

## **A Cutting-Edge Platform to Drive Economic Transformation** **OIC BUSINESS INTELLIGENCE CENTRE (OBIC)**

### **The Role of Intra-Trade Data Analysis for OIC MCs** **Economic Integration**

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## Overview of International Trade

- International trade is purchasing and selling goods and services by companies in different countries.
- International trade allows countries to expand their markets and access goods and services that otherwise may not have been available domestically.
- As a result of international trade, the market is more competitive.
- This ultimately results in more competitive pricing and brings a cheaper product home to the consumer.
- International trade is an essential catalyst for economic and social development:
  - raising living standards
  - boosting investments and employment.

## Intra-regional trade

- ❑ Intra-regional trade refers to exchanging goods and services between countries in the same geographic region.
- ❑ Intra-trade leads to regions becoming economically integrated.
- ❑ Countries may seek regional economic integrations for several reasons, such as:
  - larger consumer markets
  - New employment opportunities
  - attracting foreign direct investments
  - Sustainable long-term economic growth
- ❑ Examples of how countries have come together to promote intra-regional trade:
  - European Union (EU)
  - United States-Mexico-Canada Agreement (USMCA)

## Why Intra-regional trade is necessary for OIC MCs

- OIC MCs could enlarge economic gains by furthering their long-standing economic integration efforts.
- There are four advantages to the Intra-Trade:
  1. Integration enlarges the size of markets by combining the small domestic market of each nation into one large integrated-regional market with more consumers, producers, and hence greater levels of competition.
  2. Competitive markets require producers to lower prices and improve quality, ultimately benefiting consumers
  3. The increased disposable income can be spent on new goods and services and new employment opportunities
  4. Larger markets spur innovation and enable efficiency gains, achieving economies of scale as firms keep costs

Intra-Trade improves productivity and production quality, enhances capacity and capability to undertake regional infrastructure development projects, promotes economic growth and Improves consumer welfare.

- In addition, economic diversification strengthened political ties that help enhanced bargaining power in global markets.

## Stages of Economics Integration

Trade agreements between countries or certain geographical countries are the first step in economic integration

It can be bilateral or between region's countries or continent countries as found in the EU.

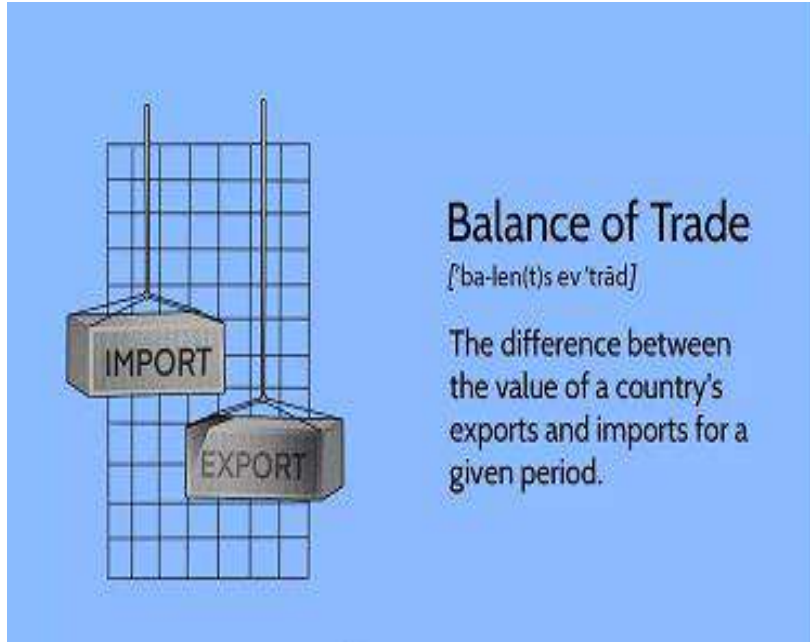
Stages of economic integration	Reducing trade barriers between Cs	Common external Tariffs	Factors of production-free movement	Common currency and economic policy	Integration in non-economic areas	Example
preferential Trade area	X					Eastern & S. Africa
Free trade area	X	X				S. A. Development Community
Customs Union	X	X	X			E. Africa Community
Common Market	X	X	X	X		European Union

