CHAPTER 1

Introduction

1.1 THE TOPIC AND THE TITLE OF THE STUDY

The topic of this research study is concerned with the 'Economics of Regional Cooperation' in the Middle East countries. During the recent years from 1980's the policies of irrational protectionism, artificial and rigid walls of tariffs and discrimination, have been found as the main hurdles causing economic stagnation and the prevalence of retarded development rates of both the developed and developing countries. The pivotal role of free and open global trade, as well as, its sub-sets of economic integration and economic communities has been underlined and prescribed by majority of world's noted economists. The official experts deputed to World Trade Organisation (formerly GATT) by the various countries, have also accepted the new reforms in the international trade systems, with a view to bring an order in the world trade and development.

The experiences of the implementation of the policies of customs unions, regional peace accords for mutual cooperation and economic communities have proved the fact that regional cooperation, not only helps to promote development and economic prosperity of the member countries but it also plays a complimentary role to a more healthy and orderly growth of global trade and improvement in the world's prosperity. The Models of EEC, ECAFE, ASEAN, LATIN AMERICAN, GCC and number of others have given all time inspiration and guidance to various groups of countries.
belonging to a common neighborhood. The study therefore highlights both the academic and pragmatic aspects of the success of regional economic union in general and proposed union of countries from the Middle East in particular.

1.2 SCOPE OF THE STUDY

The title of the study is viz. "Regional Economic Cooperation of the Middle East countries and prospects of India's Trade with their Union. The study covers a period between 1984 to 1993 (with special reference to the recent Arab-Israeli Peace Accords) The Middle East countries which are selected for this research study are viz. Egypt, Syria, Jordan, Lebanon and Israel and the proposed new state of Palestine.

Since the title determines the scope of study, the following aspects have been rigorously researched as follows.

a) The Theoretical aspects of economic integration and customs union, vis-a-vis. globalization of trade and economic relations.

b) To Review the performances, the role models of economic unions.

c) To study the historical background and the present economic profile of each selected country.

d) The historical reasons of the centuries old, Arab-Israeli conflicts and the recent radical developments of peace accords of Middle East countries with Israel for peace and economic cooperation and their prospects.

e) To present economic strength and weaknesses of each country and to argue a case in favor of developing intra-regional trade and cooperation, as well as common gains of the proposed cooperative
groups as one combined party in the trade with the "Rest of the world". It will also highlight the mutual cooperation and peace which will help to improve the present condition related to GDP, rate of growth, employment, per capita income, economic stability, exchange rate stability, trade balances and BOP, rationalisation of internal and external debts, modernisation, growth of trade and tertiary sectors and the macroeconomic variables of developments and prosperity.

f) The study will specially bring about the significance of trade between India and Middle East countries and economic relations of India with the proposed union of Middle East countries.

g) India has always been a "friend in need" of Middle East Arab countries and a strong advocate of Palestine’s Sovereignty. There has been always a sizeable trade between Egypt and India since 50’s. After the cold war, India has recently leaned towards Israel especially in Diamond and Jewelry trade, as well as, exchange of agricultural, irrigational and manufacturing technologies with Israel.

h) The study shall cover the decade 1984-85 to 1993-94, the development that has taken place in Middle East countries during the period under review.

1.3 OBJECTIVES OF THE STUDY

The study will examine the respective gains of friendly relations of both Middle East countries and India. India being a vast and the most attractive market for small countries and her chronic dependence on oil and allied products indispensably required for preserving the tempo of her modernised development, needs the circuit of cross-dependence.
The research design and the scheme of chapters have been made in accordance with the logic of the coverage in its sequential order.

1.4 THE MAIN HYPOTHESIS OF THE STUDY

The underlined hypothesis are

1) "the peace accords between Israel and the neighboring Arab countries shall lead to a better regional economic cooperation, extension of trade prospects among themselves as well as, with other countries including India."

2) Prospects of peace accord and implied economic cooperation of the Middle East countries are sure and estimable by the use of analytical and quantitative techniques.

3) The foundation of regional, peace and cooperation- per-se is likely to bring several ‘reliefs’ from the existing dead-locks, disasters, debts, unmanageable and unproductive defense expenditures and other major economic crises faced by the selected countries.

Thus it is expected that peace itself will virtually cure and compensate for nearly half of the ‘economic damage’ by direct reduction in huge defence expenditures, heavy debt servicing, interest payments and loans raised for purchase of armaments, rehabilitation of men and property due to the damages and destruction during violence and armed conflicts.
4) With the engine of peace and bogie of cooperation the entire region is bound to get relief from the present disaster and secure the gains of both the inter-regional and international trade. Friendly relations within the group will facilitate the trade within the group and outside.

