

## **Comparative Regionalism, Economic Integration and Security Settlement; Case study: OIC and ASEAN**

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### **Abstract**

The integrative process of cooperation between countries in a region is an increasing discussed issue in area studies. The reality of international politics today is based on how regions are inter-connected. International trade or other international regimes are indeed the developed models of integrated structures and processes among countries within a region. Therefore we are facing with a regional extended version of some regimes at global level. Organization of Islamic Cooperation as a regional and intraregional organization is the main theme of current research in which will be analyzed and compared with Association of Southeast Asian Nations to understand dynamism of regional cooperation and progress in economic and security issues. Comparative regionalism is our tool to understand the two organizations and an analytical framework for comparison.

**Keywords:** Regional cooperation. OIC. ASEAN. Economic integration, Security settlements.

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### **Introduction**

Regionalism in comparative Perspective is a framework process for understanding of advancement in regional integration. Despite many opposition about consideration of EU as a model for regional assessment, considering many regional arrangement structures (ASEAN, NAFTA, APEC...), there are many similarities also differences which makes them on the one hand similar phenomenon's which grow within different part of the world with similar goals. Those goals are prosperity in economic issues, improvement of life factors and coordination over political and security issues. Therefore comparative analysis of regionalism is a methodology for obtaining knowledge within realm of area studies, public policy, international relations, trade and business also conflict resolutions which utilizing those means enable it for study of regions. Establishment of U.N. and therefore IGOs created the bases of common norms between varied regions which in principle majority of those organizations pursue those goals.

The comparative analysis of regions which here based on the achievements and failures of two organizations that have many members from Asia is the contest area of realism which considers regionalism as the process which states located in a region as the sole actors that should be motivated for regional cooperation. Not precisely like realism, neo-functionalism indicates the important role of governments as principal actors for regional integration. Based on variation among regions and the degree of regional integration and under- development, the issue of EU becomes less productive model for other regions to be replicated.

Explanation of regional cooperation and conflict which mostly explained by theories of great powers deprives us from understanding of regional dynamism of war and peace on the one side and cooperation on political – economic matters on the other side. The issue of regional cooperation across East and West of Asia could need application of varieties of theoretical backgrounds with different elements if it would be described fundamentally.

Variety of regional organizations across East/ West Asia emerged after WWII due to process of decolonization which resulted emergence of new countries with new issues in international relations, ranged from disputes over borders and extraction of shared resources to need of cooperation over security and development issues. The great powers theories despite having some needed elements because the lack of factors which describe new born countries behavior could not be completely useful for explanation of newly created states. Especially after establishment of regional cooperation settlements, a great need for comprehension of new structures felt.

### **Methodology**

This research bases its analysis on a library evidenced based methodology. By gathering the most important issues regarding foundation of two organizations and their priorities considering security and economy, this research aims to understand the organizations' approach toward those issues. Comparative regionalism provides analytical structure for comparison between the two organizations.

### **Theoretical Framework**

Regionalism in theory of international relations emerged after World War II, while Europe made gradual steps toward integration and utilized its power and resources for reconstruction and intended integration for action as a complex. The idea of a European Community which has the capability for promotion of shared values helped the European policy makers to bring the idea of integration and push the project. Therefore regionalism and regional integration emerged while the tension of The Cold War caused offshore intervention of then two superpowers. The Cold War made the process of regional integration slower because of two blocks intervention in variety of geographical regions but it did not stop the process and by the end of this area, regional integration positioned itself among theory of international relations.

The regional level of analysis in international studies has been neglected for a long time. The traditional theories of international relations have not been successful in description of regional integration and advancement of regional process around the world. It comes back to 3 reasons: 1. the problem of region analysis with traditional theories of international relations is defined by incapability of those theoretical concepts regarding specification of regions, as an instance where governments cannot act and their capability is eroded like Africa, the normal theories capacities are challenged. 2. The theories of international relations talks a about state which is differently formed around the world. Therefore regional settlements which countries with different political structure participate are different from each other. 3. The distinguished set norms make regional integration around the world different from each other. Regarding this, European Union regionalism with whatever ASEAN established around it and called ASEAN way is different (Farrell et al: 2005, 39-41).

Regionalism is a concept within which variety of logics compete each other. Any theory cannot describe the complexity as comprehensive as possible. For example the integration process in European Union cannot be described by the theory which intended to analyze the complexity and difficulty of integration in Middle East and why the Middle East is less developed and have less developed regional economic cooperation than other regions (Carko lu: 1998, 30). The process of decolonization according to Warwick regionalism researchers made regionalism as clearer subject in international relations. But European Union establishment paved the way for initiation of model for "intellectual laboratory for study of regionalism".

The question of why some regional cooperation in a region is stronger than the others is the pivot of regional studies since its inception after WWII. The EU model has been a symbol which many academician as well as policy makers tried to analysis other regions efforts for broader

integration with it or utilize its element for cooperation over their regional issues.

Mattli reasons the creation of regionalism as response to two issues:

→ External effects: the external effect can be described as initiation of regional grouping.

→ The interstate need for dispute resolution or economic cooperation, Like EC, NAFTA.

