

Evaluating the impact of **ECONOMIC INTEGRATION GROUPS** on vulnerable people and minorities the Arab region

The European Union is the ideal model for establishing global Economic Integration Groups, which has been able, over more than 50 years, to achieve several economic goals, and to increase trade exchange among its members; which was reflected in the increase in the income levels and the economic development, and this was followed by several models of Economic Integration Groups in the east and west in order to achieve the economic development and the prosperity for its population.

There is no doubt that Economic Integration Groups have a lot of positive effects in increasing the economic growth and the trade exchange, but it has resulted in an increase in income inequality, whether between individuals or between countries. The share of the poorest 50% of the world's population reached 8.5% of the total income, while the richest 10% of the world's population earn more than 50% of the total income. How the Economic Integration Groups' impact can be evaluated on the weak and marginalized people, while shedding light on the Arab experience in establishing economic blocs, especially at times of crisis, such as the spread of the Corona pandemic and the Russian-Ukrainian war?

First: - The establishment and development of Economic Integration Groups.

The term Economic Integration Groups has emerged in the world during the second half of the last century after World War II. As a result of the desire of many countries to join integrated regional groupings or what is known as economic integration in its traditional sense, to achieve economic and political stability. In this context, Europe witnessed the birth of the largest regional grouping in the world, the European Union, which was established on the basis of the Maastricht Agreement signed in 1992, which emerged from the European Economic Community Agreement in 1957. Since then, a number of regional Economic Integration Groups have emerged in Asia, the Americas, and Africa⁽¹⁾. Accordingly, the Economic In-

(1) Al-Feki, Fakhri. 2021. Modern economic integration groups and available opportunities. Information and decision-making support center. February. Cairo.

<https://idsc.gov.eg/DocumentLibrary/View/4503>

tegration Group is defined as a group of countries that participate together in one economic entity, starting with the formation of the abolition of customs barriers and the liberalization of trade among them, through a free trade agreement⁽²⁾.

The purpose of establishing the Economic Integration Groups remains to increase the economic capabilities of the countries joining the integration group. During the past fifty years, and specifically since many countries of the developing world gained independence and freedom of self-determination, many Economic Integration Groups emerged, whether within certain geographical borders or between different economies, as these integration groups consist of countries within specific geographical borders, which chose to cooperate with each other to achieve the objective of securing regional economic growth.

More than a third of global trade takes place within actual trade integration groups. Hence, understanding the political economy of regional integration, the economic benefits and costs of developing countries, the policy choices facing governments, and the implications of regionalism for non-members and the multi-lateral trading system is a primary objective for policymakers and academics. A World Bank study⁽³⁾ concluded that the three main political arguments for the establishment of the Economic Integration Group are: Security, bargaining power and “protectionism,” or the effects of regional trade on domestic politics. The economic effects are divided between size, competition, trade and location. Policy options include composition of membership, attitudes toward external relations, depth of integration, and the range of activities or products covered by the agreement.

The economic changes and crises represented by the Corona pandemic, and then the Russian-Ukrainian war, led to a rethinking of the global economic system, where the voice of protectionism grew again, including the emergence of the new huge integration group to compile several large-scale free trade agreements, including free trade agreements between Asian countries and China as well as India. The conclusion of the agreement creates the world’s largest super-integration group and the first true mega-regional integration arrangement, which represents nearly 3.4 billion people and nearly 40% of global GDP⁽⁴⁾.

