EXECUTIVE SUMMARY OF ICDT'S ANNUAL REPORT ON TRADE BETWEEN THE MEMBER STATES OF THE OIC

PRESENTED BY

THE ISLAMIC CENTRE FOR DEVELOPMENT OF TRADE

TO THE

33rd SESSION OF THE FOLLOW-UP COMMITTEE OF THE STANDING COMMITTEE FOR ECONOMIC AND COMMERCIAL CO-OPERATION OF THE OIC (COMCEC)

Ankara – Republic of Turkey
10-11 May 2017

EXECUTIVE SUMMARY

I/ THE WORLD ECONOMIC OUTLOOK:

a) World Economy:

The global economy has experienced in 2016 a period of stability due to the economic growth of China, the recovery in prices of commodities, the increase of the interest rates by the Federal Reserve, the rising of stock prices of developed countries and the increase of portfolio investment towards emerging countries.

Indeed, the stability of China's growth is due to a recovery of macroeconomic policies (reducing its dependence on investment and export in favor of consumption and services) that have helped boost growth. Basic commodities markets were reinforced by significant investment in the extractive sectors following the fall in interest rates in advanced countries.

These developments raise the possibility of a more rapid expansion than expected, which could be even stronger if the countries adopted extensive range of measures to enhance the actual and potential output and increase the growth during 2017.

According to IMF data of January 2017, this situation did not contribute to improve the growth of the world economy which stood at 3.1% in 2016 and may rise to 3.4% in 2017. This is due, among others, to the economic recovery in advanced countries through the use of stocks and the increase in manufacturing output and easing fiscal policy in the US and the Eurozone especially in Spain and UK, despite Britain's withdrawal process from the European Union (BREXIT). Growth also occurred in Russia following the strengthening of oil prices.

On the other hand, growth is sustained in emerging and developing countries (high in China following the revival of investment in infrastructure and real estate) despite the contraction in Latin America (Argentina, Brazil) and Turkey (decline in tourism revenues).

Moreover, the increase in the price of a barrel of oil due to the drop in the supply of OPEC countries, the rise of metal prices and the increase of interest rates (respectively in USA and UK), and also in Turkey and Mexico contributed to the increase in world growth in the last quarter of 2016.

Growth prospects have slightly weakened for emerging and developing countries, where financial conditions have tightened in general.

The short-term growth outlook has been revised upwards for China, due to the expected recovery, but has been revised downwards for a number of other major countries, as in the case of India and Brazil.

Inflation has picked up in China because of reductions in capacity and rising prices of commodities at the production level after more than four years of deflation.

The US dollar has appreciated in its real effective value by more than 6% since August 2016. The currencies of advanced commodity-exporting countries also strengthened as a result of rising commodity prices, while the euro and the yen in particular have weakened.

The currencies of several emerging countries depreciated significantly in the second half of 2016, while the currencies of several commodity-exporting countries have appreciated.

The growth of world trade remains low because of the decline in the domestic demand and related investment but also to the resurgence of protectionism, the withdrawal of global value chains, the risk of the drop in commodity prices, and appreciation of the US dollar.

This situation has led to the revision of the growth rates in 2016 in the advanced economies by 1.6% i.e a decrease of half a point compared to 2015 and also 1.6% in the US, 1.7% in the Euro Zone (1.3% in France, 1.7% in Germany), 0.5% in Japan, 6.6% in China, 7.6% in India, 3.4% in the Middle East including North Africa in addition to Afghanistan and Pakistan, 1.4% in sub-Saharan Africa. In emerging market and developing economies, growth is expected to reach 4.2% due to the economic downturn during the past five years accounting for three-quarters of projected world growth in 2016. Negative growth was recorded in the Countries of the Commonwealth of Independent States (CIS) of Central Asia (-0.3%), (-0.8%) in Russia, (-0.6%) in the countries of Latin America and the Caribbean especially in Brazil with (-3.3%).

This situation is also correlated with the slowdown and the rebalancing of the Chinese economy, the falling prices of commodities especially those of oil by 15.4%, and non-oil products (-2.7%) in 2016.

Indeed, oil prices have rebounded from the level they had reached in January 2016, the lowest during the last 10 years, mainly due to involuntary production stops. The natural gas average prices declined by 6% since February 2016 in Europe, Japan and the United States. The previous decline in oil prices, the heavy gas production in Russia and the weak demand in Asia (especially in Japan) have reinforced this downturn. The coal average prices in Australia and South Africa have increased by 32% compared to February 2016.

The prices of non fuel products also increased: prices of metals and agricultural basic commodities rose respectively by 12% and 9%. Metal prices have declined gradually due to slowdown and drop in intensive investment on basic commodities in China, but recent stimulus measures have backed the prices. Food products prices increased by 7% except for corn and wheat.

In addition, Brazil, which is a big food producer, is experiencing a prolonged dryness. Wheat prices have fallen due to a large production in the United States, in the European Union and Russia, this situation has helped yet to increase the level of stocks.

b) World Trade:

According to data from WTO Report 2016, the volume of world trade decreased by 13% going from USD 38.1 trillion in 2014 to USD 33.2 trillion in 2015 mainly due to the high fluctuation of commodities prices and exchange rates, caused by the slowdown of the economic growth in China, the recession in Brazil, the sustained production of fuels in the United States and the divergence in monetary policies of major economies.

The volatility of financial markets has also affected businesses and consumers trust and has contributed to the decrease of global demand for certain durable goods particularly in Asia. Between June 2014 and December 2015, the prices of basic commodities declined by 63% due to the increase of the production of OPEC countries, metals by 35%; food products and agricultural raw materials by 22%. During this period, there has been an appreciation of the USD and the Yuan by 13% which has not compensate the expected effect of massive return of currency of the exporting countries of these products.

Indeed, the manufactured goods that have experienced the most declines in world trade are: the office and telecom equipment, chemicals and other machinery and apparels (including equipment products and durable goods other than automobiles).