Those groups raised concerns in Asia over trade position of those blocks and FDI diversion from Asia which encouraged South- East Asian version of economic regionalism within ASEAN. The establishment of ASEAN cannot be explained with the issue of economic integration at the time of inception because at that time the founder countries had been involved in serious security issues which might brought them to the brink of war.

A regional identity which arises with advancement of regional cooperation in security and economic among countries, in some terms considered as result of closeness of countries views and interest brought by regional cooperation. Which also should be prudent about because even in a more advanced regional settlements, the nation's view regarding establishment of regional identity faces severe challenges. The most example of that is Irish/ Dutch no vote in a referendum for establishment of the Constitution of Europe in 2005. Considering the tensions in the Middle East which with Arab uprising staged the region in a new situation, it can be inferred how tenses over security issues affected all regional integration and made it in stand still.

## **Findings**

### **1. ASEAN Institutions and the Degree of Integration among Member States**

ASEAN as the oldest and only formal regional grouping in East Asia is indication of an East Asian regional process which since its establishment in

1967 variety of ways helped the progress toward integration of decision making regarding economic and political issues. Despite the imbalance over degree of political or administrative relation with economic issues like trade and investment, ASEAN made a successful case in South East Asia which in this research will be compared with South West Asia between OIC members especially the countries located in Middle East.

ASEAN has been established in 8 August 1967 by participation of 5 foreign ministers from Indonesia, Malaysia, Singapore, Philippine and Thailand in Bangkok in which the first step toward inception of this regional settlement has been made. The origins of ASEAN lies in cold war tensions in South-East Asia which accompanied by inter-region disputes over borders drew by colonial powers. All of these issues lead to country's agreement for cooperation towards war prevention.

The birth of new states across East and West of Asia intensified cooperation among Asian Countries at both side. Even integration within European countries is not comparable with their Asian counterpart because the type of consideration encouraged Asian countries for establishment of such organization which is mostly security based at early days rather than a huge focus on expansion of economic relation. The reason behind creation of the ASEAN was in fact the tension between Indonesia and Philippine and Malaysia which former Thai foreign minister brokered with the idea of establishment a forum for countries dispute resolution which later turned to comprehensive organization.

Since its inception, ASEAN made progress toward regional integration. Soesrato (2001:228) mentions security as the principal reason for creation of ASEAN accompanied by trade and economic integration. Serrate calls security as a successful division in cooperation among member states. ASEAN Regional Forum paves the way for a dialog between members and great powers involved in South- East Asia. "It became a diplomatic power through its ability to maintain and enhance peace and stability in the region

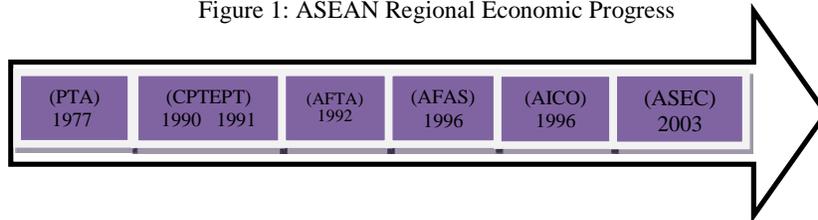
and to organize itself in a cohesive group in international arena".

ASEAN comprises several communities and institutions which the most important part of it is ASEAN Regional Forum (ARF). The institutional framework of ASEAN is composed of Summit, Meeting of Foreign and Economy Ministers plus Standing Committee which coordinates the work of ASEAN between those annual meetings and the Secretary General. A report published by CSIS assessed role of ARF as a provider of opportunity for increased dialog and interaction.

According to UNU-CRIS research paper, the first economic steps for an integrated regional economic grouping, made in 1977 with creation of a Preferential Trade Area “as a compromise between an FTA proposed by the trade- liberalization –friendly entrepot state Singapore, on the one hand and other members who preferred maintaining high tariffs on the other hand”.

Considering advancement made to strengthen economic ties, ASEAN ministers agreed in 1990 on Common Effective Preferential Tariff (CEPT) which builds the pillars of intra ASEAN trade. CEPT has four clusters named Inclusion List (IL), Exclusion List (EL), Sensitive List and finally General List. The Inclusion List by the progress made toward trade liberalization encouraged the organization to expand tariff reductions and in 2005 started to reduce from 12% to less than 5 % for ASEAN6( Indonesia, Malaysia, Philippine, Singapore, Thailand and Brunei Darussalam). The axe below is best way to depict ASEAN’s way to economic progress.

Figure 1: ASEAN Regional Economic Progress



Creation of ASEC was intended for rerouting FDI flows from China and India to the members of ASEAN. Establishment of regional trade structures

while a global trade regime perspective was gloomy motivated ASEAN members to establish ASEAN Free Trade Area (AFTA). The ASEAN+1 FTAs paved the way for broader economic schedule which included all powerful trade blocks in Asia Pacific allowed ASEAN members access to market and resource for production. This may be affected by enhanced policy making capability and investment of some major non- members, but inclusion of these major trade blocks likes China and Japan through the way benefits all nations are hard to achieve.

Intra grouping trade considered as one of the most important criteria for economic integration which previously in ASEAN was 20 percent of total trade in 1990s, while at the same time the share in Europe among core countries were 60 percent total trade (Jones and Smith, 2007:162). Current share of ASEAN intra trade has changed slightly to 25.4 percent according to ASEAN statistic 2011. The financial crisis of 1997 strengthened regionalism in economic segment by utilizing regional solutions instead of their global alternatives offered by IMF and World Bank.

