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Executive Summary of the Study

Export Opportunities for the Arab-Africa Trade Bridges

Member of Islamic Development Bank Group
The Arab-Africa Trade Bridges is a regional trade promotion program that aims at addressing some of the challenges preventing the business communities in Arab countries and Sub-Saharan African (SSA) countries, members of the Organisation of Islamic Conference (OIC), from fully taking advantage of existing trade potentials within the region.

Trade integration among the Arab member states of the Organisation of Islamic Conference (OIC) is relatively strong. Yet, exports to Sub-Saharan African (SSA) OIC markets account for a tiny share of total exports of Arab OIC countries. Against this background, the present study aims at filling information gaps related to the export potential of Arab and SSA member states of the OIC by identifying products with high export growth potential and products for export diversification, while highlighting the most relevant exporters and markets.

1 Arab OIC members: Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates and Yemen.

OIC members in Sub-Saharan Africa: Benin, Burkina Faso, Cameroon, Chad, Comoros, Côte d’Ivoire, Djibouti, Gabon, Gambia, Guinea, Guinea-Bissau, Mali, Mauritania, Mozambique, Niger, Nigeria, Senegal, Sierra Leone, Somalia, Sudan (North + South), Togo and Uganda.
Situation with trade in OIC member states

Export destinations
Among the OIC members considered, two sub-regions can be identified, i.e. the Arab region (17 countries) and the SSA region (22 countries). There are large differences between the trade volumes and structures of these two regions. The 17 OIC members in the Arab region export US$ 1.06 trillion to the world (mineral fuels, their derivatives, and electricity accounting for 72% of this value), and thereby almost seven times the value of the 22 SSA OIC members (US$ 0.16 trillion, oil accounting for 70% of this value).

Even though values differ significantly, the share of exports destined to the OIC region is similar for the two sub-regions: 12% of Arab and 11% of SSA OIC countries’ total exports (incl. oil) are destined to OIC markets. Since oil is mostly exported to non-OIC markets, the share of intra-regional trade is larger when oil is excluded from the analysis, namely, 30% of Arab OIC members’ non-oil exports are currently destined to Arab OIC markets and only 3% of exports go to SSA OIC member states.

For SSA OIC countries, the situation is different: out of the 26% of non-oil exports destined to OIC markets, only 9% go to OIC markets in SSA. SSA exports to Arab OIC markets account for 17% of total OIC exports. Sudan – a member to GAFTA – alone accounts for one third of this volume of export.
Export products

In terms of products, exports of SSA OIC member states appear as more concentrated than those of Arab member states: the two largest export sectors combined account for 66.4% of the total export of goods from SSA OIC countries to the world, while Arab countries’ two largest sectors represent only 38% of their total exports to the world.

For both sub-regions, mineral products constitute the largest export sector. Exports of mineral products from Arab exporters to the OIC region amount to US$ 29.7 billion, while for the SSA region they amount to US$ 6.32 billion. This sector represents a bigger share of total goods exports to the OIC region for SSA countries (35%) than it does for Arab OIC member states (24%). Another sectors that appear in the top five for both regions are precious stones and jewellery, machinery, metals and chemicals sectors.

Export priorities of Arab and SSA OIC members

Differences can also be observed in the sectors that have been identified as export priorities in national development plans. Some sectors appear as priorities for countries in both regions; these are, for instance, the agro-processing industry and the textiles and garments sector. However, priorities for the SSA OIC country members are more inclined towards agricultural and extractive sectors, while Arab countries tend to give precedence to manufacturing sectors. Overall, OIC Arab countries identify a wider range of priority sectors.

For TOP-10 OIC Arab exporters the main priorities are the R&D sector, which includes biotechnology, telecommunications and information technology, and the chemical and pharmaceutical sector, which includes cosmetics and petrochemicals. For the SSA sub-region the most frequent priority sectors are fisheries and aquaculture, grains and cereals, including rice, soy and wheat, and other agriculture sectors, which include cocoa and tobacco.