(2) IGI Global2022. What is Economic Integration Group

<https://www.igi-global.com/dictionary/economic-bloc/41219>

(3) World Economic Forum. 2018. The race is on to secure the world’s biggest trading bloc – and China is leading the way. August

https://www.weforum.org/agenda/2018/08/the-race-is-on-to-secure-the-world-s-biggest-trading-bloc-and-china-is-leading-the-way-eceb94cb-f196-4130-95f8-36bb820a240e/?DAG=3&gclid=CjwKCAiAmJGgBhAZEiwA1JZolkesKDLTY8sDi1PlnASdXPuNjYciAetHrf-5TrHIYs9FaP_hYQC9eahoCQuUQA_vD_BwE

(4) Institute for Cultural Relations Policy.2020. The 10 major regional trading blocs in the world economy. September

<http://culturalrelations.org/the-10-major-regional-trading-blocs-in-the-world-economy/>

The European Union is considered one of the most successful economic integration groups in the world, and it is also considered the largest trade integration group in the world and the second largest economy in the world, as 70% of imported goods in the European Free Trade Association countries come from the European Union. In order to further strengthen the trade and economic relations with its non-EU neighbors, the European Economic Area came into effect on January 1, 1994 through the Agreement on the European Economic Area. Therefore, this integration group is primarily concerned with supporting the four basic pillars of the unified market, which is the free movement of goods, people, services and capital, for 27 European countries⁽⁵⁾.

Second: - The Arab experience in setting up the Economic Integration Groups.

The Arab countries were pioneers in establishing the first regional integration group by announcing the establishment of the League of Arab States in 1945, and within its framework, the first agreement was signed to facilitate trade and regulate transit trade in 1953, which was renewed in 1998. This was followed by the establishment of the Economic Unity Council in 1957, which took the decision to establish the Arab Common Market in 1964. Finally, a new economic integration group was formed known as the Greater Arab Trade Area Agreement, which entered into force in 2005, to be developed into a customs union by 2015, then a common Arab market by 2020; but it has not happened so far, as its efforts towards achieving this have not been crowned with the hoped success; due to the absence of political will and for many political, economic and security reasons⁽⁶⁾.

Despite the unity of religion, culture and history, The Arab region is considered a disjointed region and suffers from the absence of economic integration for a long time, in addition to that the inability of this region to enter into full economic integration, with the exception of the experience of the Gulf Cooperation Council, which was established on May 25, 1981. Despite this, changes and things that limit its strength in many cases trouble it, including political matters between its countries. The Cooperation Council for the Arab States of the Gulf is a regional organization consisting of six members: the Kingdom of Bahrain, the State of Kuwait, the Sultanate of Oman, the State of Qatar, the Kingdom of Saudi Arabia, and the United Arab Emirates. It was established in 1981, and its objectives are to enhance coordination, integration, and interdependence among its members. According to

(5) Institute for Cultural Relations Policy.2020. The 10 major regional trading blocs in the world economy. September
<http://culturalrelations.org/the-10-major-regional-trading-blocs-in-the-world-economy/>

(6) Al-Feki, Fakhri. 2021. Modern Economic Integration Groups and Available Opportunities, reference mentioned above.

the World Bank, the total gross domestic product of the GCC countries is expected to approach \$2 trillion in 2022. If the GCC states continue business as usual, their gross domestic product will grow to \$6 trillion by 2050⁽⁷⁾.

Third: - Poverty developments in the global context.

Poverty is a global issue, as the first goal of the sustainable development strategy announced by the United Nations in 2015 focused on its elimination. And in 2022, 1.8 billion people were living on less than \$3.65 a day, 46 million more than in 2019. The number of people living on less than \$3.65 per day increased between 1990 and 1999 (due mostly to rapid population growth in low- and middle-income countries) but then decreased between 1999 and 2019⁽⁸⁾.

Regarding the relationship of the Economic Integration Groups with poverty, the liberalization and increase of trade can reduce poverty and help the marginalized to improve their conditions. For example, the study (Chau, 2022)⁽⁹⁾, applied to 195 countries over 32 years, concluded that there is a positive relationship between trade and poverty, but it is weak. A study (Dollar & Kraay, 2004)⁽¹⁰⁾ showed that more than half of the developing world in globalized economies experienced significant increases in trade and significant decreases in tariffs. They are catching up with rich countries while the rest of the developing world is lagging behind. Increases in growth rates, on average, also lead to proportional increases in the incomes of the poor. Which supports the hypothesis that globalization leads to faster growth and reduction of poverty in poor countries.