Financial crisis of ASEAN members according to Wen (Ibid 2006:8) is one of the main causes of decline of FDI inflows which has severely dampened investor's confidence in the region. Low economic growth and also sharp decrease in FDI flows in the world considered low capability of ASEAN in attraction of foreign investment.

A recent trend in FDI attraction proves the contradicting result. In a complete move from its past which characterized by economic disability and up and downs in financial market, ASEAN nowadays experiences a major shift which bear prosperity and progress in economy and business. According to the World Investment Review (WIR) 2002 South-East Asia is catching up with East Asia. (WIR2012: 16) due to rising rates of wages and production cost, ASEAN members like Indonesia and Thailand channel more FDI to their homelands. UNCTAD WIR predicts a more even competition among South – East Asia and East Asia. AS an instance FDI

outflow from South-East Asia rose 36 per cent 60 billion Dollars. While Outflows from China dropped by 5 percent. Still East Asia especially China topped at FDI Outflow in the region but the increasing rate of ASEAN members Outflows prove dynamism of economic mobility and the prosperity which has been achieved in recent years. Singapore Outflows rose with 19 percent increase, also Indonesia and Thailand's Outflows surged (WIR 2012:16, 17).

The increase in economic prosperity and progress toward economic integration is not restricted to trade statistics and progress toward Human Development within each ASEAN members indicates the foundations on which economic integration is achieved. Some ASEAN members especially countries with lower trade and industrial capability like Laos, Cambodia are among countries with high rate of food insecurity and malnutrition which are vulnerable to natural disasters too. Those countries which are in need of food aid and investment in their local food industry cannot be capable of competition for progress in the South-East Asia. Therefore ASEAN richer members also nonmembers like China, Japan, Korea and United States should step in and empower small members of ASAEAN in order to maximize economic capability of the region. Without an even economic environment in South-East Asia none of the major economic block will benefits from an enhanced market.

According to Mattli ASEAN progress within economic realm has not been very successful but according to latest information provided by UNSCAP Statistical Year Book for Asia and Pacific 2012, ASEAN made huge progress regarding health, poverty reduction, economic growth and FDI inflows and outflows which covers both quantities and qualities progress and proves the capability of the organization for prosperity, the data below retrieved from UNSCAP shows this progress.

Table 1: Progress toward Economic Factors in ASEAN between 1990-2011

	1990	2011
Infant mortality rate, death per 100,000 live birth	48.3	22.8
Population living in poverty, below 1.25\$ 2005 PPP a day, % of pop	45.5	14.7(10)
Population living in poverty, below national poverty line % of pop	36.6	12.9
GDP at current prices, billion US \$	362	1863(10)
Average annual GDP growth rate, % change per annum	8.3	8.1(10)
GDP per capita, 2005 PPP dollars per capita	2387	4744(10)
FDI inflows, % of GDP	3.5	6.3
FDI outflow, % of GDP	0.6	3.2

ASEAN Investment Report , 2012

The important question which arises from process of regional economic integration within ASEAN is the dynamism of cooperation and competition between nonmembers like ASEAN plus Three (APT). How the relation with these countries which are the drivers of global economic system is set and how economic interaction with those especially China is managed? Regarding this question the next chapter will discuss the relation with non-members great powers in political- economic issues.

## 2. ASEAN Relations with Great Powers: China and United States

ASEAN relation with great powers strengthened during 1990s. After this time the growing relation of the Association with powers in or outside of the region has been a very important issue for policy makers of those members.

China- ASEAN relation dates back to early 1990s. After a huge reform occurred in Chinese domestic politics the economic relation has been expanded. "Normalization of bilateral diplomatic relation, the adaptation of opening up and reform policies of Chinese government did their economic relation start to grow."

One of the main challenges of ASEAN-China relations within economic perspective is the competition over FDI between these two entities. Lower

rate of investment among ASEAN members in comparison with China eliminated prospect of economic boom in the South- East Asia. The issue considered not only as the challenge of ASEAN-China but also a problem for economic progress in the region. Wen (2006:204) notes that China is not the main source of FDI divergence from ASEAN. According to Wen in some years, the ASEAN capability to absorb FDI was due to lack of competition among members and other developing countries. The inflows of FDI here are an important factor together with other factors such as country economic progress plus human development indicators such as health, food security and others generally reflects the economic prosperity in the region as well as members states. Regarding FDI Wen mentions that more than half of China's FDI inflows comes from Hong Kong and Chinese Diasporas. While over 60 percent of ASEAN FDI inflows comes from developed countries (Wen 2006:206). to picture the latest trend within ASEAN, the ASEAN Investment Report calls European Union as the major investment partner in 2012 (ASEAN Investment Report 2012:8).

The U.S. - ASEAN Expanded Economic Engagement (E3) Initiative expands economic relation between U.S. and ASEAN members in varied economic areas by paving the way for a broader integration through accession to TPP which increases the trade ties between ASEAN and other Asian trade blocks.

