ANNUAL REPORT ON TRADE BETWEEN THE OIC MEMBER STATES 2013

EXECUTIVE SUMMARY

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I/ TRENDS OF WORLD TRADE:

Financial tensions in the Euro Zone, natural disasters, in particular floods, the earthquake, which stroke Japan in 2011, tighter economic policies, the decline in domestic demand and increased risk aversion of investors, which induced their lack of confidence in many emerging and developing countries and the monetary fluctuations contributed to the slowdown of the global economy in 2011. The earthquake in Japan and floods in Thailand have contributed to the disruption of global supply chains especially in China. Indeed, the world production growth was only 2.4% and that of trade in goods and services 5% in 2011.

This conjuncture did affect the prices of raw materials, which recorded an increase in commodities by 26% between 2010 and 2011 including the price of energy products (+32%), agricultural materials (+23%), beverages (+20%), food products (+17) and metals (+14%).

In addition, the Arab Spring had a negative impact on the growth of trade in goods and services in the region of concerned countries. Indeed, the interruption of supplies of Libyan oil reduced African exports by 8% in 2011.

Despite this difficult conjuncture, world commodity exports grew by 20% reaching US$ 17.8 trillion in 2011 thanks to rising commodity prices. Commercial services exports totalled US$ 4.1 trillion, i.e. 23% of world exports of goods and services in 2011. The major exporters of goods and services are China, the U.S, Germany, Japan and the Netherlands, which totalled approximately 35.6% of world exports.

World imports surpassed US$ 18 trillion in 2011, representing a 19% increase compared to 2010. The main importers are the United States, China, Germany, Japan and France which have accumulated 38% of world imports of goods and services. Commercial services imports totalled US$ 3.9 trillion, i.e. 21.7% of world imports of goods and services in 2011.

II/ TRENDS OF THE FOREIGN TRADE OF THE OIC MEMBER STATES

- **Foreign Trade:**

Despite the global economic crisis, the trade of the OIC Member States continued to grow; this is explained by higher energy prices and of other commodities by about 26% between 2010 and 2011 and the increase in demand in the OIC countries. Member States' Trade increased from US$ 3.2 trillion in 2010 to US$ 3.9 trillion in 2011, an increase by 22%. Trade of the OIC Member States accounted for 10.8% of world trade in 2011. The Actors of the world trade of the OIC Member States in 2011 were: Saudi Arabia (US$ 458 billion), the UAE (US$ 455 billion), Malaysia (US$ 415 billion), Indonesia (US$ 381 billion), Turkey (US$ 376 billion), Iran (US$ 222 billion), Nigeria (US$ 166 billion), Qatar (US$ 131 billion), Kuwait (US$ 110 billion) and Algeria (US$ 105 billion).

These ten countries accounted for 72.7% of world trade of the OIC Member States in

2011. The main products concerned by the world trade of Member States in 2011 were: miscellaneous manufactured goods (29%), mineral fuels (23%), machinery and transport equipment (18%), food products (16%), chemicals (8%) and non-edible materials (7%).

- **Exports:**

World exports increased by 26.3% rising from US$ 1.7 trillion in 2010 to US$ 2.12 trillion 2011. This trend has been reinforced by the important growth of exports of the following countries: Saudi Arabia (+US$ 103.3 billion; 45.4% growth between 2010 and 2011), the United Arab Emirates (+US$ 84.8 billion; 54.5%), Indonesia (+US$ 45.7 billion; 29%), Qatar (+US$ 41.5 billion; 63.8%), Nigeria (+US$ 31.3 billion; 41%), Iran (+US$ 26.5 billion; 25.9%), Kuwait (+US$ 26.1 billion; 43.4%), Turkey (+US$ 21 billion; 18.4%), Iraq (+US$ 20.6 billion; 43.7%), Kazakhstan (+US$ 14.6 billion; 29.3%) .

The main products exported by the Member States are: miscellaneous manufactured goods (32%), mineral fuels (29%), food products (17%), non-edible raw materials (10%), machinery and equipment transport (7%) and chemicals (5%).