- ***Exports:***

Global exports reached in 2015 approximately USD 16.5 trillion, i.e 14% of decline in comparison with 2014 (USD 19 trillion), due to the downturn of export of some countries such as: North America (-8%) with USA (-7.1%), Canada (-14%) and Mexico (-4.1%), South and Central America (-21.2%) and mainly Brazil (-15.1%), and others (-24.2%).

European countries have been also affected with a decline of 12.4% and mainly the EU-28 countries (-12.5%) especially Germany (-11%), UK (-8.9%), France (-12.8%), Netherlands (-15.7%) and Italy (-13.4%).

However, exports have increased substantially in the oil producing countries in Africa and the Commonwealth of Independent States (CIS), despite the drop in oil prices.

The share of manufactured goods in world exports was about 70% in 2015 against 67% in 2014, representing an increase of 4%. The share of exports of agricultural products rose by 10% during this period against the energy and mining products which dropped from 20% in 2014 to 18% in 2015.

Indeed, exports of agricultural products in some countries have experienced a decline particularly in India (-19%), EU (-13%), USA, Indonesia, Canada and Australia (-10% each) and China (-2%).

Those of energy and mining products dropped by: (-14%) in China, (-28%) in USA, (-35%) in Canada, (-38%) in Qatar, (-39%) in UAE, (-44%) in Russia, (-47%) in Saudi Arabia. The exports of steel and iron experienced a decrease of 9% in Brazil, 24% in China, 28% in India and 39% in Russia and Ukraine.

Exports of chemical products declined by 16% in China Taipei, 13% in Japan and Korea, 11% in Singapore, 10% in EU, the telecom equipment: by 10% in the EU and Malaysia and by 8% in Japan.

In addition, car exports have decreased by 6% in EU, Japan, USA and Korea, and those of textiles: by 14% in EU, 13% in Turkey, 11% in Korea and 9% in Pakistan. There is also a decline in clothing exports by 11% in the EU, 10% in Hong Kong and Indonesia, and 9% in Turkey.

- ***Imports:***

Global imports also decreased by 12.5% compared with 2014 data, amounting USD 16.73 trillion because of declining imports of the following countries: {North America (-4.7%) especially in Canada (-9.1%)}, {(South and Central America (-15.9%) and particularly in Brazil (-25.2%)}, {Europe (-13.2%) and mainly in EU 28 (-13.4%)}.

However, the imports of developed countries increased significantly reaching 4.5% and those of developing countries experienced a slight growth of 0.2%. Moreover, the decline in imports of oil-producing regions was mainly due to the fall in world oil prices, which reduced the export earnings of the concerned countries.

- ***Trade in Services:***

In 2015, world exports of commercial services decreased by 6.4% reaching about USD 4.7 trillion and this decline has also affected the trade in services related to goods, such as transportations, implying a very significant drop of 10.3% representing a value of USD 875 billion. The decline was concentrated in the European countries (-9.8%), Asia (-3.4%), South and Central America (-4.3%) and slightly in North America (-0.9%).

This decline is a result of the drop in demand of developing countries for other services such as travel and financial services. The latter have known a contraction because of the fluctuation of exchange rates. Exports of construction services have also declined by 15%.

II/ RECENT DEVELOPMENTS IN THE FOREIGN TRADE OF THE OIC MEMBER STATES:

a) World trade of the OIC Member States:

The Ten Year Programme of Action (TYPOA) 2005-2015 of the OIC, implemented by all the OIC Institutions under the guidance of the General Secretariat in collaboration with international development partners, was successful and contributed to the improvement of the growth in the volume of trade of the Member States which increased from USD 1.77 trillion in 2005 to USD 3.43 trillion in 2015, representing an increase of 93%.

This is explained among others, by the price fluctuation of traded goods including hydrocarbons but also the implementation of projects financed by the IDB Group (ITFC, ICIEC, ICD...), the trade promotion and facilitation activities of ICDT, COMCEC, ICCIA and the capacity building program in the economic and commercial sector of SESRIC, ICDT, ICCIA and the IDB Group (Department of Cooperation and Integration and IRTI) in collaboration with the United Nations agencies (UNDP, ITC, UNCTAD, WTO, UNIDO, UNWTO, FAO, WIPO, etc…) and Member States private sector.

Between February 2009 and December 2015, the Consultative Group for enhancing intra-OIC trade generated approximately 1,125 projects and activities 75% of which were achieved in the fields of capacity building, trade facilitation, trade promotion, trade financing and export credit insurance and guarantee and the development of strategic products.

Several Member States have also focused their efforts on the fields of trade facilitation in terms of road and airport infrastructure during the period 2010-2016. The countries whose growth has exceeded 10% are: UAE, Malaysia, Turkey, Iran, Egypt, Brunei, Kuwait, Senegal, Sierra Leone, Maldives, Burkina Faso, Algeria, Saudi Arabia, Lebanon, Morocco, Chad, Tajikistan, Indonesia and Cameroon.

According to the UNCTAD data, other countries have also improved their maritime connectivity rate by over 25% between 2005 and 2016 namely: Maldives, Bahrain, Togo, Sudan, Bangladesh, Jordan, Benin, Somalia, Djibouti, Guinea, Turkey, Cameroon, Egypt, Sierra Leone, Morocco and Côte d'Ivoire. The average maritime connectivity rate of Member States improved by 18.6% between 2005 and 2016.

Despite these activities and projects, the trade in the OIC Member States represented 10.33% of the world trade in 2015 against 11.2% in 2014, corresponding to a downturn of 7.8%.

Additionally, we note that world trade leaders among the OIC Member States are: **United Arab Emirates** (USD 478.4 billion, i.e. 14% of the overall trade of the OIC countries), followed by **Saudi Arabia** (USD 379.2 billion; 11.1%), **Malaysia** (USD 376.4 billion; 11%), **Turkey** (USD 351 billion; 10.3%), **Indonesia** (USD 293.1 billion, 8.6%), **Iran** (USD 153.3 billion, 4.5%), **Nigeria** (USD 115.3 billion; 3.4%), **Qatar** (USD 110.6 billion; 3.2%), **Iraq** (USD 96.3 billion; 2.8%) and **Egypt** (USD 91 billion, 2.7%). These ten countries accounted for 71.4% of the world trade of the OIC Member States in 2015 approaching USD 2.45 trillion.