Products with potential for the intra-OIC trade

The study identified significant intra-OIC untapped export potentials that give room to grow Arab export to the region by more than US$ 20 billion and SSA exports by US$ 1.5 billion. Moreover, the exclusion of oil and minerals, the dominant sector for both sub-regions’ exports, allowed putting the focus on sectors that usually involve more small- and medium-sized enterprises (SMEs) and therefore require more trade support.
Arab OIC countries’ products with potential for intra-OIC trade

The Arab OIC member states’ total unrealized export potential for intra-OIC trade amounts to US$ 20.1 billion, out of which 85.3% corresponds to markets in the Arab sub-region.

In the agricultural sector, the total export potential of Arab OIC member states amounts to US$ 13.8 billion. Most of this unrealized export potential can be found in Arab OIC markets where there is room for future export growth, but there are also opportunities to strengthen trade linkages with the SSA sub-region. Among the raw agricultural products, the five products with highest export potential include: onions, potatoes, rice, black tea, live animals. As for processed agricultural products with export potential from Arab exporters to the OIC region include cane or beet sugar, wheat flour, milk and cream, canned sardines and uncooked pasta. Processed cheese and blended fruit juices have high potential for intra-Arab exports in the OIC region.

The Arab sub-region has very significant export potential for processed manufacturing products, mainly within the Arab sub-region (where 86% of the untapped potential is found) and to a lesser degree in the SSA sub-region. The total intra-OIC
export potential for manufacturing products amounts to US$ 39.2 billion out of which 36.7% is yet to be tapped. This translates into an untapped potential in value terms of US$ 14.4 billion – three times the value of the agricultural sector.

The export potential for raw products of the manufacturing sector, however, is very limited, while bovine hides and skins are the only products with an export potential of more than US$ 10 million to the OIC region. Almost all opportunities to generate additional export revenues lie in the processed manufacturing sector. Polymers form the product group with highest potential for exports to the SSA sub-region. Naturally, this potential accrues to the oil-producing Gulf States of the Arab OIC region. Fed by a booming construction sector in some SSA countries, cement is the product with most scope for export growth to this sub-region. US$ 131 million of export potential are yet to be tapped. With regards to Arab exporters’ potential within the Arab region, jewellery stands out. Other products that show promising potential export revenues and that belong to sectors identified as priorities are pharmaceutical products as well as products of electrical and electronic industry (such as electric conductors).
Products for export diversification

Many Arab OIC countries feature relatively concentrated export baskets and, therefore, export diversification is considered among the priority trade policies. The listed products are selected taking into account demand and market access conditions in the OIC region and seem “easy” to reach given these countries’ current export basket. Products that were identified as promising for export diversification in, at least, three Arab OIC countries include:

- **010410** Live sheep
- **020421** Fresh or chilled sheep carcasses and half-carcasses (excluding lambs)
- **020441** Frozen sheep carcasses and half-carcasses (excluding lambs)
- **150710** Crude soja-bean oil, whether or not degummed
- **290941** 2,2’-Oxydiethanol "diethylene glycol, digol"
- **310230** Ammonium nitrate, whether or not in aqueous solution (excluding that in pellet or similar forms)
- **720221** Ferro-silicon, containing by weight > 55% of silicon
- **720310** Ferrous products obtained by direct reduction of iron ore, in lumps, pellets or similar forms
- **720390** Spongy ferrous products, obtained from molten pig iron by atomisation, iron of a purity of ≥ 99.94%, in lumps, pellets or similar forms
SSA OIC countries’ products with potential for intra-OIC trade

The total untapped export potential for SSA OIC countries’ within the OIC region amounts to almost US$ 1.5 billion, out of which two thirds may be realized in SSA markets and one third in Arab markets. The intra-OIC export potential of the agricultural sector in SSA OIC countries amounts to US$ 2.9 billion out of which 34.1% is yet to be tapped.