The ASEAN members concerns over effectiveness of U.S. -ASEAN economic relation which comparatively is weaker than other East Asian great powers like China, Japan and South Korea, rises once again the issue of power Balance of ASEAN members and weaknesses toward of non ASEAN great power partners. The ASEAN concern about U.S. attention toward South- East Asia is based whether U.S. has a keen interest dealing with those region issues than Middle east or not (Prashanth Paramesw Aran, 2012: 2).

In ASEAN also variety of views over different national interest among

members, made creation of regional identity much harder. Jones and Smith (2007) evaluate the ASEAN after its fourth decade and assess its strength in 3 areas of conflict resolutions, economic progress and diplomatic relationship management with China. Those conclude their analysis of ASEAN in security cooperation and engagement areas with transfer of dynamism of decision making outside of the Association.

Jones and Smith (2007:149) regarding what ASEAN should be called (association discourse or community) believe about general notion of “association” which since its inception introduced. The limitations and difficulties which ASEAN experienced over the years since its establishment make it a specific and special institutional arrangement model for other regions.

Theoretically the ASEAN scholarship evolved within 2 dimensions. The first one considers ASEAN way as a model for regional order while the other dimension on the other hand based on distinctions among members and an emerging China which lowers its profile for a wider regional harmony. Weaker states founded ASEAN norms and procedures while later on, great regional powers expanded it to a wider community of East Asian countries. ASEAN may contrast “legalistic decision- making procedures” which is normal in other regional institutions like European Union and international organizations. This issue brought an unevenness in power of ASEAN founders among non- members and decreased its power interacting with those powers.

As mandate of ASEAN addresses security, economic, cultural issues regarding each issue variety of sessions, councils and forums were developed which each of those councils deal with their respected mandate. But as mentioned above role of ARF is one of the most important parts of ASEAN because member’s foreign ministers plus APT plus United States representatives will discuss major important issues and set the stage for bilateral meetings. The CSIS report indicates that in the recent years china

focused more on ASEAN+3 which “could set the stage for an Asian regional security organization dominated by China that excludes the United States”.

History of ASEAN impressed many policy makers and became a model for institutionalization of Asia Pacific relation. The modest record of South-East Asia in coordination of political issues made ASEAN establishment, a great achievement in the region. In this case the track two diplomacy of ASEAN which consists of national policy research institutes tries to pave the way for an unofficial diplomacy which through a non-binding process leverage the regional integration dynamism. The official process of integration according to Jones and Smith (2007:158) has been deeply affected by track two diplomacy and the norms agreed upon intruded the official documents of ASEAN.

Track two diplomacy of ASEAN despite its progress still suffer from organizational nature of the association which mandated all the bodies and subsidiaries to be accountable toward governments. Despite the informality which distinct ASEAN from other regional arrangements according to Smith and Jones (2007:159), the “formality and hierarchy characterize” ASEAN way which shows the government’s concern over evolution of the Association to an upper authority despite of the progress achieved through informal policy making procedures resulted from IISS of each country with their counterparts in other members states.

Negligence of academic community about Islamic extremism and bilateral tension which existed between states after their independence is also a threat to security of the region. Despite heavily developed intelligent structures, the incapability of ASEAN members to prevent growing threat of extremism proved the negligence of member states regarding expansion of cooperation in area of terrorism.

Economic growth of ASEAN members, hide, the growth of extremism and its prevalence across South-East Asian which many analysts and

researchers convinced that the economic performance to members prevented radicalism in their territory.

Post-colonial process of nation building in South- East Asia left Muslims in a standstill situation and deprived them from their basic citizenship rights which empowered extremism in the region. The illusion of a shared way and a united community prevented development of institutional arrangement tasked dealing with security issues. ASEAN effort for consolidation of identity attachment within the members considered a useful alternative for extremism expansion. According to that, Muslim communities should be granted the right and benefits like other citizens of those countries. The process of democratization will be preventive of insecurity within the countries and in a broader aspect in the region.

Effective democratization of South- East Asian states will increase national integration among those nations which naturally decrease the risk of extremism. This reason also paves the way for regional cooperation over security issues.

The ASEAN model of regionalism which is make it absolutely distinguished for other regional arrangement is based on this issue which it not seek centrality of decision making and creation of an upper hand bureaucracy which decides about whole region. The institutional way of negotiation is based on discretion, informality, expediency and avoiding bilateral disputes during regional meeting (Jones and Smith, 2007:155).

### **3. Organization of Islamic Cooperation, Structures and Institutions**

Organization of Islamic Cooperation which formerly called Organization of Islamic Conference established by 26 Islamic states in 1969 and was a major step toward solidarity among Islamic states. The issue of Palestine and sense of collective action against Israeli occupation triggered Islamic countries reaction. Therefore establishment of OIC is also based on tension among Islamic countries and Israel over issue of the Palestine leads them to bring their view more close to each other within an organization.

The first meeting of OIC foreign ministers held in 1970 Jeddah brought foundation of organization establishment and lead to creation of secretariat headed by secretary general. The organization is comprised of several institutions which according to organization mandate their job should be in accordance with organization goals and principles.

According to OIC website (oic.org 2013), the organizational chart of the OIC can be divided into the 5 divisions: 1. Subsidiary institutions, 2. Specialized Organizations, 3. Affiliated Institutions, 4. Standing Committees, 5. Islamic Universities.