## Why is Intra-trade data important?

- OIC MCs' intra-trade data analysis helps understand better the potential comparative advantage patterns underline the strong trading position (export and import) among our MCs.
- The interpretation of such measures as the comparative advantage is complicated because trade is often influenced by factors such as economies of scale, government policy related to tariffs and non-tariff measures.
- Hence, we need an intelligence centre as OBIC
- **Example: Data collection**
- The [European Union \(EU\)](#) data collection system on trade in goods between Member States ([intra-EU trade](#)) was introduced in January 1993.
- **Intrastat** is the data collection system for compiling statistics on international trade in goods between the [European Union \(EU\)](#) Member States.

## Factors Impact for Intra-Trade Success

- The availability of data and information about the following key factors are important for the OIC MCs to plan and conclude successful trade integration. The effort of providing these data and their validity is expected to be led by OBIC.
- **Doing Business:** Get an overview of market opportunities and entry strategies, key economic indicators and trade statistics, and other reasons OIC MCs should consider exporting to each other.
- **Customs, Regulations & Standards:** OIC MCs have diverse economic policies and resources
- **Investment Climate report:** The country's investment climate is vital for OIC MCs' intra-trade promotion. Therefore, an investment climate report might be needed to address market conditions such as labor protections, responsible business conduct, openness to investment, legal and regulatory systems, intellectual property rights, financial sectors, a state-owned enterprise, green investment, environmental policies, and corruption.
- **Political and Economic Environment:** A report on MCs political and economic environment also might be helpful as it has a major impact on intra-trade activities. Because of the political environment
- **Infrastructure data for intra-trade:** Quality infrastructure is the key catalyst for trade integration across countries. Efficient infrastructure networks enhance the countries' linkages with global supply chains and allow international production network participation
  - ❖ Hard Infrastructure (roads, railways, ports, Airports, irrigation, telecommunication, ICT)
  - ❖ Soft Infrastructure (Harmonization of rules, Customs Efficiency, Export, and Import Procedure)
- **Leading Sectors for Exports & Investments:** Learn about sector-based industry trends, industry market overviews, export-import trade data, and key trade events. Knowing the OIC MCs' Major Imports, Exports and Trading Partners is necessary.



- The trade balance measures the flow of goods into and out of a country.
- The balance of payments measures all international economic transactions, including trade in goods and services, financial capital, and financial transfers.
- A favourable trade balance occurs when a country's exports exceed the value of its imports.
- This indicates a positive inflow of money to stimulate local economic activity.



- IsDB and other regional and international development institutions encourage **intra-trade** between countries to improve their bilateral and multilateral trade relations.
- Hence, intra-trade has been given much attention in the policy discourse of most countries, given its crucial role in fostering economic growth and development.
- Other key issues which very determinant are the **trading partners involved and the destinations of these exports**.
- **Export destinations** will highly influence the value of the goods exported – whether the same goods are produced domestically or not.
- OBIC provides data about OIC MCs' trading partners and trading destinations.
- Knowing the trade destinations provide policy directions to stakeholders regarding which destination(s) should be the target of OIC MCs exports to ensure maximum benefits

## Intra-Regional Trade among OIC MCs: Evidence from North African MCs

OIC encourage regional integration in any form. That is very clear from the different initiatives:

1. Framework Agreement on Trade Preferential System among the Member States of the OIC (TPS-OIC),
2. Protocol on the Preferential Tariff Scheme for TPS-OIC (PRETAS)
3. Ten-Year Program of Action 2.
4. TPS-OIC Rules of Origin testify to OIC's desire to successfully deepen intra-regional integration.

- That is typically for **North Arab countries** that are part of OIC members command enormous ownership of the world's crucial resources such as oil and natural gas reserves.