- **Imports:**

World imports of the OIC Member States in 2011 totalled US$ 1.8 trillion against US$ 1.5 trillion in 2010, i.e. an increase by 17% due to the increase in global imports of the following countries : Turkey (+US$ 55.3 billion, i.e. 29.8% growth between 2010 and 2011), the United Arab Emirates (+US$ 47.9 billion; 28.8%), Indonesia (+US$ 41.8 billion; 30.8%), Saudi Arabia (+US$ 24.1 billion; 23.4%), Iran (+US$ 23.3 billion; 33.1%), Nigeria (+US$ 10.5 billion; 22%), Iraq (+US$ 9.1 billion; 33%), Bangladesh (+US$ 7.5 billion; 26%), Morocco (+US$ 6.2 billion; 16.7%) and Algeria (+US$ 5.8 billion; 13.9%).

The main products imported by the Member States are: machinery and transport equipment (29%), miscellaneous manufactured goods (26%), mineral fuels (17%), food products (15%), chemicals (10%) and non-edible raw materials (3%).

III/ TRENDS OF TRADE IN SERVICES OF THE OIC MEMBER STATES:

Trade in services (debits + credits) of the OIC Member States accounted for 7.4% of world trade in services in 2011 equivalent to US$ 595 billion, i.e. a decrease by 9.8% compared to 2010 due to lower transport services and rising energy prices during this period. Trade in services of Member States accounted for 16% of the global trade of the OIC countries in 2011 against 18.8% in 2010.

The structure of trade in services of the OIC Member States is as follows: travels (31%), government services (22%), transport (21%), communications (5%), licenses and royalties (4%), construction (3%), insurance (2%), recreational and cultural services (2%) and other services (10%).

The transfer of the funds of the migrants of the OIC in 2011, reached a value of 94.5 billion US dollars against 87.3 billion US dollars in 2010, i.e. a rise by 8.3%.

The main actors of the OIC countries in trade in services in 2011 were: Malaysia, which totalled US$ 73 billion of trade in services, followed by Saudi Arabia (US$ 67 billion), Turkey (US$ 58 billion) the United Arab Emirates (US$ 52 billion), Indonesia (US$ 52 billion), Egypt (US$ 32 billion), Lebanon (US$ 29 billion), Iran (US$ 27 billion), Nigeria (US$ 23 billion) and Morocco (US$ 20 billion). These ten countries accounted for 73% of total trade in services of the OIC Member States in 2011. We note that the Arab Spring had a negative impact on trade in services for the travel services and transports have declined significantly in the sub-region affected by this movement.

IV/ TRENDS OF INTRA-OIC TRADE:

- **Intra-OIC trade:**

Trade volume between the OIC Member States (intra-OIC exports + intra-OIC imports) in 2011 reached a value of US$ 681.6 billion against US$ 539 billion in 2010, an increase by 26.5% due to the reasons mentioned above. In addition, in the case of economic crisis, Member States tend to increase their intra-Community trade thanks to geographic proximity, the existence of bilateral and regional agreements; the similarity of patterns of consumption, complementarity and the regional promotional efforts of the Consultative Group on Enhancing Intra-OIC trade, the number of projects has exceeded 300 in August 2012.

The net intra-OIC trade ((intra-OIC exports + intra-OIC imports)/2) in 2011 reached a value of US$ 340.8 billion against US$ 269.5 billion in 2010, an increase by 26.5%. Despite the effects of the global economic crisis, the share of intra-OIC trade in the total trade of Member States increased from 17.03% in 2010 to 17.80% in 2011, i.e. an increase by 4.5%.

Countries with greater complementarity in the OIC zone in 2011 with a complementarity trade index higher than 0.30 were: Malaysia (0.54), Turkey (0.46), Egypt (0.44), Indonesia (0.44), United Arab Emirates (0.43), Tunisia (0.43), Syria (0.37), Lebanon (0.37), Albania (0.34), Jordan (0.34), Oman (0.31), Djibouti (0.31), Afghanistan, Bahrain and Morocco with 0.30 each.