Given the volatility of commodities prices between 2014 and 2015, the trade volume of these countries has fallen by at least USD 50 billion.

According to the ITC's TradeMap data, there was a decline of 42.4% in exports of mineral fuels of the OIC countries between 2014 and 2015, in machinery by 30.4%, electrical and electronic products by 29%, cars by 25.4%, pearls and precious stones by 22.6% and plastic products by 17%.

In 2015, the world trade of OIC countries is composed of miscellaneous manufactured products with 29% of all trade of OIC Member States, followed by mineral fuels (23%), machinery and transport equipment and food products (17% each), chemical (8%) and non-edible raw materials (6%).

According to data from UNCTAD of October 2016, the world trade of commercial services of the OIC countries reached in 2015 an amount of USD 822.30 billion i.e 24% of the global trade of the OIC countries. The trade is composed of 32.6% of transport services, followed by Travels (32.4%) and other services (34%).

These latter combine government services up to 23%, followed by business services (9%), telecommunication services, computer and information services (5%), construction services (2.4%), financial services (2%), insurance services and pension (1.5%), and other {IT, personal, cultural, recreational, licensing, intellectual property and audio-visual services (3%)}.

The main actors of these services are: Saudi Arabia, UAE, Malaysia, Turkey, Indonesia, Qatar, Egypt, Kuwait, Lebanon and Iran. These 10 countries recorded 70% of total trade of the OIC countries in 2015. The trade in services of the OIC Member States has declined due to the contraction of the costs of bulk maritime transport.

b) Foreign Trade Structure:

- **Exports**:

The world exports of the OIC Member States experienced a downward trend of 25.2% diminishing from USD 2.15 trillion in 2014 to USD 1.61 trillion in 2015, i.e. a reduction of about USD 541 billion. This decrease is due to the world exports' reduction resulting from fluctuating commodity prices such as fuel (caused by the increase of oil production in OPEC countries) food and mining products at the International level.

The countries that have experienced the largest drop in exports of over USD 10 billion between 2014 and 2015 are: **Saudi Arabia** (USD -125.2 billion), **Qatar** (USD -53.6 billion), **UAE** (USD -41.6 billion), **Kuwait** (USD -38.2 billion), **Nigeria** (USD-36.9 billion), **Kazakhstan** (USD -36.4 billion), **Malaysia** (USD -34 billion), **Iraq** (USD -28.6 billion), **Algeria** (USD -28.4 billion), **Indonesia** (USD -25.6 billion), **Iran** (USD -20.6 billion), **Turkey** (USD -13.9 billion) and **Oman** (USD -12.1 billion). Forty-one OIC countries recorded a drop in world exports between 2014 and 2015.

Despite this downward trend, some OIC countries recorded an increase of more than USD 200 million in their global exports between 2014 and 2015, it is the case among others of the: Sudan (USD 1,237.3 million), Uzbekistan (USD 1,037.2 million), Pakistan (USD 838.9 million), Togo (USD 549.5 million), Mali (USD 440.2 million), Uganda (USD 328 million), Kyrgyzstan (USD 302.8 million) and Tajikistan (USD 298.2 million).

Global exports of the OIC countries constituted in 2015, by 29% of miscellaneous manufactured goods followed by mineral fuels (28%), food products (20%) non-edible raw materials (10%), machinery and transport equipment (8%) and chemicals (5%).

The main exporters are: **United Arab Emirates**, whose exports reached in 2015 a value of

USD 218.4 billion i.e 13.6% of world exports of the OIC countries, followed by **Saudi Arabia** (USD 208.6 billion; 13%); **Malaysia** (USD 200.2 billion; 12.5%), **Indonesia** (USD 150.4 billion; 9.4%), **Turkey** (USD 143.9 billion, 9%), **Qatar** (USD 78 billion; 4.9%), **Iran** (USD 65.7 billion; 4.1%), **Nigeria** (USD 57 billion; 3.5%), **Kuwait** (USD 55.2 billion; 3.4%) and **Iraq** (USD 51 billion; 3.2%). These ten countries recorded 76.4% of world exports of the OIC in 2015 i.e a total of USD 1.23 trillion.

Imports:

The world imports of the OIC Member States recorded a negative growth of 9.7% corresponding to a value of USD 196 billion between 2014 and 2015 going from USD 2.01 trillion in 2014 to USD 1.82 trillion in 2015.

This regression is due to the decline in imports by more than USD 3 billion as a result of budget cuts and the decline of the barrel of oil prices between 2014 and 2015 in some countries such as: **Indonesia** (USD -35.5 billion), **Turkey** (USD -35 billion), **Malaysia** (USD -32.6 billion), **Kazakhstan** (USD -21.8 billion), **Iran** (USD -17.5 billion), the **UAE** (USD -13.3 billion), **Nigeria** (USD -8.8 billion), **Morocco** (USD -8.1 billion), **Algeria** (USD -6.8 billion), **Kyrgyzstan** (USD -6.5 billion), **Iraq** (USD -6.1 billion), **Libya** (USD -5.3 billion), **Tunisia** (USD -4.3 billion), **Yemen** (USD -4.2 billion), **Bahrain** (USD -3.7 billion), **Lebanon** (USD -3.5 billion) and **Uzbekistan** (USD -3.2 billion).

Despite the decline in imports, other OIC Member States have also seen their global imports increasing each one by more than one billion during this period, namely: Pakistan (USD +17 billion), Oman (USD +5.3 billion), Benin (USD +4.2 billion), Togo (USD +3.6 billion), Azerbaijan (USD +3.5 billion), Mozambique (USD +2.4 billion) and Qatar (USD +2.2 billion).

