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Examining the Financial Situation of the Member Countries to Developing 8Group with the aim of Developing Cooperation on Financial Services

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ABSTRACT

Regional economic cooperation and trade agreements between many countries have been more prosperous in recent years, and the establishment of the D8 group was one of the measures in this regard. The General Agreement on Tariffs and Trade (GATT) and the General Agreement on Trade in Services (GATS) have had a major role in removing or reducing tariff and non-tariff barriers for the member countries to the World Trade Organization and have caused the global Gross Domestic Product (GDP), to increase by six times as much, global commerce by twelve, and the export of industrial goods by twenty-three over the recent years.
Along these lines, eight countries, known as the D8 countries, signed a cooperation agreement in 1997 with the aim of improving their economic and political situation.
According to a report released in 2006 by the World Bank, the D8 countries account for more than 14 percent of the world's population and 3.8 percent of the world's GDP.
However, studies have shown that the growth of trade-finance interactions between the D8 member countries and other countries out of the group is usually more than the growth of trade-finance interactions within the D8 group. Therefore, studying and examining the root causes of this unpleasant incident is one of the main objectives of the research.
Today, since the issue of globalization represents a challenge for developing and undeveloped countries, the answer to this question (have the D8 countries been able to implement their policies and strategies, achieve their common objectives, or adopt all necessary measures to promote trade interactions and financial and investment services within their group?) and the results of the studies in this regard as given in the present article unfortunately do not show a remarkable success for the D8 group.
KEYWORDS: D8 group, Financial Services, Globalization, Regional integration, Extra-regional integration.

INTRODUCTION

Today economic relations, such as tourism, banking, insurance, transportation etc are currently subject to global rules and regulations by the General Agreement on Tariffs and Trade (GATT) and the General Agreement on Trade in Services (GATS). These agreements and other international institutions like the World Bank, International Monetary Fund (IMF) etc have exerted the most pressure on the world's countries to remove or reduce tariff and non-tariff barriers, and as a result, over the recent years there have been increases in the number of the member countries to the World Trade Organization, in the amount of global Gross Domestic Product (GDP) by six times, global commerce by twelve times, and the export of industrial goods by twenty-three times.

Along these lines, eight countries known as the D8 countries, namely Bangladesh, Egypt, Malaysia, Indonesia, Iran, Nigeria, Pakistan, and Turkey, signed a cooperation agreement in 1997 with the aim of improving their economic and political situation in the world. According to a report released in 2006 by the World Bank, the D8 countries possess many potential capabilities for promoting cooperation. The group accounts for more than 14 percent of the world's population and 3.8 percent of the world's GDP.

Since the D8 group was established with the aim of helping to promote trade cooperation between the member countries, comparative studies show that the growth of trade-finance interactions between the D8 member countries and other countries out of the group is usually more than the growth of trade-finance interactions within the D8 group. Therefore, examining the root causes of this unpleasant incident and studying the ways to increase financial and investment services are among the main objectives of the research.

1- To Study and identify the status of general indices and economic indicators of the member countries to the D8.

2- To provide strategic solutions for the D8 member countries to strengthen their integration through utilizing their financial sources.

In view of the fact that the issue of globalization represents a challenge for developing and undeveloped countries, the answers to the following questions is important to the researcher of this article:

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Have the D8 countries acquired the qualifications to enter the process of globalization?
Have the D8 countries been able to implement and pursue their policies and strategies, achieve their common objectives, or adopt all necessary measures to promote trade interactions and financial and investment services within their group after ten years?
Do the D8 countries take advantage of the financial and investment services of each other bilaterally or multilaterally?

MATERIALS AND METHODS

The research, which is based on a library method, will study the situation of financial and investment services of D8 member countries through utilizing descriptive methods and analyzing data and macroeconomic and financial indicators and identifying the countries' potential in this regard. Thus, the research is applied in terms of its objective and is descriptive in terms of its method.

Considering the method of the study, which is mostly based on library, the classified information provided by national and international organizations is used in the research.

The method of studying credible and updated documents, which relate to the last five years (2004-2009), is mostly employed in the research.