The major Actors of intra-OIC trade in 2011 were: The United Arab Emirates (US$ 91 billion), Turkey (US$ 69 billion), Saudi Arabia (US$ 64 billion), Iran (US$ 57 billion), Indonesia (US$ 50 billion), Malaysia (US$ 48 billion), Pakistan (US$ 30 billion), Iraq (US$ 29 billion), Syria and Egypt US$ 24 billion each. These ten countries represented 71.3% of intra-OIC trade in 2011.

The main products covered by the intra-OIC trade in 2011 are: and miscellaneous manufactured goods (31%), mineral fuels (25%), food products (17%), machinery and transport equipment (13%), chemicals (11%) and non-edible materials (4%).

It should be noted that the 29 following Member States exceeded in 2011,the threshold of 20% of the level of intra-OIC trade advocated by the Ten Year Programme of Action (TYPOA) by 2015, these are: Somalia, Djibouti, Syria, Lebanon, Afghanistan, Jordan, Pakistan, Tajikistan, Kyrgyzstan, Iraq, Comoros, Burkina Faso, Senegal, Côte d'Ivoire, Turkmenistan, Niger, Yemen, Uzbekistan, Egypt, Libya, Oman, Mali, Togo, Iran, Uganda, Bahrain, Sudan, Guinea Bissau, and Turkey.

Thus, these countries and the rest of the member states have to be more involved in the field of capacity building, participation in fairs, international exhibitions and business forums, especially in those organized by ICDT and alleviation of intra OIC foreign trade and investment procedures.

The diversification of exportable supply is needed to develop intra-OIC foreign trade and investment. Some member states have developed diversification policies of their exports in recent years, these are: Malaysia (260 exported products with diversification index of 0.47 according to UNCTAD, 2012), Turkey (253; 0.51), Tunisia (226; 0.54), Egypt (238; 0.55), Indonesia (241; 0.56), U.A. E (260; 0.56), Jordan (243; 0.59), Djibouti (216; 0.61), Lebanon (236; 0.61), Syria (237; 0.61). The more the diversification index is low, the more the country is provided with a high diversified exportable supply.

Other countries have to develop diversification strategies of their exports in order to find more trading partners in the following countries: Comoros, Guinea Bissau, the Gambia, Chad, Tajikistan, Mauritania, Guinea, Niger, Algeria and Somalia whose products vary between 7 and 100 at export level. With respect to OIC, the average is 166 products with diversification index of 0.72 in 2011.

- **Intra-OIC exports:**

The intra-OIC exports totaled US$ 325.4 billion in 2011, i.e. 15.33% of total exports of Member States against US$ 257.7 billion in 2010, i.e. an increase by 26.3%. This rise is due to increased intra-OIC exports of the following countries: the United Arab Emirates (+US$ 24.9 billion, i.e. a 70.2% increase in intra-OIC exports between 2010 and 2011), Saudi Arabia (+US$ 9.4 billion; 26.2%), Iran (+US$ 5.5 billion; 40.9%), Turkey (+US$ 4.8 billion; 14.7%), Indonesia (+US$ 4.5 billion; 24.2%), Iraq (US$ +2.8 billion; 117.9%), Kuwait (+US$ 2.8 billion; 32.5 %), Oman (+US$ 2.2 billion; 35.5%), Nigeria (+US$ 2.2 billion, 42.9%) and Qatar (+US$ 1.8 billion; 78.4%).

The Major exporters in the OIC zone are: United Arab Emirates (US$ 60.4 billion), Saudi Arabia (US$ 45.3 billion), Turkey (US$ 37.3 billion), Malaysia (US$ 24.9 billion), Indonesia (US$ 22.9 billion), Iran (US$ 19 billion), Egypt (US$ 12 billion), Kuwait (US$ 11.2 billion), Syria (US$ 10.5 billion), Pakistan (US$ 9 billion). The intra-OIC exports of those ten countries accounted for 77.6% of total intra-OIC exports in 2011.