The Subsidiary Organs are established within the OIC framework and by the decision made the Islamic Summit or Council of Foreign Ministers. According to OIC website members can automatically join these institutes and their budget are approved by Council of Foreign Ministers. The 2 other organs (Specialized Organizations, Affiliated Institutions) were established regarding the mandate of organization and their budget is independent of the Secretariat.

The Standing committee's establishment is for the advancement in critical issues which the organization is facing. The Standing Committee for Economic and Commercial Cooperation is the main economic arm of the OIC which here will be discussed for assessment OIC in economic realm.

### **4. COMCEC as a Hub for Acceleration of Economic Activities**

Standing Committee for Economic and Commercial (COMCEC) is the

multilateral body of OIC and a hub dedicated for addressing of economic and developmental issues of Islamic countries. Established according the decision made in the Third Islamic Summit in Mecca in 1981 and became operational in 1984, COMCEC has 57 members and 5 observers from four continents (comcec.org 2013).

Regarding the sub-regional groups within OIC structures, COMCEC has the ability for coordination of trade and economic affairs of Islamic countries. Headquartered in Ankara and chaired by Turkish president, COMCEC inspired by development acceleration process achieved by Turkey and host many conferences covers variety of economic sectors. Since its establishment in 1984, COMCEC has been contributor to many forums, meetings and dialogs among Islamic countries and recently established working groups for acceleration of economic integration among Islamic countries. Reestablished its charter recently, COMCEC has mandated to foster economic progress among Islamic countries. COMCEC now with the empowered statue plays an important role bringing varied economic system together and harmonized those systems for a better environment for trade.

COMCEC covers variety of economic issues from trade to tourism and agriculture. The economic and development based mandate helped OIC members to focus on economic issues in a dynamic and up to date way for prosperity of Islamic countries. COMCEC is active throughout the year and like European Union and ASEAN economic issues are addressed within the year. The economic mandate of COMCEC allowed it to be the economic part of OIC with the continuous activity which brings sub-regional groups with a coordinated agenda which already agreed upon.

The TPS- OIC triangular trade agreement is the most important achievement brings Islamic countries together for a tariff reduction to 15 percent in 2015. The third extraordinary summit held in Mecca mandated the organization to achieve this goal. The result of tariff reduction will be

the increase share of intra-OIC volume which enables prosperity for Islamic countries. According to COMCEC website the current level of intra-OIC trade volume is about 18 percent. The Ten Year Program of Action which is the outcome of Mecca Third Extraordinary Summit mandated the organization with achieving 20 percent trade in 2015.

### **5. Progress Achieved in Trade and Development Between and Within OIC Members**

Regarding economic potentials, OIC has one to fifth of the world population possessed a grate consumption market. This grate potential in recent years has been facing grater progress, but according to Gundogdu (2011:23) the OIC share in total world export and import between 1997 and 2002 was respectively 6.2 and 5.8. On the importance of trade on poverty reduction and development it has been noted that the trade contribute to 0.72 of GDP growth of OIC countries during last decade.

The energy resources among OIC members prove capability of feeding the world energy market which can bear prosperity to the regional business. From 12 members of OPEC, 9 members of them whom are OIC members(OPEC.org 2013).

Taeb (1997:113) believes one of the challenges placed toward economic progress in OIC is lack of foreign capitals which constrain the capability for an improved interaction within and outside the OIC. This issue is not compatible with all OIC members. Variety of economic performance and degrees of development exist between OIC members. (Kabir Hassan 2009). As an instance rich oil exporter Persian Gulf states have vast resources of foreign capitals which if deployed in OIC intra trade can bring prosperity into the region.

The main goal for establishment of OIC according to Taeb (1997:110) was political. Resolving tensions among Muslim countries was a high political agenda which included in OIC mandate. Step by step strengthen of economic agenda within OIC mandate proved: 1. Failed consensus over an

integrated approach regarding common security issues. 2. Intensification of globalization trends over economic issues and need to regional cooperation raised from inclusion within global trade process mainly accession to WTO.

### **6. Challenges toward Economic Integration**

A destabilized political foundation and import- export dependency on nonmembers reduces chance for economic integration among OIC members. The intra OIC trade share from total trade volume shows that despite expansion of globalization process among OIC members and accession of some members to WTO, the mobilization trend didn't result the increase of intra OIC trade (Hassan, 2009: 2). One of the most important problems regarding politico economic integration among Islamic countries is the diversity over political system, ethnicity and level of development and the majority of 1.3 billion Muslims live "transitional developing economies." for better illustration of the problem the share of intra trade is the proof to the development of trade among Islamic countries. The share of intra OIC trade in comparison with ASEAN has been less hopeful. For example in 2003 it was 11.3 percent but for ASEAN it recorded 24.3 percent (Mohd.Amin, 2009:136) The placement of majority of members in Middle-East and a less developed domestic economy accompanied with poor regional economic cooperation. The absence of significant schemes of economic cooperation in the Middle East then can be linked both to the continuing security concerns in the region as well as the willingness of the governments to play the Security card in order to control domestic political instability.