The data, which is to be analyzed and interpreted in the research, has been mostly collected from international institutions such as the World Bank, the International Monetary Fund, the United Nations Conference on Trade and Development, and national organizations of D8 member countries such as the Central Bank, commerce and trade research centers, and other organizations and institutes.

According to World Bank's classification, these countries can be divided into three groups on the basis of general indices of their economies:

1. Oil exporting countries: Indonesia, Iran, and Nigeria.
2. Middle-income countries: Pakistan, Turkey, Malaysia, and Egypt.
3. Less developed countries: Bangladesh (the only country among the eight countries).

In view of the composition of the eight countries' GDP, the services sector possesses the most part in this composition. But there are differences in the roles of other sectors. In the composition of the GDP of the oil exporting countries (Indonesia, Iran, and Nigeria), the industrial sector accounts for the most part after the services sector.

In Indonesia, there is a big difference between the shares of the industrial and agricultural sectors, but in Iran and Nigeria, the share of the industrial sector is a little more than the share of agricultural sector. In Middle-income countries (Pakistan, Turkey, Malaysia, and Egypt), except for Pakistan, the industrial sector is the most important part of their economy, and the manufactured products include the main part of their economy. But in Pakistan, the leading sector is the agricultural sector. In Bangladesh, which is regarded as a less developed country, the share of the agricultural sector, which is the most important part of the country's economy, is twice as much as the industrial sector's share.

RESULTS

Analysis of financial conditions of the D8 countries

Table 1 displays an index of the current account balances of the D8 member countries during the years between 2004 and 2008 which are calculated from the net amounts of commodity export plus services.

In a view of the mentioned table, unfortunately, the data relating to Iran is not available, but according to a report released by the World Bank in 2010, the table indicates that Nigeria ranks first with a current account balance of $39.357 billion, Malaysia ranks second with a current account balance of $38.914 billion, Bangladesh ranks third with a current account balance of $1.032 billion, and Turkey and Pakistan with the current account balances of $-41.289 billion, and $-15.401 billion are sixth and seventh respectively.

Table 1:Index of the current account balances of the D8 member countries

Country	2004	2005	2006	2007	2008	Rank in 2008
Bangladesh	-278	-176	1.196	856	1.032	3
Egypt	3.921	2.102	2.635	411	-1.414	5
Indonesia	1.563	277	10.859	10.492	125	4
Iran	-	-	-	-	-	-
Malaysia	15.079	19.979	26.199	29.242	38.914	2
Nigeria	16.840	37.263	38.227	30.927	39.357	1
Pakistan	-817	-3.606	-6.749	-8.286	-15.401	6
Turkey	-14.431	-22.137	-31.893	-37.697	-41.289	7

Source: World Bank 2010

Table 2 displays the surplus of money supply or deficit in it in relation to the gross domestic product of the D8 member countries during the years between 2004 and 2008.

In a view of the mentioned table, Pakistan with an amount of 7.4% has the lowest amount of deficit in money supply and ranks first and Egypt Pakistan with an amount of 6.4% ranks second. The data relating to Malaysia and Indonesia in recent years is not available, however, the data relating to Pakistan, Egypt, Bangladesh, and Turkey is negative. It is only Iran that its amount of money supply and financial liquidity in relation to its gross domestic product in recent years is positive. The amount reaches 7.9% (surplus of money supply) in 2007.

Of course, if the amount of money supply of a country is negative it will indicate that inflation has been controlled. If the amount of money supply is positive or the country experiences the surplus of money supply, it means that the inflation rate will be increased according to Ricardo's theory.

Table 2:Surplus of money supply or deficit in it in relation to the gross domestic product of the D8 member countries

Country	2004	2005	2006	2007	2008
Bangladesh	-0.7%	-1.1%	-1.4%	-1.3%	-1.0%
Egypt	-5.6%	-6.4%	-7.2%	-4.6%	-6.4%
Indonesia	-1.1%	-	-	-	-
Iran	4.1%	6.0%	3.2%	7.9%	-
Malaysia	-	-	-	-	-
Pakistan	-2.0%	-3.2%	-4.2%	-4.2%	-7.4%
Turkey	-	-	1.9%	1.4%	-1.9%

Source: World Bank 2010

Table 3 displays the amount of foreign debt of the D8 member countries in relation to their gross national income during the years between 2004 and 2008.

