



**THE DEVELOPMENT OF TRADE
BETWEEN THE EUROPEAN COMMUNITY
AND THE ARAB LEAGUE COUNTRIES**

X/278/80-EN

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INTRODUCTION

This paper aims to analyse the trade relations between the European Community and the countries of the Arab League. The figures included in this paper cover all the countries of the Arab League, including Egypt whose membership of the organisation is currently suspended.

The geographic boundaries of the Arab World are set by the Mediterranean in the North, the Atlantic in the West and the Gulf in the East, and it extends, with Sudan and Somalia as the southern-most points, as far as the equator.

Unlike its culture, the geological characteristics, population density and economies of the Arab League countries differ greatly. Population density is highest in the Maghreb and Mashreq ¹⁾ countries. Population figures are shown in table 1 .

Per capita income of the Arab League countries is closely related to resource endowment. One can distinguish between the oil exporting countries, particularly the Gulf states and Libya which enjoy some of the world's highest per capita revenues, and other countries which are less fortunate in their mineral resource endowment. These range amongst the poorest in the world. At present, the countries without substantial mineral resources are the Arab Republic of Yemen (North Yemen) and the People's Democratic Republic of Yemen (South Yemen), Sudan, Egypt, Somalia and tiny Jibuti. Some other economies like Mauritania, Morocco, Tunisia and Jordan rely to a great extent on mineral resources other than petroleum. The latter three, like Egypt and Algeria, have also more diversified economic structures with important agricultural sectors and a diversified if limited industrial base. Thus, the Arab League can hardly be viewed as an economic entity as homogeneous as the European Community.

1) For regional sub-divisions of the Arab League, see Glossary or Table 1.

TABLE 1

POPULATION AND PER CAPITA INCOME OF ARAB LEAGUE COUNTRIES

	POPULATION ¹ 1978 '000s	PER CAPITA GNP ¹ 1978 US Dollar
<u>MAGREBI COUNTRIES</u>	42 665	
Morocco	18 914	670
Algeria	17 701	1 260
Tunisia	6 050	950
<u>MASHREI COUNTRIES</u>	52 770	
Egypt	38 686	400
Lebanon	3 011	n.a.
Syria	8 088	930
Jordan	2 985	1 050
<u>GULF STATES AND LIBYA</u>	23 124	
Libya	2 745	6 910
Iraq	12 216	1 860
Saudi Arabia	7 870	8 040
Kuwait	1 212	14 890
Bahrain	368	4 100 ⁽²⁾
Qatar	223	12 740
United Arab Emirates	804	14 230
Oman	839	2 570
North Yemen (Arab Rep.)	5 098	580 ⁽²⁾
South Yemen (Peoples' Rep)	1 749	420 ⁽²⁾
<u>NON MEDITERRANEAN AFRICAN COUNTRIES</u>	22 998	
Sudan	17 390	320 ⁽²⁾
Mauritania	1 545	270
Jibuti	320	450 ⁽²⁾
Somalia	3 743	130
TOTAL ARAB LEAGUE	141 557	

Source : 1) Preliminary estimate of the World Bank, 1979 World Bank Atlas.
Per capita GNP is rounded to the nearest \$ 10.

2) Tentative estimates of the World Bank.

THE ARAB LEAGUE'S POSITION IN WORLD TRADE

Arab League shares in world exports and imports

Over the past decade the Arab League countries have become increasingly important actors in world affairs and in the international economy in particular. This fact is clearly reflected in the League's increasing shares of world trade and especially in world exports, where the League's share rose from 4 per cent in 1970 (and 4.5 per cent in 1973) to an average of 8.5 per cent for the period 1974-1978 after the effects of the oil price explosion made themselves fully felt. (see table 2).