In 2015, world imports of Member States consisted of machinery and transport equipment and miscellaneous manufactured products up to 28% each, food products (18%), mineral fuels (13%), chemicals (10%) and non-edible raw materials (3%).

The main importers are: the **UAE** which imported about USD 260 billion i.e. 14.3% of total imports of the OIC Member States, **Turkey** (USD 207.2 billion; 11.4%); **Malaysia** (USD 176.2 billion; 9.7%), **Saudi Arabia** (USD 170.6 billion; 9.4%), **Indonesia** (USD 142.7 billion; 7.9%), **Iran** (USD 87.6 billion; 4.8%), **Egypt** (USD 69.8 billion; 3.8%), **Pakistan** (USD 64.5 billion; 3.5%), **Nigeria** (USD 58.4 billion; 3.2%) and **Algeria** (USD 51.8 billion; 2.9%). These ten countries accounted for 71% of global imports of the OIC in 2015 corresponding to USD 1.29 trillion.

III. INTRA-OIC TRADE OUTLOOK:

a) Evolution of Intra-OIC Trade (2005-2015):

As the global economy is struggling to regain momentum in recent years, the OIC countries are not left behind because they have been impacted by the same trends of the economies of certain countries such as the US, EU countries, the NAFTA and Asian countries with whom they are associated by bilateral and multilateral agreements.

The economies of the OIC zone also depend on fluctuating commodity prices and currency exchange rate during international commercial transactions but also on FDIs intra-zone flows (OIC and development partners).

The change in the growth rate of the OIC leading economies such as the United Arab Emirates, Saudi Arabia, Malaysia; Turkey, Indonesia, Iran, Qatar, Nigeria, Iraq and Kuwait directly impacts global and intra-Community trade of these Members Countries.

Indeed, the volume of trade among the OIC Member States (intra-OIC exports + intra-OIC imports) recorded a considerable increase since the implementation of the OIC Ten-Year Programme of Action (2005-2015) (TYPOA) rising from USD 271.45 billion in 2005 to USD 694.23 billion in 2015 representing an increase of 156%.

Despite the effects of the international economic crisis, Member States tend to increase their intra-OIC trade due to the existence of bilateral and regional agreements, the similarity of consumption patterns, complementarity and regional efforts made for trade promotion, trade financing, insurance, export credit insurance guarantee, and for the implementation of the Ten-Year Program of Action 2005-2015 by the OIC General Secretariat, its institutions and Member States but also to the implementation of the COMCEC Strategy.

This coordination of joint efforts helped to increase the share of intra-OIC trade in the total trade of Member States from 15.50% in 2005 to **20.33% in 2015**, representing an increase of 31.5%. This means that the objectives of the OIC Ten-Year Program of Action 2005-2015 were achieved despite of economic fluctuations in the OIC Member States.

About 32 countries have reached this target in 2015. On the other hand, countries such as Guyana, Mozambique, Albania, Guinea, Nigeria, Suriname, Bangladesh, Malaysia, Gabon and Indonesia whose intra-OIC trade is lower than 10%, are called to diversify their partners in the OIC zone to help achieving the new target of 25% of intra-OIC trade in 2025.

The main actors of intra-OIC trade in 2015 are: The **United Arab Emirates** (USD 110.8 billion, i.e. 16% of intra-OIC trade), **Saudi Arabia** (USD 68.6 billion; 9.9%), **Turkey** (USD 65.2 billion; 9.4%), **Iran** (USD 55.5 billion; 8%), **Malaysia** (USD 37.3 billion; 5.4%), **Pakistan** (USD 34.2 billion; 4.9%), **Indonesia** (USD 31.4 billion, 4.5%), **Syria** (USD 27.5 billion; 4%), **Oman** (USD 26.5 billion; 3.8%), and **Iraq** (USD 23.8 billion; 3.4%). These ten countries accounted for 69.3% of intra-OIC trade in 2015 approximately for a volume of USD 481 billion. We note that a decrease in the volume of intra-OIC trade between 2014 and 2015 in most of these countries because of the fluctuations in prices of commodities on the international market due to the increased production of oil of the OPEC countries. This has reduced the price per barrel despite the appreciation of the US dollar.

In 2015, the geographical distribution of intra-OIC trade is ensured up to 36% by the Gulf countries followed by Asia (29%), the Middle East (24%), African countries Saharan (6%) and the AMU countries (5%).

The main products traded between the OIC Member States are 29% composed of miscellaneous manufactured goods, mineral fuels (23%), food products (22%), machinery and transport equipment (11%), chemicals (10%) and non-edible raw materials (5%).

Between 2005 and 2015, about 32 countries have reached the target of the 20% threshold of intra-OIC trade advocated by the Ten Year Program of Action (TYPOA), these are by decreasing order**:** **Syria** (90.35% of its trade is carried out with the OIC countries), **Somalia** (69.27%), **Afghanistan** (64.60%), **Djibouti** (60.00%), **Kyrgyzstan** (50.53%), **Yemen** (48.14%), **Tajikistan** (46.18%), **Jordan** (42.50%), **Lebanon** (41.19%), **Sudan** (37.72%), **Pakistan** (36.88%), **Oman** (36.46%), **Senegal** (35.11%), **Bahrain** (35.00%), **Iran** (34.20%), **Turkmenistan** (34.15%), **Sierra Leone** (32.62%), **Egypt** (32.59%), **Côte d'Ivoire** (32.44%), **Benin** (30.61%), **Uzbekistan** (30.58%), **Uganda** (27.47%), **Togo** (27.40%), **Iraq** (25.87%), **Burkina Faso** (24.82%), **Guinea Bissau** (24.31%), **Comoros** (23.69%), **Libya** (23.41%), **Kuwait** (23.16%), **Niger** (22.24%), **Mali** (20.67%) and **Turkey** (20.26%).

In order to revitalize intra-OIC trade, Member States should invest more in the area of capacity building, participation in fairs, international trade fairs and business fora, in particular those organized by ICDT and IDB but also they should reduce their foreign trade and intra-OIC investment procedures in order to boost trade among Member States. Furthermore, the diversification of the exportable supply is a necessity to develop foreign trade and intra-OIC investment.