In a view of mentioned table, the data in 2008 indicates that Turkey with an amount of 35.3%, Malaysia with an amount of 35.1%, and Indonesia with an amount of 30.4% have the highest amounts of foreign debt in relation to their gross national income. Nigeria with an amount of 5.7% is at the bottom of the table.

Since there is no data relating to Iran in 2008, in a view of the data of 2007, Iran ranks seventh with an amount of 7.4%.

Table 3:Foreign debt of the D8 member countries in relation to their gross national income

Country	2004	2005	2006	2007	2008	Rank in 2008
Bangladesh	33.9%	29.9%	31.1%	29.7%	27.7%	5
Egypt	39.5%	33.1%	27.2%	24.9%	19.9%	6
Indonesia	55.9%	53.8%	38.0%	34.4%	30.4%	3
Iran	13.1%	11.6%	8.8%	7.4%	-	
Malaysia	44.1%	39.5%	36.3%	33.7%	35.1%	2
Nigeria	48.4%	22.3%	5.4%	5.6%	5.7%	7
Pakistan	35.5%	29.7%	27.7%	28.0%	28.7%	4
Turkey	41.3%	35.2%	39.5%	38.4%	35.3%	1

Source: World Bank 2010

Table 4 displays the total debts of the D8 countries including short-term and long-term with public and private securities during the years between 2004 and 2008.

In a view of the column of rank in 2008 in table 4, Turkey ranks first with an amount of $277.277 billion, Indonesia ranks second with an amount of $150.851 billion, and Malaysia ranks third with an amount of $66.182 billion. Nigeria is seventh with an amount of $11.220 billion.

Table 4:Total debts of the D8 countries including short-term and long-term with public and private securities (billion dollars)

Country	2004	2005	2006	2007	2008	Rank in 2008
Bangladesh	20,169	18,959	20,534	21,858	23,644	6
Egypt	-	29,655	29,351	32,829	32,616	5
Indonesia	137,092	146,266	132,512	142,638	150,851	2
Iran	20,923	21,867	19,375	21,069	13,937	7
Malaysia	52,155	51,980	55,025	61,566	66,182	3
Nigeria	37,766	22,033	7,633	8,695	11,220	8
Pakistan	35,536	33,158	35,986	40,736	49,337	4
Turkey	160,074	168,670	206,833	249,181	277,277	1

Source: World Bank 2010

Table 5 displays the amount of gross capital of the D8 countries in relation to their GDP during the years between 2004 and 2008.

In a view of the column of rank in table 5, in 2007, Iran ranks first among the D8 member countries with an amount of 33.2%, Indonesia and Egypt rank second and third with amounts of 27.8% and 22.5% respectively. Turkey ranks seventh with an amount of 21.8%, and Malaysia ranks sixth with an amount of 22%. It should be remembered that the data relating to Nigeria is not available in the table.

Table 5:Gross capital of the D8 countries in relation to their GDP

Country	2004	2005	2006	2007	2008	Rank
Bangladesh	24.0%	24.5%	24.7%	24.5%	24.2%	4
Egypt	16.9%	18.0%	18.7%	20.9%	22.5%	3
Indonesia	24.1%	25.1%	25.4%	24.9%	27.8%	2
Iran	36.0%	32.7%	32.6%	33.2%	-	1
Malaysia	23.0%	20.0%	20.9%	21.9%	-	6
Pakistan	16.6%	19.1%	22.1%	22.5%	22.0%	5
Turkey	19.4%	20.0%	22.1%	21.5%	21.8%	7

Source: World Bank 2010

Table 6 displays the amount of gross savings of the D8 member countries in relation to their GDP during the years between 2004 and 2008.

In a view of the column of rank in table 6, in 2007 and 2008, Malaysia has saved 37.6% of its GDP in 2007 and ranks first, Bangladesh and Egypt with amounts of 36.9% and 23.7% in 2008 rank second and third respectively. It should be remembered that the data relating to Nigeria and Iran is not available in the table.

