL DEVELOPMENT AND COORDINATION

Another difficulty which was an obstacle in the face of economic integration was that most of the Arab countries tend to develop its own region. Each Arab country tends to industrialize and search for economic development of its own and this is done by putting hard trade restrictions with its neighbours and with other Arab countries.

The big portion of the supplies of foreign exchange of all of the Arab countries, especially those of the oil producing states, were to be used as a part of a program of regional development and coordination and not as a part of trade relations with other Arab countries. Also large portion of foreign exchange revenues, resulting from oil, is being invested again outside the region, specially in Western European countries.

So the reason that each Arab country tends to emphasize on its own development and coordination pushed the Arab economic integration backward.

OTHER ECONOMIC FACTORS

There are, ofcourse, numerous other economic factors that constitute barriers to economic integration in the Arab world and the creation of a viable regional entity, these arise from the underdeveloped state of the Arab economies and from the functioning of the Arab countries as separate economic entities. Inadequate transportation facilities and insufficient skilled labor and technical knowledge are but few of the many barriers that the Arab countries have encountered in pursuing economic development within a national framework and that could limit the segnificance that the removal of tariffs and quantitative restrictions could have in creating a common market. As in other underdeveloped parts of the world, in the Near East the creation of regional infrastructure, the development of human resources, and the equisition of foreign technology are prime requisites for economic integration.

The barriers that arise from the functioning of the Arab countries as separate economic entities likewise are quite numerous. There are, for example, a number of Arab countries, besides the Arab countries with socialist economies, that have industrial laws that discriminate in favor of domestic capital and labor. Kuwait, for instance, requires that at least 51% of the capital of a company in Kuwait be owned by Kuwaiti nationals and that foreign firms doing business in Kuwait be represented by agents who are citizens of Kuwait or by companies meeting the above requirements.(22) Such laws, which are applied in most of the Arab countries, have been obstacles in the path of the free flow of capital and labor between these countries and of the development of markets for their products.

Transportation laws have presented additional difficulties. For example, if a merchandise needs to be transported from Beirut to Iraq, it requires six sets of customs formalities and documents, loading and reloading. Although an agreement was signed between most of the Arab countries in 1959 for facilitating trade transit, inter-Arab trade and transit trade through many of the Arab countries are still faced by transportation requirements and formalities.

Private and public monopolies that exist in the non-socialist Arab countries also constituted an obstacle to economic integration. Examples of these monopolies are government purchasing policies, subsidies, differences in excise taxes and other factors.

Sure there are many other economic factors that were obstacles in the face of Arab economic integration but the most important factors qre those who are mentioned above.

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(22) International Commerce, June 14, 1965, The Economic Development of Kuwait, P.57

THE CURRENT STATE OF ARAB ECONOMIC INTEGRATION POSSIBILITIES

There are many possibilities for industrial integration among the Arab countries in the current time. So Arab economic integration could be achieved in industrial cooperation. If this industrial cooperation is established then economic gains will flow all over the Arab countries.

Achieving industrial cooperation was one of the objectives of the Arab Leaque countries. Contracts was made between the members of the Arab Leaque countries which aims at developing relations between these countries in many areas like economic and financial issues and trade relations.

One line of growth could start from the expansion of oil capacities for the production of numerous petrochemicals. In this range of industries, petrochemicals have a strategic importance as they can supply many sectors with inputs. In most of the Arab countries the development in petrochemical field are increasingly demonstrating the need for regional integration, as a means for reducing the cost of development and improving the competitive position via-a-vis the outside world.

The Arab oil producing countries contribute about one third of total world oil production and possess two-thirds of world's oil reserves and only 10% of crude oil produced in the Arab countries is refined locally.[23]

(23) An Arab Economic Report, General Unions of Chambers of Commerce, Industry and Agriculture for Arab Countries, January 1982, P.60-70

The Arab Oil and petrochemical industries have been undergoing rapid growth since 1974. It is economical for the Arab countries to expand their refining capacities on an integrated basis, not only to meet their future demands at low costs but also to compete in export markets outside the region.