- They own **potential economic resources** in different fields and sectors such as agriculture and arable land, energy and mining, and human resources that are necessary for conducting successful interregional trading

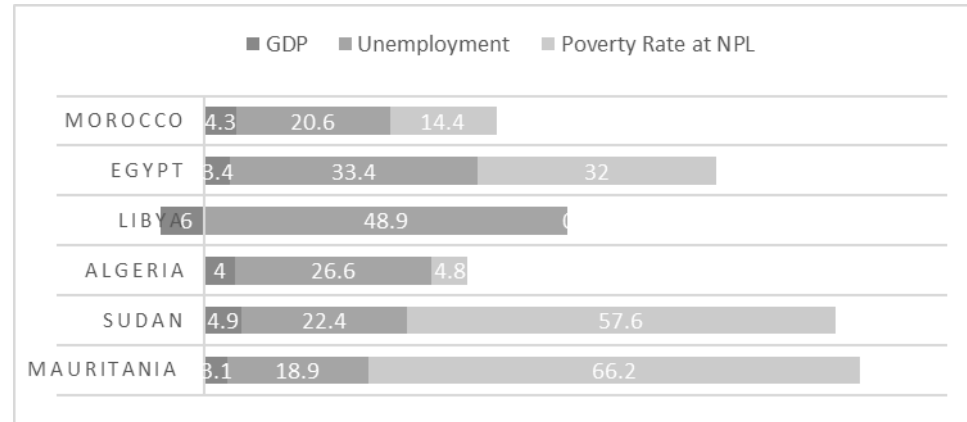
- Interregional trade is essential for North Africa OIC member countries.

1. They hold easy access to borders and share more common customs and religions.
2. has diverse resources and a huge population, particularly in Egypt and Algeria.
3. Therefore, interregional trade integration might help reap economies of scale, expand markets, collectively exploit their resources, reduce countries' dependence on traditional trading partners and raise their resilience against external shock.
4. Interregional trade might also help the North African countries improve competitiveness and ease of the business environment.



## North African countries Classification

- They are not homogeneous economics and are classified into three main groups.
- Least Development Countries, which include **Mauritania and Sudan**.
- The second group comprises the fuel-exporting member countries, including **Algeria and Libya**.
- The last group is the middle-developed countries comprise Egypt and Morocco.
- Hence, tackle the issues of inter-trade among these regional countries simply through the trend of their international trade based on export-import analysis



The above Figure shows that North African countries are facing more challenges, such as slowing down the economy, high unemployment, extreme poverty, high political instability and even internal conflict, such as Libya. <http://data.worldbank.org/indicator/SL.UEM.1524.ZS>