Table 6:Gross savings of the D8 countries in relation to their GDP

Country	2004	2005	2006	2007	2008	Rank in 2008
Bangladesh	30.9%	31.1%	34.5%	35.7%	36.9%	2
Egypt	21.3%	21.9%	23.0%	23.6%	23.7%	3
Indonesia	16.9%	19.1%	19.9%	18.2%	20.0%	4
Iran	-	-	-	-	-	-
Malaysia	35.1%	35.0%	37.2%	37.6%	-	1
Pakistan	27.5%	25.6%	24.7%	24.9%	19.7%	5
Turkey	15.6%	15.7%	16.2%	15.6%	17.7%	6

Source: World Bank 2010

Table 7 displays the amount inflation in the D8 member countries according to consumer price. In a view of the column of rank in table 7, in 2008, Iran ranks first with an amount of 25.5% inflation rate, Pakistan and Egypt with amounts of 20.3% and 18.3% rank second and third respectively. Malaysia, Bangladesh, and Indonesia with amounts of 5.4%, 8.9%, and 10.1% rank sixth, seventh, and eighth respectively.

Table 7:Inflation in the D8 member countries according to consumer price

Country	2004	2005	2006	2007	2008	Rank in 2008
Bangladesh	9.2%	7.0%	6.8%	9.1%	8.9%	7
Egypt	11.3%	4.9%	7.6%	9.3%	18.3%	3
Indonesia	6.2%	10.5%	13.1%	6.3%	10.1%	6
Iran	14.8%	13.4%	11.9%	17.2%	25.5%	1
Malaysia	1.5%	3.0%	3.6%	2.0%	5.4%	8
Nigeria	15.0%	17.9%	8.2%	5.4%	11.6%	4
Pakistan	7.4%	9.1%	7.9%	7.6%	20.3%	2
Turkey	10.6%	10.1%	10.5%	8.8%	10.4%	5

Source: World Bank 2010

Table 8 displays the real interest rate of the D8 member countries during the years between 2004 and 2008. In a view of the column of rank in table 8, Bangladesh ranks first with an amount of 7%, Nigeria ranks second with an amount of 4.1% and Egypt ranks third with an amount of 0.4%. The lowest real interest rate in 2007 relates belongs to Iran which ranks seventh with an amount of -7%. The data relating to turkey is not available in the table.

Table 8:Real interest rate of the D8 member countries

Country	2004	2005	2006	2007	2008	Rank in 2008
Bangladesh	10.1%	8.5%	9.7%	8.6%	7.0%	1
Egypt	1.5%	6.5%	4.9%	-0.1%	0.4%	3
Indonesia	5.1%	-0.2%	1.7%	2.3%	-3.9%	6
Iran	-3.3%	-0.9%	1.7%	-7.0%	-	7
Malaysia	0.0%	1.3%	2.6%	1.2%	-3.8%	5
Nigeria	-1.3%	-1.5%	-2.2%	11.6%	4.1%	2
Pakistan	-0.5%	1.9%	0.5%	3.8%	-2.9%	4

Source: World Bank 2010

Table 9 displays the interest rate of the D8 member countries during the years between 2004 and 2008. In a view of the column of rank in table 9, in 2008, Bangladesh ranks first with an amount of 16.4% interest rate, Nigeria with an amount of 15.5% ranks second, and Indonesia ranks third with an amount of 13.6%. The lowest interest rate belongs to Malaysia which ranks seventh with an amount of 6.1%. Iran ranks sixth with an amount of 12% in 2007.

Table 9:Interest rate of the D8 member countries

Country	2004	2005	2006	2007	2008	Rank in 2008
Bangladesh	14.8%	14.0%	15.3%	16.0%	16.4%	1
Egypt	13.4%	13.1%	12.6%	12.5%	12.3%	5
Indonesia	14.1%	14.1%	16.0%	13.9%	13.6%	3
Iran	16.7%	16.0%	14.0%	12.0%	-	6
Malaysia	6.0%	6.0%	6.5%	6.4%	6.1%	7
Nigeria	19.2%	17.9%	16.9%	16.9%	15.5%	2
Pakistan	7.3%	9.1%	11.0%	11.8%	12.9%	4

Source: World Bank 2010

Table 10 displays deposit interest rate in the D8 countries during the years between 2004 and 2008. In a view of the column of rank in table 10, Turkey ranks first with an amount of 22.9% deposit interest rate, Nigeria with an amount of 12% ranks second, and Iran ranks third in 2007 with an amount of 11.6%. The lowest deposit interest rate belongs to Malaysia which ranks eighth with an amount of 3.1%.