Planned Capacities of Petrochemicals (1979-85)

000 tonnes

TABLE 7

	S.Arabia	U.A.E	Iraq	Qatar	Kuwait	Egypt	Jordan	Syria
Ethylene	2050	300	140	300	350	300	-	-
Propylene	-	-	-	-	110	150	-	-
Butadiene	-	-	-	-	110	-	-	-
Para xylene	-	-	-	-	67	100	-	-
Ortho xylene	-	-	-	-	60	48	-	-
Benzenne	-	-	-	-	284	155	-	-

Source: UNIDO, Study on Betrochemical industry Oct.1978.

If an industrial cooperation is established between the Arab countries then Saudi Arabia, the largest producer of petrochemical, will be exporting to the other countries like Syria and Jordan, which have shortage in production of petrochemicals, and these two countries will be supplying another industrial products to Saudi Arabia which it lacks for.

The development of the petrochemical industry; therefore, calls for joint effort among the Arab countries for integration rather than for competition with the outside world.

If we look to another industry in the Arab world like Iron and steel we notice that the whole industry in the Arab world is of recent origin and still underdeveloped. The majority of the Arab countries depend on imports for their supply of Iron and Steel.(24) If the Arab industrial cooperation is achieved then the local production of steel and iron will increase and export markets will be soughted. (see table 8).

We notice from this table (table 8) that regional production of iron and steel could satisfy about 80% of regional demand in 1980 against 73% in 1975. This means that the Arab countries along with time, or in the future will not need any imports of steel and iron and after a period the Arab countries can export such products of this industry to the outside world. So by achieving industrial cooperation, along with the development of this industry, will be helpful and this cooperation if achieved will be a step toward a full economic integration in the Arab world.

Aluminuin is another industry which is rapidly gaining importance in the Arab region because of the

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(24) An Arab Economic Report, General Unions of Chambers of Commerce, industry and agriculture for Arab countries, January 1982, P.60-70

TABLE 8

ARAB World Iron and Steel production, consumption and Trade (000 tonnes)

Country	Production 1975	Production 1980	Imports 1975	Imports 1980	Exports 1975	Exports 1980	Consumption 1975	Consumption 1980
Egypt	1691	2025	-	-	310	522	1381	1503
Iraq	210	430	445	470	-	-	655	900
Jordan	185	290	155	270	105	145	235	415
Kuwait	-	-	180	205	-	-	180	205
Lebanon	295	390	370	480	30	100	635	770
S.Arabia	160	265	280	80	-	-	440	345
Syria	135	245	120	90	20	45	235	290
Sudan	-	-	140	130	20	35	120	95
Yemen	-	-	-	-	-	-	110	168

Source: Middle East Economic Digest, March 1976, P.36

availability of cheap energy. The basic raw material of aluminuim consists of several minerals. These raw materials are available within the Arab countries. The idea of developing an industrial integration within this field has been developed by the Arab oil producing countries, they will be provided with energy (natural gas) which will enable them to produce aluminium at competitive prices.

TABLE 9

Aluminium Smelters and Secondary Plants,1979 (tonnes)

Country	Smelter Capacity		Secondary Capacity
	Actual	Planned	Actual
Bahrain	125000	170000	2000 extrusions 15000 cable
Egypt	50000	100000	25000 roled products & extr.
Iraq	-	150000	15000 roled products 3000 extrusions 10000 wire rod.
Kuwait	-	120000	-
Lebanin	-	-	15000 roled products 5000 extrusions 2000 extrusions
Saudi Arabia	-	200000	2000 extrusions

Source: Metal Bulletin, reproduced in Middle East, London Oct.79.

It is important to notice that secondary plants account only for a small proportion of actual and planned capacity of smelters. This show that aluminium production is likely to remain an export oriented for some time and this should open the possibility of cooperation among the Arab countries in forming a joint market and from any surplus to the regional requirements. This can be noticed from the table above that shows the position of aluminium smelters and secondary plants using aluminium in the Arab countries as of 1979.

Another accelerated drive toward the establishment of Arab industrial cooperation could be the rise of demand for capital goods. The imports of capital goods to the Arab countries have been increasing from year to year.