TABLE 2

THE ARAB LEAGUE'S SHARE OF WORLD TRADE
(in per cent)

	1973	1974	1975	1976	1977	1978	
Exports	4.5	9.2	8.3	9.0	8.8	7.4	%
Imports	2.6	3.3	4.4	4.4	5.4	5.9	%

Source : EUROSTAT

The pattern of Arab League Exports

In current dollar values, Arab League exports to the world rose nearly four-fold between 1973 and 1978 (table 3a).

TABLE 3a

THE ARAB LEAGUE'S EXPORTS TO THE WORLD
(million US dollars)

	1973	1974	1975	1976	1977	1978
ARAB LEAGUE ⁽¹⁾	25 877	76 645	72 037	88 843	98 960	97 050
Maghreb Countries	3 228	7 315	7 099	7 383	8 068	9 010
Mashreq Countries	2 141	3 917	3 649	3 348	3 755	4 859
Non Mediterranean, African Countries	638	594	727	855	944	905
Gulf States and Libya	19 870	64 819	60 561	77 257	86 193	82 276

1) Excluding Jibuti

Source : EUROSTAT

The main reason for this impressive growth is of course oil revenues.

Crude oil makes up around 90 per cent of Arab League exports, and both size and growth of export revenue are most marked for oil exporting Arab League countries. The exporting group second to the Gulf in importance is the Maghreb region, with Algerian oil accounting for a substantial part of the region's total exports. Growth of export revenue has been less substantial for the Mashreq and for the non-mediterranean African countries it has in fact been negative if the effects of high world inflation on real export values are taken into account. The latter's share in world exports has actually declined, although this does not show in the rounded figures of table 3b due to the minute volume of those countries' trade.

TABLE 3b

ARAB LEAGUE COUNTRIES' EXPORTS AS A PERCENTAGE OF WORLD EXPORTS

	1973	1974	1975	1976	1977	1978
Maghreb Countries	0.6	0.9	0.8	0.7	0.7	0.7
Mashreq Countries	0.4	0.5	0.4	0.3	0.3	0.4
Non Mediterranean African Countries ¹⁾	0.1	0.1	0.1	0.1	0.1	0.1
Gulf States and Libya	3.4	7.8	6.9	7.8	7.7	6.3

1) Excluding Jibuti

Source : EUROSTAT

The bulk of Arab League exports comes from oil states of the Gulf and Libya (table 4). Their share of the total has risen over the period under review, while that of the Mediterranean countries fell from 20.8 per cent in 1973 to 14.3 per cent in 1978.

TABLE 4

SHARE OF GROUPS OF COUNTRIES IN TOTAL ARAB LEAGUE EXPORTS
(per cent)

	1973	1974	1975	1976	1977	1978
Maghreb Countries	12.5	9.5	9.9	8.3	8.2	9.3
Mashreq Countries	8.3	5.1	5.1	3.8	3.8	5.0
Non Mediterranean African Countries ¹⁾	2.5	0.8	1.0	1.0	1.0	0.9
Gulf States and Libya	76.8	84.6	84.1	87.0	87.1	84.8
TOTAL ARAB LEAGUE ¹⁾	100	100	100	100	100	100

1) Excluding Jibuti

Source : EUROSTAT

The pattern of Arab League Imports

The imports of the Arab League are more evenly distributed among the different groups of countries than is the case for their exports.

TABLE 5a

THE ARAB LEAGUE'S WORLD IMPORTS
(million US dollars)

	1973	1974	1975	1976	1977	1978
ARAB LEAGUE ¹⁾	15 559	28 350	38 892	44 992	62 577	79 180
Maghreb Countries	4 236	7 292	10 001	9 482	12 305	13 622
Mashreq Countries	3 105	6 525	8 612	8 111	10 820	12 841
Non Mediterranean ¹⁾ African Countries	661	960	1 427	1 390	1 625	1 996
Gulf States and Libya	7 557	13 574	19 853	26 009	37 828	50 722

1) Excluding Jibuti

Source : EUROSTAT

The Maghreb and Mashreq countries had, with a figure of 1.2 per cent, approximately the same share of world imports as the Gulf States and Libya in 1973. By 1978, while the share of the Gulf States had risen to 3.8 per cent of total world imports, the share of the Maghreb and Mashreq countries remained constant at 2 per cent of the world total (see table 5b).