Table 10:Deposit interest rate of the D8 countries

Country	2004	2005	2006	2007	2008	Rank in 2008
Bangladesh	7.1%	8.1%	9.1%	9.2%	9.7%	4
Egypt	7.7%	7.2%	6.0%	6.1%	6.6%	7
Indonesia	6.4%	8.1%	11.4%	8.0%	8.5%	5
Iran	11.7%	11.8%	11.6%	11.6%	-	3
Malaysia	3.0%	3.0%	3.1%	3.2%	3.1%	8
Nigeria	13.7%	10.5%	9.7%	10.3%	12.0%	2
Pakistan	1.6%	2.6%	4.2%	5.3%	6.9%	6
Turkey	24.3%	20.4%	21.6%	22.6%	22.9%	1

Source: World Bank 2010

Table 11 displays the turnover of stock exchange transactions of the D8 countries during the years between 2004 and 2008. The amount is obtained from the total value of exchanged stock during the period divided by the average amount of the value of capital during that period.

In a view of the column of rank in table 11, in 2008, Bangladesh ranks first with an amount of 137.3%, Turkey with an amount of 11.8.5% ranks second, and Pakistan ranks third with an amount of 116%. The lowest turnover of stock exchange transactions belongs to Nigeria which ranks eighth with an amount of 29.3%. Iran ranks sixth with an amount of 33.6%.

Table 11:Turnover of stock exchange transactions of the D8 countries

Country	2004	2005	2006	2007	2008	Rank
Bangladesh	36.1%	31.5%	28.4%	92.3%	137.3%	1
Egypt	17.3%	43.0%	54.8%	45.6%	61.9%	5
Indonesia	43.3%	54.2%	44.3%	64.4%	71.3%	4
Iran	-	19.1%	12.7%	19.7%	33.6%	6
Malaysia	33.4%	26.9%	32.1%	53.5%	33.2%	7
Nigeria	13.7%	11.5%	13.6%	28.2%	29.3%	8
Pakistan	322.5%	376.3%	276.8%	173.5%	116.0%	3
Turkey	182.3%	154.9%	140.5%	134.7%	118.5%	2

Source: World Bank 2010

Table 12 displays the total value of stock exchanged in relation to GDP in the D8 countries during the years between 2004 and 2008.

In a view of the column of rank in table 12, in 2008, Egypt ranks first with an amount of 42.9, Malaysia with an amount of 38.4% ranks second, and Pakistan ranks third with an amount of 33%. The lowest amount of stock exchanged in relation to GDP in 2007 belongs to Iran which ranks eighth with an amount of 20.9%.

Table 12:Total value of stock exchanged in relation to GDP in the D8 countries

Country	2004	2005	2006	2007	2008	Rank
Bangladesh	1.6%	1.7%	1.5%	7.0%	11.6%	6
Egypt	7.1%	28.3%	44.2%	40.7%	42.9%	1
Indonesia	10.7%	14.7%	13.4%	26.1%	21.7%	5
Iran	8.2%	4.3%	2.2%	2.9%	-	8
Malaysia	48.0%	36.2%	42.8%	80.3%	38.4%	2
Nigeria	1.9%	1.7%	2.4%	10.1%	9.6%	7
Pakistan	75.4%	128.6%	99.3%	70.1%	33.0%	3
Turkey	37.5%	41.6%	43.0%	46.7%	32.6%	4

Source: World Bank 2010

CONCLUSION

Table 13 displays a summary of financial account and capital of the D8 countries during the years between 1990 and 2006.

In a view of the column of net capital and financial account in table 13, in 2006, Nigeria has the highest amount of negative balance with an amount of $33960 million, and Turkey has the highest amount of positive balance with an amount of $35173 million. However, it should be mentioned that Turkey's balance of payments has been a positive figure over the past 16 years. In 2000, Iran has a negative balance of $12397 million, and needless to say, the latest available data relating to Iran in The United Nations Conference on Trade and Development (UNCTAD) dates back in 2000. The column of net capital and financial account in the mentioned table indicates the state of the balance of payments of the D8 countries.