The main products exported between the Member States of the OIC are: manufactured goods (28% of intra-OIC exports), mineral fuels (25%), food products (18%), machinery and transport equipment (14%), chemicals (11%) and inedible raw materials (4%).

- **The intra-OIC imports:**

The intra-OIC imports represent 20.26% of global imports of the OIC countries with a value of US$ 356.2 billion in 2011 against US$ 281.3 billion in 2010, an increase by 26.6%.

This increase is due to the growth of intra-OIC imports of the OIC countries: Iran (+US$ 17.8 billion; 89.4%) growth of intra-OIC imports), Iraq (+US$ 9.6 billion; 68.3%), Indonesia (+US$ 6.5 billion; 31.9%), the United Arab Emirates(+US$ 5.7 billion; 22.5%), Malaysia (+US$ 5.3 billion; 30.7%), Pakistan (+US$ 4.8 billion; 27.6%), Kuwait (+US$ 4 billion; 77.4%), Saudi Arabia (+US$ 3.9 billion; 22.6%), Turkey (+US$ 3.5 billion; 12.4%), Bangladesh (+US$ 2.7 billion; 47.7%) and Qatar (+US$ 2.6 billion; 47.3%).

The main importing countries of the OIC Zone in 2011 are: Iran (US$ 37.7 billion), Turkey (US$ 31.4 billion), the United Arab Emirates (US$ 30.9 billion), Indonesia (US$ 26.8 billion), Iraq (US$ 23.7 billion), Malaysia (US$ 22.8 billion), Pakistan (US$ 21.3 billion), Saudi Arabia (US$ 18.5 billion), Syria (US$ 13.3 billion) and Egypt (US$ 12.4 billion), which totaled 67.1% of intra-OIC imports.

The main products imported from Member States of the OIC are: miscellaneous manufactured goods with 33% of intra-OIC imports followed by mineral fuels (25%), food products (15%), machinery and transport equipment (12%), chemicals (11%) and non-edible materials (4%).

V/ OBSTACLES TO INTRA-OIC TRADE DEVELOPMENT:

Despite considerable efforts at the OIC level and by Member States to promote intra-OIC trade and eliminate bottlenecks, many obstacles still exist, notably:

- Problems of market access: tariff, para-tariff and often non-tariff obstacles;
- Barriers in logistics infrastructure, transport, weak or unsuitable support services to international trade;
- Existence of a non-diversified exportable supply and not adapted to the norms and standards of the markets;
- Lack of information on markets and business opportunities, despite efforts by ICDT and the other OIC Concerned Institutions on the subject;
- Limited meeting opportunities and promotion of domestic production in other OIC markets;
- Complexity of administrative procedures related to foreign trade at the level of customs, banks, ports, etc. ...;
- Lack of managers and technicians specialized in international trade;
- Inadequate and insufficient financing instruments especially, for the benefit of SME-SMI.

- **Obstacles to exports:**

According the survey conducted by ICDT at the level of exporters, the main obstacles to the development of intra-OIC exports are: the cost of developing new markets, foreign exchange risks, the cost or supply of labour, the regulation of foreign government, the collection of information on Member States' markets, getting licenses or bonds and local partners.

- **Obstacles to imports:**

According to a survey conducted by ICDT at the level of exporters, the main obstacles reported are: the risk of not having authorizations from the Foreign Exchange service and obtaining bank guarantees to carry out imports followed by political and commercial risks, quality standards, sanitary and phytosanitary measures, customs valuation and customs procedures, obtaining import licenses and safeguards and rules of origin.

VI/ ECONOMIC PROSPECTS (2012-2013):

According to the IMF forecast in July 2012, global growth accelerated to reach 3.6% in the first half of 2012 due to the improvement of the financial situation and a recovery in confidence in response to long-term refinancing operations of the European Central Bank but also the formation of banking and budget unions and a further reduction of the U.S. Federal deficit and debt. It is for this reason that the world trade has rebounded along with industrial production in the first quarter of 2012 in Germany and especially in Asian countries due to the resumption of supply chains disrupted by flooding in Thailand in late 2011 and the increase in domestic demand in Japan.