## Mauritania: Major Imports, Exports, and trading partners

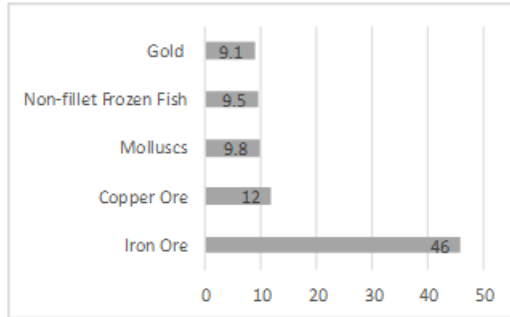


Figure 2a: Mauritania's Top Five Exported Products

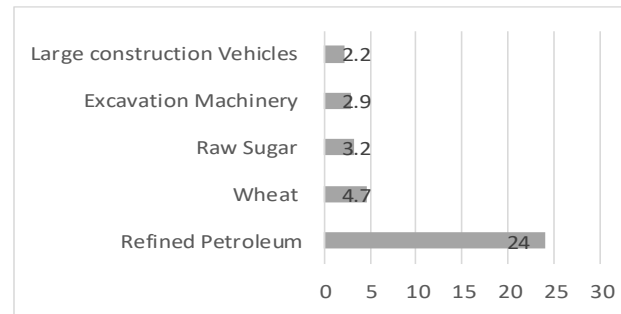


Figure 2b: Mauritania's Top Five Imported Products

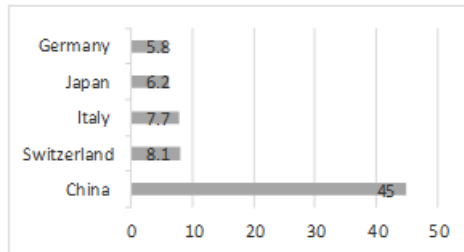


Figure 2c: Mauritania's Top Five Export Destinations

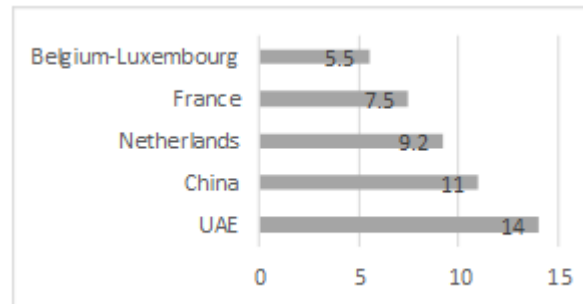


Figure 2d: Mauritania's Top Five Imported Destinations

The data shows the country has weak trade linkages with its Arab and Muslim neighboring countries.

## Sudan's Major Imports, Exports, and trading partners

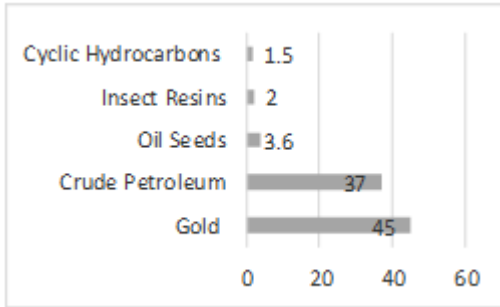


Figure 3a: Sudan Top Five Exported Products

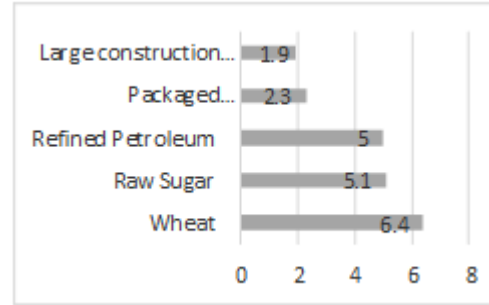


Figure 3b: Sudan Top Five Imported Products

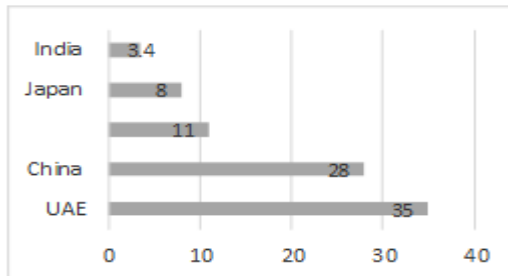


Figure 3c: Sudan's Top 5 Export Destinations

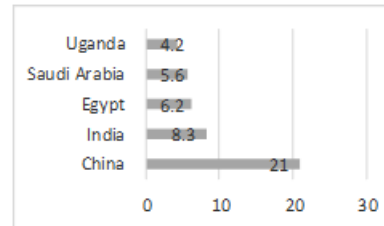


Figure 3d: Sudan Top 5 Import Destinations

The current data shows the country has weak trade linkages with OIC and its Arab and neighboring countries.