On the economic side Lack of trade information, non-trade barriers also current trade structures are some barriers toward a prosperous economic perspective. Regarding Middle-East less friendly trade policies among Islamic countries especially MENA regions made progress within OIC countries harder.

For a better understanding of challenges OIC facing toward economic

integration, Hassan (2009) elaborates on 3 divisions of countries in the organization and each specification which while included in trade negotiations among the members, creates difficulties for collaborations.

These grouping are:

1. Least Developed countries like Afghanistan, Benin, and Bangladesh....
2. Middle income countries like Turkey, Malaysia and Pakistan....
3. Group of FEC which are wealthy oil exporter countries like Saudi Arabia, UAE, Iran, Qatar and Libya .....

The share of third group in total export of organization is more than others and varies between 47 and 51 percent while the share of middle income and less developed were respectively 45 and 2.9 percent in 2004(Hassan2009:6).

Therefore according to this 3 dimensional division the problems of regional cooperation within OIC are:

1. Transport and communication system which is not suitable for intra-regional trade due to geographical proximity of the organization;
2. Unwillingness to give up the protection executed by members on their import and export;
3. Shortage of basic statistical data.

The OIC is considered both a regional and international organization because of the extent which the organization covers. This proximity which is composed of 4 continents makes the economic integration much harder. Gundogdu (2011:23) believes that the issue of geography, culture and differences between countries participation in the regional settlements, affects OIC economic power. Because of geographical extension of the organization, measuring its potential is much harder than the regional organization which their members located in a more concentrated geographical area like European Union.

### **7. Sub-Regional Grouping as the Best Way for Economic Integration**

Because of the vast geographical sphere in which OIC members are situated, the sub-regional groupings among members have been a successful device for integration of their economic sectors. Considering the geographical area of OIC, which cover Middle-east, South- East Asia, Africa, Europe and Central America, sub-regional groups can brings members together for a coordinated decision making structure which together with other groups already agreed upon some trade issues and can bring a coordinated policy which is ready for collaboration with other regions within OIC.

The African OIC members are very active in establishing and developing regional economic grouping. On the eastern side of OIC in Asia, according to Hassan (2009) in South-East Asia the ASEAN aim to enhance economic integration up to level of a costumes union. Those settlements in East Asia and Africa are more active than their colleagues in West Asia.

Compared with European Union which all the countries located in a smaller geographical location, the closeness of European countries grants them a unique opportunity and for members a more involvement of policy making. A united currency to some extent initiated under such geographical relevance which leaded to a monetary union.

The sub-regional grouping of OIC members still faces several challenges which restrict its ability to act in a dynamic regional environment which already embraced an open market approach and has the capability of dealing with its negative consequences. The issues which eliminate OIC members' ability for a comprehensive trade scheme are:

1. Lack of effective coordination over investment throughout the sub-regions;
2. The loss of country members at the primary steps of trade openness;
3. Gradual tariff reductions are not accompanied with prior national synchronization.

In recent years OIC made great progress toward economic prosperity.

Recent trade statistic showed better performance of OIC countries. Regarding export, OIC recorded 2.1 trillion dollars in 2011. It increased share of the organization in world export. In 2011, OIC possessed 12 percent share of in total world export. The table below shows recent progress toward merchandize trade and success achieved by OIC.

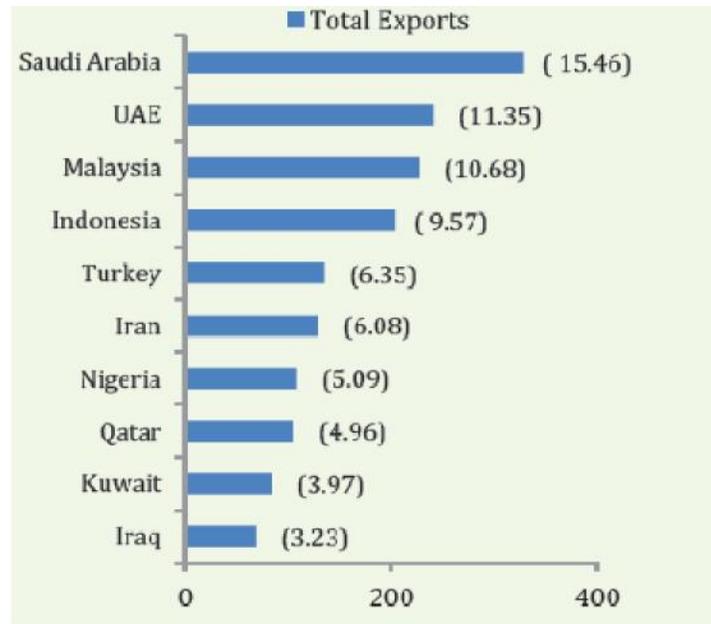
Figure 2: Annual Economic report of OIC Countries



Annual Economic report OIC: 2012, 44

Unevenness in OIC total export is the problem toward prosperity among Islamic countries. 53 percent of total OIC export concentrated in 5 members. The Annual Economic Report on OIC Countries 2012 depicts this unevenness in export.

Figure 3: Total Export of OIC Countries: 2012, 46



Annual Economic report OIC: 2012, 46

Gradual trend of relive from dependence on small group of products for export like minerals and fuels helped OIC members diversify their economies and gain more benefits and made concrete steps toward development.