The validity of this hypothesis is to be tested on the basis of evidence of the empirical facts and the authentic data.

1.5 METHODOLOGY, SOURCES OF DATA AND RESEARCH DESIGN

The entire research exercise has banked on the secondary data and the empirical data evidence. The economic prospects of peace and regional cooperation have been rigorously estimated on the basis of trend analysis covering the yearly data of all the relevant and essential macroeconomic variables for a period of the recent decade of 1984-1993. The quantitative estimates also have been supported by the projected estimates made by official organs such as world handbook of statistics, world development reports, British economic intelligent service, Central Banks, Central Statistical organisation, planning and finance Ministry, Ministries of Trade and commerce etc.

All the major macro economic indicators of the economies of the five countries have been quantitatively examined and the existing trends of growth/decline etc. have been worked out. The figures of actual production in terms of tonnage and value of primary, secondary and territory sectors have
also been collected and duly processed, for obtaining comparative and analytical results and findings.

The relative economic strengths and weaknesses, efficiencies and deficiencies, surpluses and shortages have been minutely scrutinized and the areas of mutual dependence necessary for regional cooperation and exchange have been specifically identified. The comparative gains of trade within the region and areas of economic cooperation also have been examined.

A special focus has been given on the composition and direction of the international trade of member countries of the proposed union with a view to estimate the prospective gain from the union as one common party in the global trade and international relations.

Taking into consideration, the time-tested and very warm relations of India with Middle East Arab countries (developed during Nasser-Nehru-Tito leadership of nonalignment) a special study of India’s trade with each member country within the recent decade, (1984-1993) as well as, trade and prospects and gains are identified and future trends are projected.

Vast secondary data has been collected from various sources which is mentioned in the references, Bibliography which is acknowledged properly wherever used.

To sum, the study is a data based quantitative analysis.
The study is designed to furnish:

a) Theoretical background explaining the economics of the customs union and the comprehensive review of the prominent models of existing unions.

b) The historical background and the detailed accounts of the religious, political, social, and economic development in the selected 6 countries and the causes and economic consequences of the century old Arab Israeli conflict.

c) Finally, the study furnishes trend analysis based on ten years annual data related to macro economic indicators. It examines the relative strengths and weaknesses of the member countries and identifies the prospective gains by mutual cooperation and dependence on intra-group trade and gains from international trade.

1.6 THE IMPORTANCE OF THE STUDY

The younger generations of the Middle East countries are positively ‘fed up’ of the continuous horror of internal insecurity and armed conflicts. As per the terms of peace accords between Israel and Palestine, Palestine will emerge as a sovereign independent nation by 1999. In the meantime due to growing pressure from the UN, USA and Western countries, Syria along with Lebanon will also sign the peace accord and join the proposed economic union. Thus the proposed economic union will become a constitutional and

* A party by name "PEACENOW MOVEMENT" has been formed by moderate and progressive Israelis who are sympathetic with the Palestine cause and believe in the principle of co-existence.
material entity. However, unfortunately, there has been no systematic data based on the study of the economic prospects and probable gains of the union of the Middle East countries. This researcher made a drastic and elaborate effort to find out a treatise research paper, doctoral project, blue-print made by official experts of the member countries or the recommendatory drafts of the panels of experts from either world bank or professional economists from the member countries, but he could not find a single research effort done by any mid east academic or by a government expert. This research study therefore is a maiden venture and pioneering background work done entirely by relying on original data based analysis and it will serve as a first blue print of the economic design of the proposed union.

This study therefore will induce the interest of fellow economist and policy makers from the 6 selected countries, as well as from the rest of the world.

1.7 SCHEME OF CHAPTERS

The scheme of chapters is sequentially as follows

Chapter 1.

Introduction:- Main hypothesis - coverage of the topic- methodology and sources of data - research design and importance of the project.

Chapter 2.

Economics of politico-economic cooperation of the customs union.

Chapter 3.

Review of various leading models of regional economic cooperation and customs union including GCC, EEC etc.

Chapter 4.
Brief historical background of the selected countries of the middle east.

Chapter 5.
The causes and the consequences of the Arab Israel conflict

Chapter 6.
The existing intra-regional trade of the selected 5 middle east countries.

Chapter 7.
India's trade relations with the middle eastern countries and prospects of Indo-Middle East trade.

Chapter 8
Conclusion