It is also important that the OIC Member States participate actively in the activities of the OIC Institutions aiming to develop the Intra-OIC Trade namely; those of ICDT, the IDB Group, ICCIA and SMIIC the COMCEC Projects within the Project Cycles Management (PCM), Projects and activities of the Subcommittees of trade and investment; private sector and the finance of the OIC ACMOI.

b) Structure of intra-OIC trade:

- ❖ **Intra-OCI exports:**

Intra-OIC exports almost tripled between 2005 and 2015, rising from USD 134.3 billion in 2005 to USD 344.3 billion in 2015, i.e. an increase by 155.3%. Between 2014 and 2015, we observe that the intra-OIC exports declined by 17.3% because of the drop in commodity prices on the international market, due also to the fact that the key OIC exporters are mainly exporters of these products despite the appreciation of the US dollar during this period.

This situation has contributed to the decline of the share of intra-OIC exports by 8.4% going from 21.04% in 2014 to 19.27% in 2015.

Indeed, between 2014 and 2015, several OIC countries have seen their intra-OIC exports regressing by at least one billion namely **Turkey** (USD -5.9 billion), **Saudi Arabia** (USD -5 billion), **Indonesia** (USD -4.2 billion), **Malaysia** (USD -4 billion), **Qatar** (USD -3.8 billion), **Kuwait** (USD -3.3 billion), **Iran** (USD -2.9 billion), **Algeria** (USD -2.5 billion), **Nigeria** (USD -2.3 billion), **Egypt** (USD -1.9 billion), **Azerbaijan** (USD -1.1 billion), **Côte d'Ivoire** (USD -1.1 billion) and **Kazakhstan** (USD -1 billion).

Moreover, the main exporters to the OIC Member States in 2015 are: **United Arab Emirates** (USD 74 billion i.e. 21.5% of intra-OIC exports) followed by **Saudi Arabia** (USD 44.5 billion, 13%), **Turkey** (USD 42.7 billion; 12.4%), **Indonesia** (USD 20.6 billion; 6%), **Malaysia** (USD 20.1 billion, 5, 8%), **Iran** (USD 13.1 billion, 3.8%), **Oman** (USD 12.6 billion, 3.7%), **Syria** (USD 12.3 billion, 3.6%), **Kuwait** (USD 10.6 billion, 3.1%) and **Qatar** (USD 10.6 billion, 3.1%). These countries also experienced a reflux in intra-OIC export between 2014 and 2015 of at least USD 2 billion each but amounted about 75.9% of intra-OIC total exports with a value of USD 261.2 billion.

The main exported products between the OIC Member States in 2015 are as follows: manufacturing goods (31% of intra-OIC exports), food (23%), mineral fuels (19%), machinery and transport equipment (10%), chemicals (9%) and non-edible raw materials (8%).

- ❖ **Intra-OIC imports:**

As the intra-OIC exports, intra-OIC imports have more than tripled increasing from USD 137.1 billion in 2005 to approximately USD 350 billion in 2015 representing a growth of 155.5% over a period of years. It is noted that between 2014 and 2015, they decreased by 17.33% i.e. USD 73.4 billion due to falling prices of commodities.

This decline caused the contraction of more than 2 billion amongst the leading importers of the OIC countries mainly because of the decline in export earnings from petroleum products, among others, namely: Indonesia (USD -21 billion of its intra-OIC imports), the UAE (USD -10.6 billion), Bahrain (USD -7.6 billion), Iran (USD -7 billion), Turkey (USD -6.7 billion), Iraq (USD -4.9 billion), Malaysia (USD -4.6 billion), Bangladesh (USD -2.9 billion) and Morocco (USD -2.7 billion). Indeed, the decline in oil prices also relieved the cost of the imports for countries such as Morocco, Turkey, Burkina Faso, and Mozambique.

Given this situation, the share of intra-OIC imports experienced a downturn of 8.4% going from 21.04% to 19.27% in 2015 as a result the decline in intra-OIC imports of the Top10 countries during this period.

Moreover, the major markets of intra-OIC imports in 2015 are: **Iran**, which imported about USD 42.4 billion representing 12.1% of intra-OIC imports followed by the **UAE** (USD 36.8 billion; 10.5%), **Pakistan** (USD 25.3 billion, 7.2%), **Saudi Arabia** (USD 24.2 billion, 6.9%), **Turkey** (USD 22.4 billion; 6.4%), **Iraq** (USD 20.9 billion, 6%), **Malaysia** (USD 17.3 billion, 4.9%), **Syria** (USD 15.2 billion, 4,3%), **Oman** (USD 13.9 billion, 4%) and **Egypt** (USD 13.1 billion, 3.8%). These 10 countries registered 66.1% of intra-OIC imports in 2015 i.e a total value of USD 231.3 billion.

The main imported products among the OIC Member States are: miscellaneous manufactured goods and mineral fuels with 27% each of the intra-OIC imports followed by food products (21%), machinery and transport equipment and chemicals (11% each) and non-edible raw materials (3%).

c) Intra and inter-regional trade

- ❖ **Intra-regional Trade:**

For more than a decade, there has been an increase in signatures of trade cooperation agreements, both bilaterally and regionally. These agreements aim to strengthen trade and investment.

The OIC countries are not exempt from this rule, and they are also active in the new generation of free trade agreements, involving other sectors such as services, environment, competition and investment.

Intra-regional trade of the OIC has continued to grow in recent years from USD 57.4 billion in 2005 to USD 142.6 billion in 2015 with a peak of USD 154 billion, representing an increase of 148,4% equivalent to USD 85.2 billion due to the strengthening of bilateral and regional agreements, the geographical proximity and the efforts of the activities of the OIC Institutions in charge of economic and trade affairs aimed at strengthen intra-OIC trade in collaboration with the UN agencies in the sector.