The theoretical literature on the economic effects of regional integration has made great progress since his seminal work (Venner, 1950). The study (Plummer, 1997)⁽¹¹⁾ concluded that for developing countries such as the Association of South-east Asian Nations, the most relevant areas are related to the dynamic effects of the regional integration, helping to enhance macroeconomic stability, encouraging investment flows, promoting technology transfer, reducing intraregional transaction costs of doing business, and supporting policy reform in the region.

(7) The World Bank. 2023. The economies of the Gulf Cooperation Council countries are expected to grow by 6.9% in 2022.

(8) Development initiatives. 2023. Economic poverty trends: global, regional and national. February 23

<https://devinit.org/resources/poverty-trends-global-regional-and-national/>

(9) Chau, A.2022. The effect of trade on poverty reduction. Master Thesis in Economics.

(10) Dollar, D., & Kraay, A. (2004). Trade, Growth, and Poverty. *The Economic Journal*, 114(493), F22–F49

<https://www.jstor.org/stable/3590109>

(11) Plummer, M. G. (1997). ASEAN and the Theory of Regional Economic Integration: A Survey. *ASEAN Economic Bulletin*, 14(2), 202–214.

<https://www.jstor.org/stable/25773484>

The study (Eke, & Ani, 2017)⁽¹²⁾, applied to sub-Saharan Africa, showed that economic integration between them is missing and lacks the lack of funding and permanent military intervention in many regions, as well as poverty, conflict, war, terrorism, poor implementation of politics, military interference in politics, hegemonic politics, ideological differences and colonial influence were major factors affecting the path of integration between them.

Over the past two decades by examining trade integration, leadership, and minority, the study (Vidya, Prabheesh, & Sirowa, 2020)⁽¹³⁾ sought to apply to 50 countries that include both developed and developing countries, and we grouped them into 9 regions for the years 1990, 1992, 2000, 2010, and 2017. The major results of the study are as follows: (1) Regional integration is stronger and has increased over the years. (2) The trading region is primarily dominated by developed regions. (3) Trade liberalization has narrowed the gap between the center and the periphery. (4) The emerging Asian economies have developed as leaders and commodity export centers in the global market. (5) That trade liberalization has changed and reshaped the structure of global trade. (6) Trade liberalization has not reduced the geopolitical distance and transportation costs of trade and, therefore, no significant gains for many countries.

In contrast, the global proportion of people living in extreme poverty - those living on less than \$2.15 per day (2017 purchasing power parity (PPP)) - has steadily declined between 1990 and 2019. In turn, this downward trend has changed in 2020 due to the Covid-19 pandemic, it is estimated that inflation, recession, conflict and climate change have slowed and, in some cases, reversed the path towards poverty eradication, making the goal of ending extreme poverty by 2030 even more distant. World Bank estimates for 2022 indicate that poverty rates have likely returned to 2019 levels, with about 682 million people (8.5% of the world's population) living in extreme poverty⁽¹⁴⁾.

(12) Eke, J. U., & Ani, K. J. (2017). Africa and the Challenges of Regional Integration. *Journal of African Union Studies*, 6(1), 63–80.

<https://www.jstor.org/stable/26885837>

(13) Vidya, C. T., Prabheesh, K. P., & Sirowa, S. (2020). Is Trade Integration Leading to Regionalization? Evidence from Cross-Country Network Analysis. *Journal of Economic Integration*, 35(1), 10–38.

<https://www.jstor.org/stable/26891712>

(14) Development initiatives. 2023 .Inequality: Global trends.

<https://devinit.org/resources/inequality-global-trends/?nav=more-about>

Fourth: - Economic Integration Groups and issues of marginalization and minorities.