Table 13:Summary of financial account and capital of the D8 countries

Country	**Year**	**Net capital account (1)**	**Direct investment**		**Investment stock**		**Other investments**		**Assets reserved (8)**	**Net financial account (9)**	**Net capital and financial account (9)+(1)=10**
			Abroad (2)	reported in economy (3)	Assets (4)	Liabilities (5)	Assets (6)	Liabilities (7)			
Bangladesh	1990	---	---	3	---	0	-208	757	-79	474	474
	2000	249	---	280	---	1	-1247	619	121	-225	23
	2005	262	-2	813	0	20	-865	274	319	558	820
	2006	153	---	697	-3	31	-1353	894	-1012	-745	-593
Egypt	1990	10610	-12	734	15	---	-1921	-9875	-2508	-13567	-2957
	2000	---	-51	1235	-3	269	-2991	619	1306	384	384
	2005	-40	-92	5376	-60	3528	-3246	1178	-6319	364	324
	2006	-36	-148	10043	-703	3	-9743	923	-3608	-3234	-3269
Indonesia	1990	---	---	-93	---	-93	---	332	-2088	2244	2244
	2000	---	---	-1911	---	-1911	-150	-160	-5051	-11821	-11821
	2005	334	-3065	5270	-1080	5270	-8646	-1948	657	-475	-141
	2006	350	-2703	6058	-1933	6058	-2588	-10258	-6903	-12747	-12397
Iran	1990	---	---	---	---	---	-1510	1805	325	620	620
	2000	---	---	39	---	---	-8257	-1971	-1083	-11273	-11273
Malaysia	1990	-4/8	---	2332	---	-255	-205	-89	-1951	-167	-215
	2000	---	-2026	3788	-387	-2145	-5565	---	1009	-5267	-5267
	2005	---	-2972	3966	-715	-2985	-4877	-2164	-3620	-13425	-13425
	2006	---	-6043	6064	-2123	5593	-8531	-6883	-6864	-18758	-18758
Nigeria	1990	---	---	588	---	-197	-2886	-250	-2478	-5223	-5223
	2000	33	---	1140	502	---	-4534	-1958	-4459	-9309	-9276
	2005	23	---	2013	2869	---	-15786	-11722	-11357	-33983	-33960
Pakistan	1990	8	-2	245	---	87	-365	1321	471	1758	1766
	2000	---	-11	308	---	9	-437	-348	7	-472	-472
	2005	202	-44	2201	19	751	126	727	-176	3604	3806
	2006	347	-110	4273	-4	1975	-244	1361	-1544	5706	6053
Turkey	1990	---	16	684	-134	681	-409	3151	-895	3094	3094
	2000	---	-870	982	-593	1615	-1939	13705	-383	12518	12518
	2005	---	-1078	9801	-1233	14670	259	15946	-17854	20511	20511
	2006	---	-934	20070	-4029	11402	-12420	27186	-6102	35173	35173

Source: UNCTAD, 2008

SUGGESTIONS

- There is a need to adopt effective policies to improve trade and development index of D8 member countries and to strengthen the trade-financial integration in the form of a financial, bank, and negotiable papers system.
- There is a need to pay heed to regional integration along with cooperation between the member countries to the D8 group with reliance upon the policies needed for the development of trade and financial services.
- There is a need for policymaking on the basis of a relative or acquired advantage in trade liberalization within the group by the D8 member countries.
- There is a need for policymaking and planning in order to pursue the development of trade in industry on the basis of a strategy of product distinction and the enhancement of quality and quantity and its advantages by the D8 member countries.
- There is a need to create a joint financial-investment fund and provide credit facilities and packages of investment in the area of industry and services, especially in tourism industry, by the D8 member countries.
- There is a need to establish a research working group in the secretary of the D8 group in order to study the new methods of Foreign Direct Investment (FDI), whether it is pawn-broking or not, and to hold periodic or annual seminars in one of the D8 member countries.
- There is a need to strengthen trade ties and to occlude trade agreements with Muslim countries.
- There is a need to set up active working groups to study and conduct bilateral and multilateral negotiations in the line of efforts to promote cooperation on joint ventures.

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