## Algeria's Major Imports, Exports, and trading partners

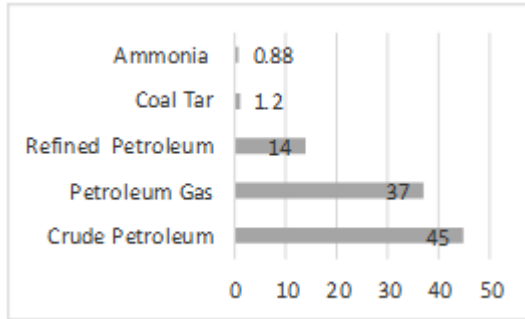


Figure 4a: Algeria's Top Five Exported Products

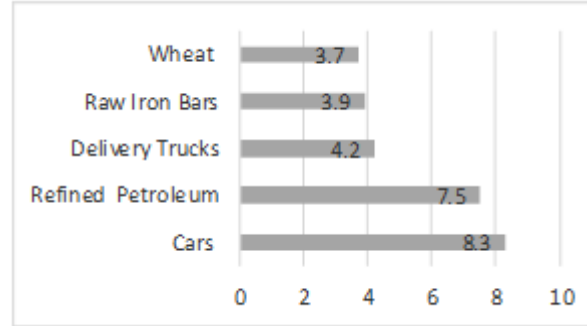


Figure 4b: Algeria's Top Five Imported Products

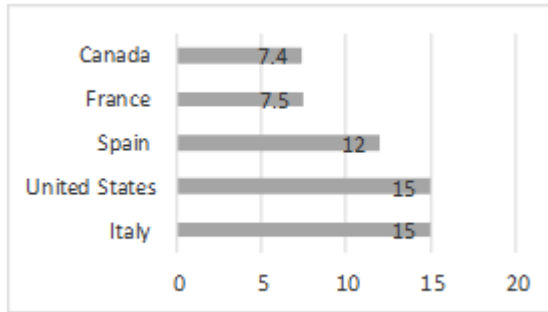


Figure 4c: Algeria's Top Five Export Destinations

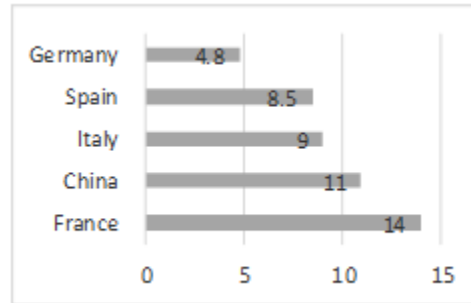


Figure 4d: Algeria's Top Five Import Destinations

Mauritania and, Sudan, Algeria data shows the country has weak trade linkages with OIC and its Arab and neighboring countries.

## Libya's Major Imports, Exports, and trading partners

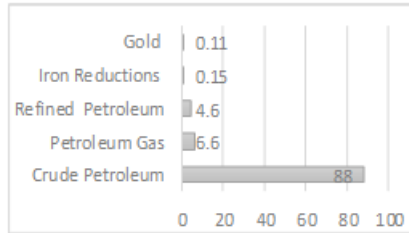


Figure 5a: Libya Top Five Exported Products

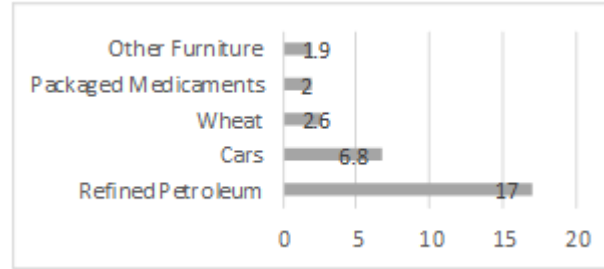


Figure 5b: Libya's Top Five Imported Products

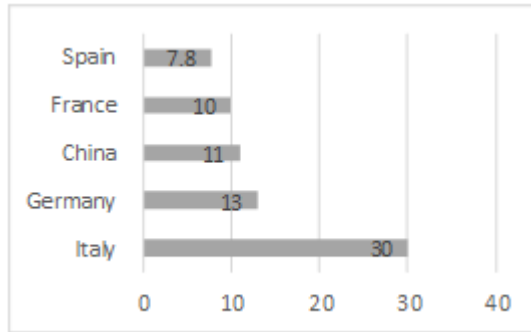


Figure 5c: Libya's Top Five Export Destinations

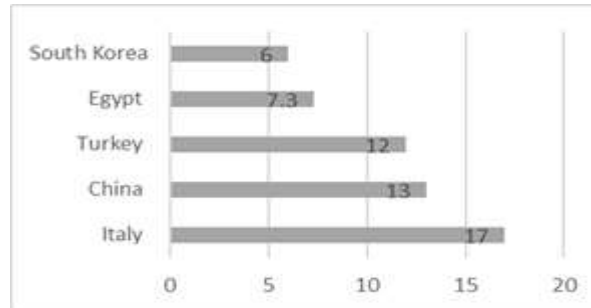


Figure 5d: Libya's Top Five Import Destinations

The results also indicate that none of the Islamic or Arab countries is among Libya's top trading destinations.