To this end, all OIC regions recorded a more than significant increase in their intra-regional trade between 2005 and 2015 for the countries of the Middle East (+218.5% or USD 21.7 billion), the AMU countries (+171.3%, USD +3.3 billion), the GCC countries (+162.8%, USD +34.6 billion), the Asian countries (+111.9%; USD 21.2 billion) and sub-Saharan African countries (+83.1%, USD 4.5 billion).

Moreover, we note that intra-regional trade of the OIC countries is concentrated in the GCC countries which accounted for 39% of intra-regional trade i.e. USD 55.8 billion in 2015.

Asian countries contributed USD 40 billion, or 28% of intra-regional trade in OIC countries, Middle East countries accounted for 22%, i.e. USD 31.6 billion of intra -regional trade of the OIC countries, The Sub-Saharan African countries totalized 7% of the intra-regional trade of the OIC countries corresponding to USD 9.8 billion and the AMU countries with 4% of the intra-regional trade of the OIC countries, i.e. USD 5.2 billion in 2015.

❖ **Inter-regional Trade:**

Inter-regional trade of OIC Member States increased by 162% from USD 77 billion in 2005 to USD 201.7 billion in 2015 due to growth in interregional trade in the Middle East countries (+250%), Sub-Saharan Africa (+199%), the GCC (+179) and Asia (+109%).

On the other hand, between 2014 and 2015, the inter-regional trade of the OIC countries decreased by 10.40% or USD 23.5 billion due to the international economic situation in relation to fluctuations in commodity prices, but also to the disintegration of value chains between countries**.**

The decline was driven by a contraction in interregional exports of GCC countries (USD -9.3 billion), Asia (USD -6.4 billion), the Middle East (USD -4 billion), AMU Countries (USD -2 billion) and Sub-Saharan Africa (USD -1.8 billion).

In addition, interregional trade is dominated by 51% of the GCC countries, i.e. USD 103.6 billion, followed by Middle East countries with 22% of inter-regional trade in OIC countries (USD 44 billion), Asian countries accounted for 20% of inter-regional trade equivalent to USD 39.6 billion, the countries of sub-Saharan Africa with 4% of interregional trade, i.e. USD 7.7 billion and finally the countries of the AMU registered 3% of the interregional trade of the OIC countries with a value of USD 6.9 billion in 2015.

IV/ OBSTACLES TO THE DEVELOPMENT OF INTRA-OIC TRADE:

a) Tariff and non-tariff barriers:

Despite the considerable efforts undertaken by the General Secretariat of the OIC, its institutions, and Member States to promote intra-OIC trade and eliminate bottlenecks, many obstacles remain including:

- ✓ Market access problems: tariff barriers, para-tariff and non-tariff, and often include: the complexity of establishment of rules of origin; difficulties for enterprises in complying with international standards and lack of mutual recognition of standards; the lack of approval for national and regional procedures; red tape for cross-border positions especially during customs clearance operations; the existence of illegitimate checks of cargo truck drivers; the visa granting problem to businessmen; the existence of licenses and the export ban; quantity products control; lack of implementation of the commitments of regional economic cooperation texts and information on the regulatory framework on trade facilitation; the mismatch of working days and working hours at border crossings; and lack of intra-regional trade of regulatory instruments.
- ✓ Between December 2008 and September 2016, the most affected countries by these measures are: Turkey, Malaysia, Indonesia, the UAE, Pakistan, Egypt, Saudi Arabia, Iran, Morocco, Kazakhstan, Bangladesh, Tunisia and Qatar with a minimum of 300 measures from trading partners;
- ✓ Obstacles in terms of logistics: infrastructures, transports, support services to international trade, which are weak or unsuitable;
- ✓ Existence of a non-diversified exportable supply and not adapted to the norms and international market standards;
- ✓ Lack of information on markets and business opportunities, despite efforts in this area

by ICDT and concerned OIC institutions;

- ✓ Limit of networking opportunities and promotion of national products on the other OIC countries' markets;
- ✓ Complexity of administrative procedures related to foreign trade at customs level, banking, port, etc. ...;
- ✓ Lack of managers and technicians specialized in international trade;
- ✓ Inadequacy and lack of specific funding instruments for the benefit of SMEs-SMIs.

b) The trade facilitation actions of the OIC countries:

Within the framework of the promotion of trade facilitation instruments, some OIC countries have made great efforts to facilitate cross-border trade since 2006. In this regard, some OIC countries have reduced their trading procedures by adopting the following actions:

- ✓ **The electronic submission and processing of business transactions**: Albania, Saudi Arabia, Bahrain, Bangladesh, Benin, Brunei, Burkina Faso, Cameroon, Comoros, Côte d'Ivoire, Djibouti, Egypt, United Arab Emirates, Indonesia, Gabon, Gambia, Guinea , Guinea Bissau, Guyana, Indonesia, Jordan, Kazakhstan, Mali, Malaysia, Maldives, Mauritania, Morocco, Mozambique, Niger, Nigeria, Uganda, Pakistan, Palestine, Qatar, Senegal, Sierra Leone, Sudan, Suriname, Syria, Tajikistan Togo, Tunisia, Turkey and Yemen;
- ✓ **The establishment of National Single Windows**: Malaysia, Indonesia, Morocco, Brunei, Turkey, Senegal, Egypt, UAE, Tunisia, Azerbaijan, Burkina Faso, Benin, Cameroon, Bangladesh, Gambia, Jordan, Mozambique, Pakistan, Sierra Leone, Qatar, Saudi Arabia, Kuwait, Bahrain, Kazakhstan, Kyrgyzstan, Tajikistan, Côte d'Ivoire, Togo, Lebanon, Guyana, Sudan, Iran, Oman, Gabon, Nigeria, Algeria, Libya, Albania, Maldives, Niger, Mali, Mauritania and Suriname;
- ✓ **Improving the logistics performance index by more than 10% between 2010 and 2016**: Sierra Leone, Malaysia, the United Arab Emirates, Turkey, Egypt, Brunei, Iran, Kuwait, Senegal, Algeria, Lebanon, Morocco, Indonesia, Qatar, Maldives and Saudi by building new logistic infrastructures during this period to better deal with international business operations;
- ✓ **Improvement of customs performance by over 20% between 2010 and 2016**: UAE, Turkey, Sierra Leone, Malaysia, Lebanon, Brunei, Egypt, Comoros, Qatar, Pakistan, Algeria, Egypt, Indonesia and Burkina Faso because government authorities have invested heavily in equipping national Customs (scanners, risk management, ...);
- ✓ **Improvement of national infrastructures by more than 15% between 2010 and 2016**: UAE, Malaysia, Turkey, Iran, Egypt, Brunei, Kuwait, Senegal, Sierra Leone, Maldives, Burkina Faso, Algeria, Saudi Arabia, Lebanon, Morocco, Chad and Tajikistan which have invested in improving roads, ports and international airports to boost the mobility of goods and people;
- ✓ **Reducing the distance from the border by over 10% between 2010 and 2016** in some countries, namely Uzbekistan, Tajikistan, Chad, Kazakhstan, Togo, Niger, Sierra Leone, Kyrgyzstan, Burkina Faso, Benin, Côte d'Ivoire, Guinea, Guinea-Bissau, Senegal, Uganda and Mali to facilitate cross-border trade of these mostly landlocked countries;
- ✓ **Improvement of maritime connectivity rates for countries with coastline by over 20% between 2005 and 2016:** Maldives, Bahrain, Togo, Sudan, Bangladesh, Jordan, Benin, Somalia, Djibouti, Guinea, Turkey, Cameroon, Egypt, Morocco, Côte d'Ivoire,

Pakistan, Saudi Arabia, Malaysia and Suriname stating that efforts were made by governments to increase maritime service levels with business partners;

- ✓ **The creation of the Trade and Investments Promotion Organs in several OIC countries** which facilitate the direct contact among Businessmen of the OIC countries which have developed incentive tools for export and investment in order to facilitate cross-border trade and foreign direct investment.

According to Doing Business 2016, the main countries with a high index of cross-border trade in respect of the time limit, and the cost of obtaining the documentation are: Albania, Malaysia, Jordan, Turkey, Oman, Suriname, Comoros, Mali, Kyrgyzstan and Palestine.

Between 2006 and 2016 over 2500 reforms were implemented by countries around the world 750 of which concerned the OIC Member States to facilitate the implementation of international trade transactions. Among these, we can note, 97 measures on facilitating cross-border trade of the OIC countries, most of which come from the following countries with at least three reforms: Benin, Egypt, Jordan, Mali, Uganda, Pakistan, Djibouti, the United Arab Emirates, Morocco, Mauritania, Uzbekistan, Senegal, Tunisia and Albania.

c) ICDT's actions for the development of intra-OIC trade:

The implementation of the PRETAS and the project of a commercial single window of the OIC Member States and an observatory of non-tariff barriers at the ICDT aimed at reducing barriers to intra-OCI Trade.

It would be also appropriate that the OIC Member States actively participate in the implementation of the TPS-OIC Agreement and its Protocols and to the committees on trade, investment, private sector development, and Finance of the ACMOI and to the Working Groups of the COMCEC in order to strengthen the intra-OIC trade to achieve the goals of the OIC Ten-Year Program of Action so as to increase the share of intra-OIC trade in the overall trade to 25% by 2025.

ICDT organized several awareness-raising seminars on the importance of the TPS-OIC Agreement and its Protocols in the Gulf countries and North Africa including Saudi Arabia, Oman, Kuwait, Libya, Morocco, Burkina Faso, with WAEMU in Istanbul for ECO countries in collaboration with the COMCEC and the Department of Cooperation and Integration of the IDB, in Suriname with the participation of Guyana and recently in Amman, Jordan for executives of the State of Palestine and the Hashemite Kingdom of Jordan in April 2016.

These activities will contribute to the operationalization of this important agreement. Currently, 41 countries signed the Agreement, 31 of which have ratified it, 33 have signed PRETAS, 18 of which have ratified it. The rules of origin have been signed by 32 countries 18 of which have ratified it. Only 13 countries have submitted their list of concession to the Trade Negotiating Committee.

In addition, since its inception, the Centre has organized 15 general trade fairs, more than fifty specialized exhibitions, twenty Business Forums, a large number of buyer-seller meetings, hundreds of seminars and training workshops in the field of international trade and by the end of 2013 a business center to boost intra-OIC trade.

ICDT has also organized in May 2016 in Riyadh on the sidelines of the 15th Trade Fair of the OIC Member States a forum of the Trade Promotion Organs (TPOs) and an Investment Promotion Agencies Forum (IPAs) of the OIC Member States to boost intra-OIC trade and investment.

In this regard, the ICDT launched the TPOs website which will allow relay business information directly from OIC Countries: (http://tpo.oicinvest.org/). A login and a password have been sent to all OIC-TPOs to register and to update their business information.

Furthermore, ICDT in collaboration with IDB Group has organized several seminars on the role of commercial single windows in facilitating intra-OIC trade and the possibility of their interoperability to reduce the time and cost of cross-border transactions.

At the bilateral level the ICDT organized trade missions of Saudi, Malaysian and Indonesian businessmen respectively in November 2015, in May and September 2016 in Casablanca to promote intra-OIC trade and investment.

ICDT organized in 2016 exhibitions and specialized forums such as the 9th Exhibition of Agribusiness Industries in Jeddah in May, the Forum on Higher Education Services in Dakar, in March the 3rd OIC Health Expo in Casablanca, the African Forum on Halal Business in Dakar and the 7th OIC World BIZ in Kuala Lumpur in October.

In 2017, the Center plans to hold the 16th Trade Fair of OIC Member States in Iraq, specialized Exhibitions of Agribusiness in Riyadh, the 5th Halal Expo in Turkey in November, and in October the African Forum on Halal Business in Côte d'Ivoire, a buyers-sellers meeting on pharmaceutical products in Côte d'Ivoire and the OIC World BIZ Forum / OIC-Asia Forum in Malaysia aiming at boosting trade and investment between Member States.