The Islamic finance and its role in post financial crisis area is one of the important advantages of OIC members to be involved in architecture of new global financial system due to huge wealth some oil exporter countries which are OIC members possess. The incapability of existing global financial system leads to many critics of that which was built by developed countries. Conventional financial mechanism disrupted because of global financial crisis but Islamic financial market remained uninterrupted. This new financial mechanism for world financial structure is offered by Islamic

Countries as outcome of OIC financial mechanism. Despite of low share of Islamic finance in global finance which is 1 percent (review of economic cooperation: 2012, 24), the Islamic finance because of its special attention paid to development and poverty eradication has great potential for future system of Islamic finance.

### **8. The Role Played by OIC Bringing Peace and Security among Islamic Countries**

The security concerns which the issue of Palestine was included among them catalyzed sense of cooperation among Islamic countries which reflected in creation of Organization of Islamic cooperation. Since its establishment, OIC has been faced several major crisis among its members lead to war and humanitarian disasters which challenged the capability of organization and joint collective action may provide within its framework. The crisis in Bosnia and current situation in Syria are among major issues which the essence of collective action by organization members are challenged due to lack of consensus and distinction of interest among countries. At its annual meeting the strategies which should be taken and implemented, discussed and economic agenda of the organization is designed.

### **9. OIC Foreign Policy and Major Security Issues**

Since its establishment OIC has been faced several crisis among and within Islamic countries. The issue of Palestine which is one of the organization's important goals is a proof to a constant crisis in Islamic world especially in the Middle East. The recent Arab uprising in the Middle East is a new test for the organization, that according each country's situation, OIC reacted differently.

Ishtiaq Ahmad (2012:2) stresses the capability of OIC charter for implementation of peaceful means while a crisis erupts among or within the members. But according to him the non-interference in countries domestic

affairs constrains the scope which countries can act for deceleration of crisis. According to its charter the Islamic Committee for International Crescent was established in 1977 which despite the questions regarding its efficacy mandated for "alleviation the suffering caused by natural disaster and war" (Ibid:2).

In theory OIC empowered by all of the means needed for conflict prevention like implementation of Responsibility to protect. Regarding tension relief and reduction of catastrophic consequence of war, it seems that the organization achieved more success than conflict prevention. Establishment of ICIC and empowerment of its mandate proves the issue. Considering Libyan crisis, OIC acted in favor international intervention for prevention of more catastrophic events there. During the Libyan crisis, OIC responded in cooperation with other countries and international organization for establishment of a contact group to be in contact with National Transitional Council (NTC) as the legitimate government in Libya.

Also in 19th March 2011 the Executive Committee of OIC Foreign Ministers called the members states to implement the UN Security Council Resolution 1973. (ibid2012:3). After collapse of Qaddafi regime, OIC has been involved in humanitarian affairs and in organizational meeting expressed its concern over urban tension and violation of human rights in post Qaddafi Libya.

The OIC response according to its action toward conflicts varies from country to country. As an instance regarding Libya OIC actively involved in humanitarian action in cooperation with other countries and international organization. The organization activities ranged from encouragement of members to support 1973 and 1970 UN Security Council Resolution to establishment of a Humanitarian Mission and a Coordination Office in Benghazi.

In case of Syria the members are eager for bilateral aid than multilateral action for conflict deceleration.

The other important aspects of OIC is defending Muslim minority rights in other countries especially in EU which confronts it with European norms and values composed by EU and European countries. OIC tries to be effective in European politics which enables it for preservation of Muslim minorities there. The expansion of European model of government in Mediterranean border of Islamic countries shows the regional organizations especially European style of progress which crosses geographical borders. This issue also challenges EU- OIC notion of freedom, democracy and role of region in societies which the two organizations have different narratives about it.

The other dimension which allows OIC is the effort for defamation of Islam in Europe, depiction of true image of Islam and dialog among civilizations. Considering Lebl (2013:113) over role of OIC as defender of Islamic and promoting role of Muslims in the world, the organization has, or better to say should have a powerful mandate to promote Muslim countries role in shaping main trends in a globalized world. According to Lebl, the Islamic finance empowered by wealthy rich Muslim countries enabled the OIC influencing policy making around the world by outflowing foreign investment.

Opening of an office in Brussels draw a new horizon for OIC to act internationally which previously within U.N has established a coordination bureau.

OIC with a broad range of members acted as power block within U.N. structure and institutions and can leverage its political influence to gain more benefits for Muslims around the world. The issue of human rights in Islamic countries and its conformity with existing human rights norm has been one important file for OIC foreign policy dealing with west which with other issues like blasphemy of religion of Islam made its profile very sensitive.

U.N. Human Rights Council is the center which U.S government

compromised with OIC. As the Muslim issues rise within the United States, lobbying for protection of Muslims rights through Islamic groups raised which is an important moment for OIC to increase its role via support of Muslims in negotiation with Federal Government and states legislatures in the U.S, the issue which Lebl cautions U.S. government on that. According to Lebl (2013:118), international organizations especially U.N Human Rights is the center which U.S government compromised with OIC.