## Egypt Imports, Exports and trading partners

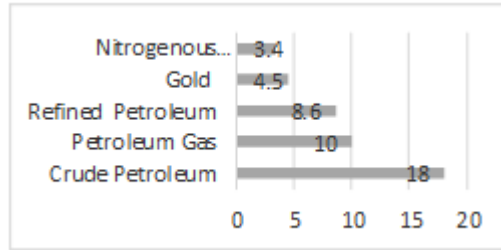


Figure6a: Egypt's Top Five Exported Products

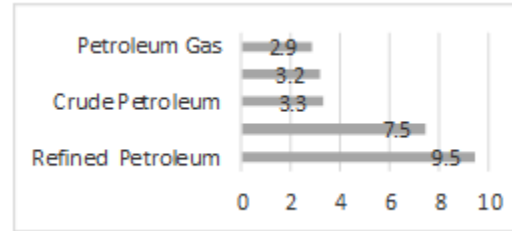


Figure6a: Egypt's Top Five Import Products

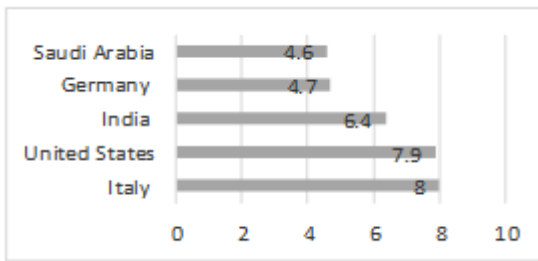


Figure6c: Egypt Top Five Export Destinations

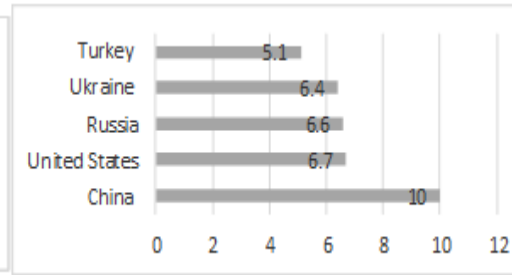


Figure6d: Egypt's Top Five Import Destinations

Intra-trade between Egypt and the OIC countries or North Arab countries is not as good as in China or the United States