The highest export potentials are in raw agricultural products which SSA countries have traditionally exported to global markets; the export potentials of agro-processed products are considerably lower, however currently hardly tapped and thus offering interesting avenues for future export growth. Products with high export potential in the Arab sub-region comprise live animals, sesame seeds, coffee and cotton.

All of these products are already highly traded between the two regions and potential for future export growth is limited. In live sheep, 20% of the total potential remains untapped, corresponding to possible additional revenues worth US$ 96 million. Fishery products have much lower potential (all together around US$ 25 million) but may represent a sector where SSA OIC members could try to geographically diversify towards Arab OIC markets, who are currently hardly importing from SSA suppliers.
Almost the entire export potential for processed agricultural products is currently unused, meaning that SSA OIC countries have hardly tried in the past to sell transformed agricultural products to Arab OIC member states. Yet, there seems to be some demand, especially for sugar and cocoa-based products that SSA exporters, like Sudan, Uganda and Côte d’Ivoire could try to meet. Export potentials within the SSA OIC region are much higher and are found in different products: palm oil, soups, uncooked pasta and coffee essences.

Contrary to the case of Arab countries, SSA countries show similar levels of export potential in agricultural and manufacturing products: in fact, agricultural products tend to show larger export potentials than manufacturing ones. Products in this category have an export potential of US$ 1.2 billion out of which 44% is yet to be tapped. The study identified that SSA exporters have only four raw manufacturing products with an export potential to the OIC region above US$ 200,000. Raw hides and skins are the most important products with potential for several SSA exporters. Processed manufacturing products that show high levels of untapped export potential in the Arab sub-region comprise plywood, wood, sawn or chipped, and bars and rods of iron or non-alloy steel.
Products for export diversification

The products with promising diversification opportunities for, at least, five SSA countries include mostly raw agricultural products with the TOP -10 being:

020230 Frozen, boneless meat of bovine animals
020442 Frozen cuts of sheep, with bone in (excluding carcases and half-carcases)
020443 Frozen boneless cuts of sheep
030612 Frozen lobsters "Homarus spp.", even smoked, whether in shell or not
080131 Fresh or dried cashew nuts, in shell
080132 Fresh or dried cashew nuts, shelled
0803 Bananas, incl. plantains, fresh or dried
090240 Black fermented tea and partly fermented tea, whether or not flavoured, in immediate packings
0907 Cloves, whole fruit, cloves and stems
Summary of the recommendations

Based on the potential for intra-OIC trade identified by the study, the following recommendations to facilitate partnerships for trade, investment and technology transfer between the two regions emerge:

- Improve the business and investment climate in by strengthening public-private cooperation platform at regional level;
- Increase commercial and business exchanges between SMEs from both regions through awareness raising of available trade opportunities and activation of business networks;
- Strengthen capacity of Trade Support Institutions and SMEs on relevant export tools and trade intelligence;
- Explore the potential and support the development of inter-regional value chains in strategic economic sectors;
- Provide opportunities for trade finance and export credit insurance to exporters from both regions.
Summary results

Arab OIC countries find most export potentials in processed manufactured items, notably in polymers. Cement, iron/steel structures and prefabricated buildings emerge as high potential export products to feed the construction boom that is currently observed in some SSA countries. The agro-processing industry also has good chances for export growth in SSA markets: sugar cane, wheat flour, milk and cream, canned sardines and non-alcoholic beverages have high export potential that is not yet fully used.

SSA OIC countries have high and proven potential to export livestock, coffee, and sesame seeds to the Arab OIC region. These markets also offer some scope for growing exports of agro-processing goods, like cocoa-based products. The same holds for fishery products, currently mostly exported within the SSA sub-region. In manufacturing, wood processing may offer untapped opportunities along with iron or steel bars.
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