In case of human rights, OIC campaigned against blasphemy of Islam and according to Marshal (2013:57) tried to put the prohibition of insulting Islam in human rights agenda of the United Nations. The OIC campaign for banning insult religion especially Islam made other regional arrangement specifically EU skeptic of what OIC intends. This case which in recent years has been an important aspect of OIC's political activities as a representative of Muslims around the world, the organization adopted united front against this political cultural movement of Islam phobia which has been triggered in Europe and caused political hardship in bilateral relation between Islam and west.

OIC in promoting its values about human rights should deal with variety of regional and international organizations which represent different regions. Therefor strengthening of the organization help it preserving right of the population it representing.

### **Result and Discussion**

The way ASEAN acts is not comparable to other regional institutions. As mentioned in theoretical background regarding the way in which comparative regionalism considers state formation and their cooperation with regional organization. The organization structure is also different. Beeson (2009:20) believes that the ASEAN Secretariat is small and less powerful than its European style. The downplaying of political and security issues deliberately arranged within the ASEAN Declaration in order to avoid being seemed as military and defensive pact. This situation allowed ASEAN to negotiate over diplomatic and security issues informally for

resolution of disputes between members and regional powers.

ASEAN way outlined security architecture of the community which mandated with respect of sovereignty of the member states. Authorities' efforts to combat terrorism acted within the two dimensions. 1. Regional 2. Beyond regional. In regional dimension the bureaucratic nature of the Association imposed its nature of cooperation over issue of terrorism.

The prevailed domestic political structure which exist in majority of South-East Asian countries lead creation of informal trends for consultation and negotiation which is different from western multilateralism. The process which ASEAN adopted according to its Deceleration and principles is align with the geopolitical specifications which distinct it with other regional settlements. ASEAN Way majorly results conflict avoidance rather than conflict resolution. The ASEAN Way includes several institutions which bears principle of non-interference in domestic affairs of country members (Severino: 2008, 11).

The outside powers like China and United states have been effective force to constrain collective decision making nature of ASEAN. Creation of a nuclear free zone which is called South- East Asia Nuclear Weapon Free Zone is a proof for being neutral in military alliances, but will it be the way, ASEAN, adopt in future while exposed to greater threats from China military exposure?

Three issues undermine ASEAN role in advancement of regional integration for further economic political integration according to Beeson (2009:36) are: 1. uncertain democratic consolidation 2. Economic development problems 3. Low degree of economic income

Those reasons mentioned above problematize the issue of further integration among ASEAN members which are complex of political and economic issues exist within members and raises many challenges toward further cooperation among them. Regarding that, Palatino (2013) notes the implementation of this integration works while a natural disaster erupts. All other times this integrity among ASEAN nations is hard to revive and embody for benefits of members. He also alarms a unified ASEAN as a challenge to non- members like U.S.,

China, Japan and South Korea who persuade their geopolitical interest in the region in absence of a powerful ASEAN.

The OIC is like ASEAN has the successes and failures regarding integration of Islamic countries like what is called in Islamic Sharia as “Uma”. Those failures can be divided in several reasons which prevented the organization to be more effective. Those issues ranged from proximity of area which different members with variety of interest among active player of organization about major political issues.

Regarding proximity of area which country members located, it should be mentioned that regional structures varies one region from another. The European Union style cannot be copied to other regions. The OIC members because of their distinctive location which are place in four continents have different state formation and bringing them within one flag is a hard task.

The issue of distinguished interest manifests itself in the regions which variety of conflicting issues arises. Like the Middle East many active players which determine the current situation and future configuration of the regions, cannot agree over major political issues. In Africa many countries coupe with major security threats ranged from armed conflict to food insecurity that reduces their capability for active participation in integration process. Regarding the economic issues many African Islamic countries are in urgent needs which make their economic situation fragile.

Despite these issues which eliminate OIC members for active participation in integration process, the economic performance of Islamic countries in recent years during and after global financial crisis proved their potential for prosperity and deeper cooperation. The Islamic finance also, despite little shares in global financial assets makes its progress toward a comprehensive model in international financial system. The increasing share of Intra-OIC trade is a good sign for OIC members that depict a brighter future for Islamic countries.

### **Conclusion**

This piece of research tried to look at the two organization performance and the potential regarding major economic- political issues and the progress they made toward further integration. The process of integration among countries within a region according to Mattli (1999:19) is a bargain among countries which intend to compromise over their interest for a greater benefit. Therefore each regional cooperation is affected by state formation of its region. In case of OIC variety of Islamic countries located in different parts of the world participate in an integration process which aims to bring different politico- economic structures together for greater benefit. The role of subgroups in facilitation of this process is very important as these subgroups have the potential for creation of a smaller harmony within their region which while it extended to a broader context of Islamic countries, brings greater benefits for the organization.

The ASEAN members which variety of countries with different political-economic degree of development exists among them proved their capability for integration in common issues. The case of power relation with non-members like United States, China and Japan is one of the tough task toward the organization. Because of boosting bilateral relation among some ASEAN members with either United States or China, the shared benefits of regional cooperation sometimes comes to edge of collapse. The power balance between these two powers especially China will be a tough task for ASEAN.

The economic progress in two organizations proved its resilience during and after global financial crisis. The economic perspective of those two organizations is brighter than political spectrum which its future necessitate compromise among major political issues among main active players in two political structures.

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