## Morocco Major Imports, Exports and trading partners

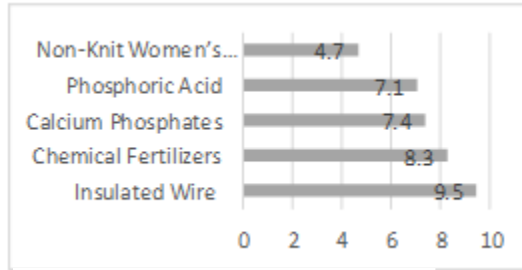


Figure 7a: Morocco Top Five Exported Products

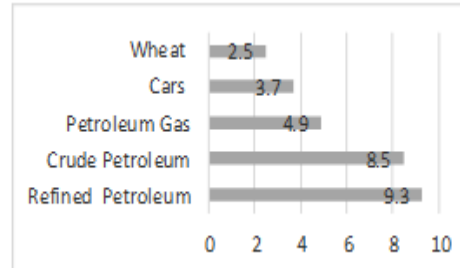


Figure 7b: Morocco's Top Five Imported Products

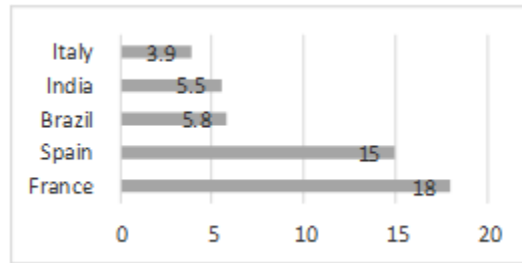


Figure 7c: Morocco's Top Five Export Destinations

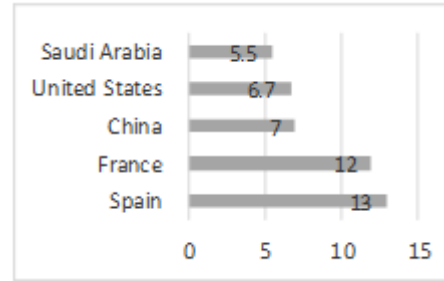


Figure 7d: Morocco's Top Five Import Sources

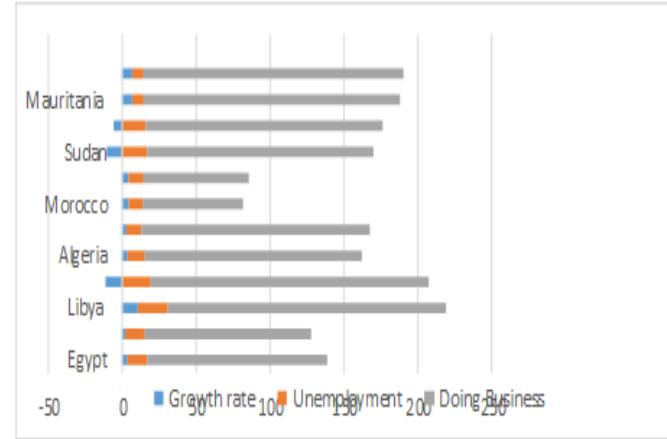
Morocco might be considered a Muslim country with weak trade linkages with OIC and its Arab and neighboring countries, except for KSA.

## Opportunities for Inter trade among North African countries

- The previous statistical evidence of North African countries' top major exports and imports are non-OIC
- The evidence also reflects that more of the international trade of the North African countries are primary commodities in the form of crude oil and import refineries petroleum plus other heavy equipment.
- These results might indicate that most North African countries lack the refineries and the capacity that constrain them from refining their crude oil locally even though they are considered major crude oil producers worldwide.
- The data also unexpectedly reflects that in some countries, although supposed to be the main contributor to agricultural products, wheat is among their five top imported products even outside OIC members.
- There are more intra-trade opportunities in North Africa that still need to be explored in many product categories. Particularly in agriculture and food products, such as in Sudan and Morocco.
- The opportunity of the intra trade between North Africa can be more useful if the countries encourage investment in oil refineries industries
- These countries hold very smooth access borders among them.

# Challenges for Inter trade among North African countries

- North African countries have not passed the ease of doing business index.
- The basic trade infrastructures might represent another major obstacle to promoting intra-trade among the North African countries
- Firms in most North African countries face high production costs due to poor access to production factors such as electricity, credit, skilled labor and other inputs
- Yet to ratify the intra-OIC trade agreements, the fundamental level of trade remains low, as that trade tariffs remain high on products of export interest to regional partners.
- Eliminating these trade barriers is certainly essential to boost intraregional trade among the members



## The Role of OBIC in Promoting Economic Integration among OIC MCs

- OBIC is expected to play a vital role in helping OIC MCs to facilitate economic integration by providing **timely and highly reliable quality** that might improve the business improvement among the MCs and strengthen their trade linkages in a good manner and lead to:
  - Improve trade linkages
    1. The opportunities to boom inter-regional business among OIC MCs
    2. Help in easing the challenges hindering inter-regional trade among OIC MCs
    3. High employment
    4. Help in achieving inclusive growth

### Challenges:

- The available data is old and limited
- Challenges: Data limitation
- Political linkages and will
- Civil wars and poor hard and soft infrastructures in most MCs

## OBIC PARTNERS





**Thank you**