With regard to issues of marginalization and minorities, the world is characterized by inequality to a large extent, where excessive wealth coexists with extreme poverty, and the share of the poorest 50% of the world's population amounts to 8.5% of the total income. Meanwhile, the richest 10% of the world's population earn more than 50% of the total income. There is a growing income disparity between countries. Inequality among countries accounts for two-thirds of global income inequality. When the economic inequality is measured by wealth, the gap is larger than that measured by income, as the richest 10% of people in the world own 76% of the total wealth. During the COVID-19 pandemic, billionaires worldwide added \$1.9 and \$1.6 trillion to their net worth in 2020 and 2021, respectively, at the expense of the most vulnerable⁽¹⁵⁾.

Extreme poverty is increasingly concentrated in Sub-Saharan Africa, where 13% of the people living in extreme poverty live; this number has increased in 2022 to 62%, while the proportion of people living in extreme poverty in the East Asia and Pacific region has decreased significantly in recent decades, from 53% to only 4% in 2022⁽¹⁶⁾.

Given that one of the main objectives of the Economic Integration Groups is to improve the social conditions of its members, especially for marginalized groups, vulnerable groups and minorities. In 2022, according to Amnesty International, there will be 22.5 million refugees worldwide, of whom 1.2 million refugees need resettlement now. Developing countries also host 84% of the refugees, which indicates that the international community, especially the rich countries, are failing to seriously share the responsibility for protecting people who have fled their countries in search of security and livelihood. In other words, they fail to agree on and support a just, predictable system to protect people who are forced to leave everything behind because of violence and persecution. Instead, low- and middle-income countries do much more than share the responsibility, with 84% of refugees living in developing countries⁽¹⁷⁾.

(15) Development initiatives. 2023 .Inequality: Global trends.

<https://devinit.org/resources/inequality-global-trends/?nav=more-about>

(16) IBID

(17) Amnesty International. 2023

<https://www.amnesty.org/ar/what-we-do/refugees-asylum-seekers-and-migrants/global-refugee-crisis-statistics-and-facts/>

According to the United Nations High Commissioner for Refugees, the total number of refugees and displaced persons in the world jumped to 103 million people from 89.3 million in 2021, and the number of refugees increased from 27.12 million in 2021 to 32.5 million by mid-2022. According to the World Bank, the number of refugees has increased from 13 million in 2005 to more than 27 million in 2021, and then to 32.5 million in 2022. As shown in Figure (1).

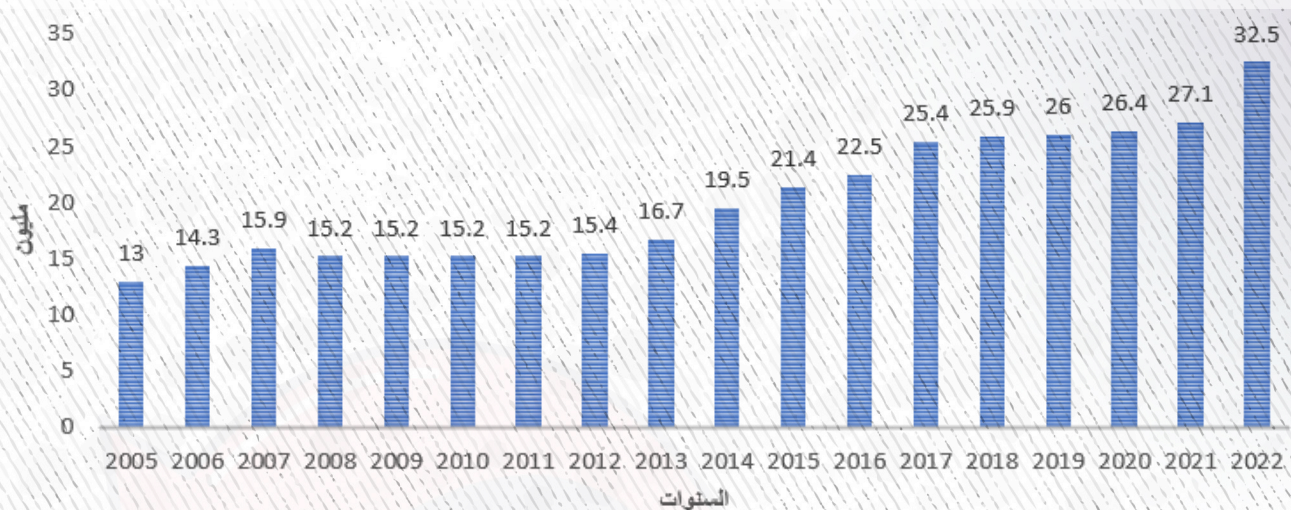


Figure No. (1)