The absence of engineering industries in the Arab world is a weakness in the industrial settings. This is because of the weakness in developing technical manpower. However, countries which have industrialized successfully like Japan, began by importing their technology in the form of finished goods, copying that technology, and then developing it themselves. So this is what the Arab countries must try to do and try to examine the possibilities of integration in this field.

If we look at transport equipment, we see that most of the Arab countries are importing motor vehicles from outside the Arab countries.(see table 10).

Egypt was the first Arab country who started its own industry by a motor-vehicle assembly plant (in association with Fiat), and also Saudi Arabia started to take a step toward developing its own vehicle requirements by a truck assembly plant in cooperation with Mercedes.

TABLE 10 Imported Motor Vehicles 1976, 1978

(Trucks and Automobiles) in units

Country	1976	1978
Bahrian	10143	6012
Egypt	26088	38300
Iraq	18309	19378
Jordan	11649	6225
Kuwait	66054	61591
Lebanon	1378	6879
Saudi Arabia	290218	322401
Sudan	5238	3471
Syria	24411	12630
U.A.E	49424	34206
Yemen	1461	1065

Source: The Kuwaiti Economist, January No.193 1980, Study of Kuwait Chamber of Commerce.

If we look at the above table we can get an idea about the increasing demand for motor vehicles in the Arab world. But we also notice that the domestic market in each Arab country except Saudi Arabia is small. So by an industrial cooperation between the Arab world, each Arab country will be able to supply its market with the required demand of vehicles, if resources are allocated jointly, as Egypt is trying to do.

The fact that the Arab countries are still at an early stage of developing their resources and manpower makes it much easier for them to coordinate their industrial investments in this field.

If we look into the sugar industry within the Arab world, we notice that it is of great importance. Being a commodity imported by all of them, and the basic requirement for its production being available within the region, it represents an important area for integration.

TABLE 11

Sugar Production and Plant Capacity 1976

Country	No.of Plants	Capacity (tons per year)		Absorbative Capacity per day (crops tons)		No.of Operating days
		Plants	Production			
Egypt	7	1064250	599900	64500	cane	150
Sudan	3	310000	114000	15500	cane	200
Syria	3	41100	na	3800	Beet	100
Iraq	3	76000	10200	5000 4800	Beet cane	80
Lebanon	1	14000	na	1200	Beet	100

Source: Kuwaiti Economist No.189 July 1979, Study of Chamber of Commerce of Kuwait.

It seems that sugar production is expanding at a rate lower than the population increase. About 45% of total sugar consumption is produced domestically with about 48% of capacity. Sudan is the only country in the region where sugar production can be increased, not only to satisfy domestic demand but also to export to other Arab countries. This is due to the availability of both land and water. So an industrial cooperation between the Arab countries in this field will satisfy the domestic market of each Arab country. If funds are available in one Arab country and,water and land in Sudan for example, because Sudan is a poor country, then capacity of sugar production will be increased in all the Arab countries.

The industrial cooperation must be in the direction of production development, obtaining and storing the greatest possible technological capabilities and toward enjoying benefits on the basis of equal distribution, creating incentives to attract most of the Arab countries.

This integration is necessary to reserve the huge natural wealth which the Arab world possesses. The Arab countries must recognize that they are depending, on their current state, economically on resources which will disappear in the future and it is only temporary resources. For this reason a current Arab economic integration becomes of great importance. Arab industrial cooperation should be based first on existing industries and second on future industries thus leading to the whole industry development within the Arab world.

Industrial cooperation should be connected with agricultural integration in the Arab world. The agricultural sector secure market for industrial products. For example in Sudan the agricultural sector had achieved a step toward development and Sudan lacks industrial products. The more developed the agricultural sector will be, the more the industrial sector will be developed.

Chapter 3

CONCLUSIONS, RECOMMENDATIONS & SUMMARY

During the period between (1920-1970), all the Arab countries for practically all intents and purposes were functioning and developing as separate political and economic entities vis-a-vis each other. There was virtual absence of preferential treatment for Arab products within the restrictive quantitative control and tariff frameworks that were being utilized by many of these countries to control and channel their scarce supplies of foreign exchange, protect their domestic industrial establishments, and finance their governmental operations. All these were reasons or barriers in the face of Arab economic integration.