Similarly, it will organize awareness seminars of the TPS/OIC in Asia and training workshops on the development of strategic commodities value chain, such as coffee, wood and cotton, respectively in Indonesia, Gabon and Morocco in cooperation with the ITFC.

It would also be appropriate to further improve maritime connectivity among the OIC Member States through the creation of maritime lines between the African, Asian and Gulf Countries and raising awareness of Member States to implement commercial single windows and their interoperability in order to better promote intra-OIC trade.

Furthermore, the operationalization of the WTO's Trade Facilitation Agreement (TFA) provides long-term outlook on the development of trade.

Ninety-four WTO Members have officially accepted the agreement among them 21 OIC Member States in January 2017. These countries are: Malaysia, Niger, Togo, Pakistan, Guyana, Côte d'Ivoire, Brunei, Mali, Turkey, the United Arab Emirates, Albania, Kazakhstan, Saudi Arabia, Afghanistan, Senegal, Bahrain, Bangladesh, Gabon, Kyrgyzstan, Mozambique and Nigeria. This agreement will be implemented when 110 countries will ratify it.

It is noteworthy that 93 countries have notified the category A of the TFA including 27 OIC Member States and 8 countries have notified the categories B and 7 the categories C of the Agreement according to WTO data of 2 February 2017. Only Chad, a Member State of the OIC, has notified categories B and C.

We point out that 44 OIC Member States are WTO members with Afghanistan which has accessed the 29th July 2016. Eleven OIC Member States are in the process of accession to the WTO.

Moreover, the ICDT organized awareness raising seminars between 2015 and 2016 with the Department of Economic Integration of the IDB on the WTO Trade Facilitation Agreement to encourage them to ratify the agreement, to notify its categories A, B and C and contribute to the development of trade in OIC Member States with the rest of the World.

V/ World Economic Outlook (2017-2018):

a) Global economic growth:

Global growth is expected to further accelerate in 2017 to a peak of 3.4% and 3.6% in 2018 due to the growth in emerging and developing countries which could reach 4.5% in 2017 and 4.8% in 2018 as a result of the gradual normalization of the macroeconomic situation of the group which recorded over recent years an increasing weight in the world economy such as India and China. The latter can reach a growth of 6.5% through the expected persistence of the economic recovery combined with a rapid expansion of credit. In Nigeria, we have witnessed a growth due to the increase in oil production.

On the other hand, some countries will experience a decline in growth, namely India, because of the drop in consumption due to the shortage of liquidity, Indonesia, due to a lower than expected private investment, and Thailand following a temporary slowdown in consumption and tourism.

Similarly, in Latin America, Argentina and Brazil, tighter financial conditions and, in the case of Mexico, an increase in headwinds related to the uncertainty in the surrounding region.

In the Middle East, growth should be lower than expected in 2017 due to the reduction in oil production resulting from the recent OPEC agreement.

In advanced economies, growth is expected to reach 1.9% in 2017 and 2% in 2018, reflecting the strengthening of the recovery in growth in the USA of 2.3% with Trump Government in 2017 and 2.5% in 2018.

In addition, growth projections for 2017 were revised upwards for Germany, Japan, Spain and the United Kingdom, mainly due to better than expected results in the latter part of 2016.

This upward revision did more than offset the downward revisions in the outlook for Italy and Korea.

b) World trade growth:

Based on WTO's data of April 2016, the global trade growth volume is expected to remain low in 2016, at the same level in 2015 equal to about 2.7%. In fact, imports of developed countries should decrease in 2016 while the import demand is expected to resume in developing Asian countries. According to the same source, the global trade growth is expected to accelerate and to reach 3.6% in 2017.

In fact, exports of developed countries should grow in 2016 by 2.9% and those of developing countries by 2.8%. Imports of developed economies are expected to raise by 3.8% and those of developing countries by 1.8%.

This situation should benefit to Asia where the export growth will be the strongest and expected to reach 3.4%, followed by North America and Europe with 3.1% each. South and Central America and other regions will experience slower growth, 1.9% and 0.4% respectively. North America is expected to see their imports growing by 4.1% this year, while imports from Asia and Europe are expected to grow by 3.2%. Finally, imports from South and Central America and other regions are expected to decline if oil prices and other commodities continue to decline in 2016.

Moreover, we note that the global trade has increased in volume but decreased in value due to the fluctuation of exchange rates and the fall in prices of commodities. This situation is also explained by the upsurge of protectionism in some states that continue to apply restrictions to trade.

In order to counter this situation and enhancing growth of world trade, the WTO Member States must continue to eliminate gradually the restrictive measures to trade, especially tariff and non-tariff measures on agricultural and manufactured goods and to implement the WTO agreement on trade facilitation which may generate growth of around 1 trillion per year.

As the global economy is struggling to regain momentum in recent years, the OIC countries are not left behind because they are also affected by the trends of the economies of certain countries such as the US, EU countries, the NAFTA and Asian countries with whom they are linked by bilateral and multilateral agreements.

The economies of the OIC area also depend on fluctuating commodity prices and currency exchange rates during international commercial transactions but also on the FDIs flows of intra-euro area (OIC and development partners).

The variation of the growth rate of the OIC leading economies such as the United Arab Emirates, Saudi Arabia, Malaysia, Turkey, Indonesia, Iran, Qatar, Nigeria, Iraq and Kuwait directly impacts the world trade and intra-OIC Trade of these member countries.

In view of this situation, the economies of the OIC countries may experience a growth thanks to the probable increase in the prices of petroleum products and certain food products in so far as some countries are endowed with considerable potential in these products, which could positively, impact other economic sectors such as services, but also by the convergence of cooperation inter-agency of the OIC Institutions, under the leadership of the OIC General Secretariat within the framework of the implementation of the ACMOI and the new Ten Year Program of Action (TYPOA) 2016-2025.