The number of forced migrants in the world during the period (2005-2022) - the number in million people
Source: prepared by the researcher based on the World Bank data

In light of the foregoing, eliminating extreme poverty by 2030 and promoting shared prosperity by increasing the incomes of 40% of the population is at its lowest level in every economy. Poverty remains high in sub-Saharan Africa, as well as in fragile and conflict-affected states. At the same time, most of the world's poor now live in middle-income countries, which tend to have higher national poverty lines. Solving the Poverty Puzzle Together also recognizes that poverty is not just about income and consumption – and offers a multidimensional measure of poverty that adds other factors, such as access to education, electricity, drinking water and sanitation (World Bank, 2018)⁽¹⁸⁾.

In the Arab region, there is no accurate determination of the actual number of the “marginalized” people, however, estimates range from half a million to 3.5 million people, as Yemen is considered the most marginalized Arab country, followed by Syria. By mid-2020, an estimated 46 million people worldwide have been forced to flee within their own borders due to conflict and persecution, representing the majority of the 80 million forcibly displaced people worldwide. United Nations data, represented by the United Nations Economic and Social Commission for Western Asia (ESCWA), showed an increase in poverty levels in the Arab region in

(18) World Bank. 2018. Poverty and Shared Prosperity 2018: Piecing Together the Poverty Puzzle. Washington, DC: World Bank. © World Bank. <https://openknowledge.worldbank.org/handle/10986/30418> License: CC BY 3.0 IGO

2022 compared to previous years, bringing the number of poor people to nearly 130 million people, representing a third of the region's population, with the exception of the Gulf Cooperation Council countries and Libya, according to the national poverty lines⁽¹⁹⁾.

Regardless of how you measure it, poverty in Arab countries was on the rise before COVID-19. Thus, the current pandemic only exposes more of the existing structural deficiencies that drive and exacerbate poverty and inequality in the region, since it is not their primary issue. The ESCWA study⁽²⁰⁾, 2020, had expected the impact to be significant in 2020 and then stabilize in 2021, but with an additional 16 million people expected to be in poverty using the national poverty lines. The effect is stronger in the Syrian Arab Republic and Yemen in terms of extreme poverty rates, with an estimated 9 million additional people in the Arab region living below the \$1.9 poverty line by 2021. The cost of closing the poverty gap in 2021 is expected to be \$45 billion (in 2011 purchasing power parity) for the national poverty line and \$12 billion for the \$1.9 poverty line.

In conclusion, although the goal of the main Economic Integration Groups is to establish economic alliances in order to provide economic protection for the population of the economic integration group, which is reflected in their well-being, these integration groups have already contributed to the increase in trade between the members of the same bloc, but that was not in the interest of all residents. Rather, it may lead to an increase in the income gap and further weakening of the poorest and least resilient groups. This is not evidenced by the increase in extreme poverty and poverty according to the national poverty lines, and the intensification of this matter as a response to international crises such as the spread of the Corona epidemic, and then the Russian-Ukrainian war.

(19) ESCWA. 2023. Survey of Economic and Social Developments in the Arab Region. UN Economic and Social Commission for Western Asia (ESCWA). ESCWA publication: E/ESCWA/CL3.SEP/2022/1.Beirut. p. 65.

(20) ESCWA. 2020. The impact of COVID-19 on monetary metric poverty in Arab countries. United Nations Economic and Social Commission for Western Asia (ESCWA), Beirut.

<https://archive.unescwa.org/ar/publications/%D8%A3%D8%AB%D8%B1>