Given these factors, global growth will slow down to 3.5% in 2012 and will increase by 3.9% in 2013. Thus, in developed countries, growth should reach 1.4% in 2012 and 1.9% in 2013 due to the downturn in the euro area, particularly in the countries of the South of the Mediterranean region, where the dampening effects due to the uncertainty and the worsening of the financial situation will be more pronounced.

In emerging and developing countries, growth will slow by 5.6% in 2012 before rising to 5.9% in 2013 following the relaxation of economic policy which began in the last quarter of 2011 and first quarter of 2012.

Growth is expected to remain relatively low in 2011 in the partner regions of the area including the countries of Central and Eastern Europe and in Mediterranean third countries.

On the other hand, the growth in the Middle East and North Africa could be important due to the increase in oil prices and their oil production between 2012 and 2013. Similarly, growth in sub-Saharan Africa could be important during this period because it is relatively isolated from external financial shocks.

Moreover, globally, rising consumer prices are expected to decrease due to weaker demand and lower prices of commodities but also because of the tightening of national economic policies to curb the negative economic conditions.

According to ICDT's estimates, the intra-OIC trade volume reached 779.5 billion US dollars in 2012, i.e. a rise by 14.4% in comparison with 2011. The share of intra-OIC trade in the foreign trade of Member States reached about 18% of the global trade of Member States.

Evolution of the OIC Member States' Trade between 2010 and 2012* (in billion US dollars and in %).

	2010	**2011**	**2012***	**Evolution 2011/2012**
World Exports	1,680.77	2.122.48	2,236.27	5.36%
Intra-OIC Exports	257.71	325.41	355.65	9.29%
Share	**15.33%**	**15.33%**	**15.90%**	**3.74%**
World Imports	1,501.35	1,757.68	2,122.75	20.77%
Intra-OIC Imports	281.29	356.17	423.83	19.00%
Share	**18.74%**	**20.26%**	**19.97%**	**-1.45%**
Volume of Intra-OIC Trade	539.00	681.58	779.48	14.36%
Share of Intra-OIC Trade	**17.03%**	**17.80%**	**17.93%**	**0.76%**
Net Intra-OIC Trade	**269.50**	340.79	389.74	14.36%

2012*: Estimates

CONCLUSION:

Intra-OIC trade has globally shown a good progression in 2011 in so far as the volume of this trade reached US$ 340.8 billion; i.e. an increase by 26.5% in 2011 in comparison with 2010. Likewise, the share of intra-OIC trade in the world trade rose by 4.5% increasing from 17.03% in 2010 to 17.80% in 2011.

Intra-OIC trade is dominated by Asian countries accounting for 33% followed by the GCC countries with 31%, the Middle East (25%), the countries of sub-Saharan Africa (6%) and AMU countries (5%). It reached US$ 681.6 billion in 2011.

According to ICDT's estimates, the intra-OIC trade volume reached 779.48 billion US$ in 2012, i.e. a rise by 14.4% in comparison with 2011. The share of intra-OIC trade in the foreign trade of Member States reached about 18% of the global trade of Member States.

In addition, the implementation of PRETAS already in force in February 2010, the rules of origin in August 2011 and the Executive Programme of the Roadmap for Enhancing intra-OIC Trade especially, in the fields of trade promotion, trade financing, trade facilitation that will be strengthened by the Islamic Single Window initiative, capacity building and development of strategic product, which will undoubtedly contribute to increasing the share of intra-OIC trade in the overall trade in the coming years.

With a view to better increasing intra-OIC trade, Subsidiary and Specialized OIC Organs should work further collaborate in order to achieve the objective of the Ten Year Programme of Action, which consists of raising the share of intra-OIC to 20% by 2015, in particular, by giving special importance to integrated projects in the following sectors: cotton, textiles and clothing, construction materials and engineering, leather and footwear industry, agri-food, pharmaceutical products and health services, Halal industry, transport and logistics, information technology and communication and education services.