The only segnificant preferential trade ties that remained in the Arab world were the free trade relations between Egypt and Sudan within the framework of the Anglo-Egyptian condominium and between Jordan and Syria and Lebanon.

Four basic conclusions become apparent in evaluating Arab economic integration:

- Such integration could prove to be a very effective instrument for the acceleration of regional economic growth if it were to involve the utilization on a broad scale of regional resources for regional development.
- Any such comprehensive undertaking would require a wide

community of political and economic interests ans aspirations.

- Such a wide community of interests and aspirations has been lacking among the Arab countries.
- Underlying its absence has been the growth of political and economic nationalism in the Arab world and the virtual absence of Arab political and economic rapport.

Undoubtedly, the economic significance of Arab integration lies essentially in the utilization of the vast oil revenues of the region within a framework of regional planning and development. Such oil revenues could go a long way toward furnishing the continuing supply of foreign exchange that would be needed both to resolve the economic difficulties that could be encountered in the integration process and to create a viable regional entity. When considered in the light of such revenues and the region's large known oil reserves, balance of payments problems do not appear insurmountable, and industrial expansion and diversification assume much more realistic proportions, Without the utilization of these oil revenues within a regional development framework, many of the difficulties here mentioned aquire much more segnificance and in turn tend to minimize the segnificance of the creation of a wider geographical market.

Although the presence of the Arab socialisim has changed the nature of Arab economic integration and could, in the absence of substantial transformations within the region, place limitations on the extent of such integration, it needs not detract from the potential benifits that could accure to the Arab countries from a regional approach. What it necessitates is a great degree of regional planning and coordination on their part.

Any such comprehensive undertaking; however, would require a wide community of political and economic interests to effect the mobilization of the necessary capital, the establishment of the requisite institutional structure, the adoption and implementation of the essential economic measures and the compromises and adjustments. Implicit in such a broad undertaking would be a willingness on the part of the participating countries to surrender a substantial amount of their freedom of action with regard to the many matters involved in creating a regional economic entity.

But such a wide community of interests has been the very ingredient lacking among the Arab countries. The evaluation of separate and distinct Arab political and economic entities, possessing different political and economic systems and having vested political and economic interests, has created a situation in which the Arabs have founded it exceedingly difficult to comppomise their national interests for regional purposes. The geographical and the ethnic and social factors that these countries have in common, including similarities in religion, language, and culture, have not been sufficient to supply the power for economic integration. The political and economic factors have been the controlling factors, and although at times these factors have been such that the Arab countries have been willing to pay more than lip services to regional integration, they have not been such that these countries have been willing to pursue a course of action to effect it. We do not know whether the vested domestic interests and political and economic differences within the Arab world will tend to produce and solidify so as to further encounter Arab economic integration, or whether future political and economic developments will facilitate or create an imputs for such integration.

As a final recommendation, the Arab countries must take advantage of their common cultural, religious, and language ties and use them in that fields that lead to the Arab economic integration rather than international integration, but on the converse they must use international integration to improve their Arab economic integration and look toward this integration from a regional domestic point of view, that is each Arab country must try to treat and supply this integration as if it is treating its own domestic market. And one of the main reasons that is preventing all Arab countries from doing so is the affraid of lacking of foreign exchange and financing governmental operations and preserving domestic markets. This problem can be solved by the oil revenues entering to the Arab world.

If the Arab economic integration is established, then the domestic markets will be developed in such a way that each market, in a specific Arab country, will be exchanging variety of products with the other Arab countries, whereas these products will be lacked if the economic integration is not implemented.

Also if the Arab economic integration is implemented then there is no fear how to finance the governmental operations. More revenues will be earned from this economic unity if implemented. So the Arab economic integration in the form of Arab economic and trade unity becomes a requirement.

It is important, as a final point, to mention that any Arab economic and industrial integration must take place on an equal costs and benefits basis between all the Arab countries.

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