TABLE 5b

ARAB LEAGUE COUNTRIES' IMPORTS AS A PERCENTAGE OF WORLD IMPORTS

	1973	1974	1975	1976	1977	1978
Maghreb Countries	0.7	0.9	1.1	0.9	1.1	1.0
Mashreq Countries	0.5	0.8	1.0	0.8	0.9	1.0
Non Mediterranean ¹⁾ African Countries	0.1	0.1	0.2	0.1	0.1	0.1
Gulf States and Libya	1.3	1.6	2.2	2.6	3.3	3.8

1) Excluding Jibuti

Source : EUROSTAT

The narrower differential in import shares between the regions of the Arab League is even more clearly reflected in table 6.

Though they accounted for 85 per cent of all Arab League exports in 1978, the Gulf States and Libya took only 64 per cent of imports. It was only in 1976 that the Gulf region overtook the Maghreb and Mashreq as a bigger export market for the industrialised world. Hitherto, the Maghreb and Mashreq states, which account for 70 per cent of the population of the Arab League countries as a whole, accounted for a larger share of total imports.

TABLE 6

SHARE OF GROUPS OF COUNTRIES IN TOTAL ARAB LEAGUE IMPORTS
(per cent)

	1973	1974	1975	1976	1977	1978
Maghreb Countries	27.2	25.7	25.1	21.1	19.7	17.2
Mashreq Countries	20.0	23.0	21.6	18.0	17.3	16.2
Non Mediterranean ¹⁾ African Countries	4.3	3.4	3.6	3.1	2.6	2.5
Gulf States and Libya	48.6	47.9	49.8	57.8	60.4	64.1
TOTAL ARAB LEAGUE ≈	100	100	100	100	100	100

1) Excluding Jibuti

Source : EUROSTAT

Evolution of Arab League Trade

The year by year evolution of Arab League imports and exports can be seen from table 7.

TABLE 7

RATES OF CHANGE OF ARAB LEAGUE EXPORTS AND IMPORTS
(percentage change over previous year)

	1974	1975	1976	1977	1978
Arab League Exports	+196.2	-6.0	+23.3	+11.4	-1.9
Arab League Imports	+82.2	+40.7	+12.8	+39.1	+26.5
World Exports	+44.8	+4.4	+13.3	+13.6	+16.5

Source : EUROSTAT

On the export side, the 1974 figure reflects the four-fold increase in oil prices. In 1975, world demand for oil dipped because of slow economic growth, bringing about a drop in absolute terms in oil revenues over the previous year. Though oil prices rose over subsequent years, the price rises were barely enough to keep pace with world inflation and the dollar's depreciation. The yearly changes in Arab League exports reflect again the dominance of oil, which explains the sporadic behaviour of Arab export revenue. For the sake of comparison, the yearly changes in the value of world exports are also shown in the table.

After another real decline in 1978, exports of the League in 1979, similar to EC imports from the Arab world which experienced an increase of nearly 40 per cent, will again be considerably up over the previous year. This is due to the doubling of crude oil prices in the wake of events in Iran.

In contrast to exports, Arab League imports remained on a continuously upward trend during the 1973 to 1978 period. Imports increased, as shown by the index in table 8, five-fold or twice as fast as world trade, while exports rose by less than 400 per cent over this period .

TABLE 8

INDEX OF ARAB LEAGUE TRADE WITH THE WORLD
1973 = 100

	1974	1975	1976	1977	1978
Imports	182	256	289	402	509
Exports	296	278	343	382	375
World Trade *	145	151	171	195	227

* World exports

Source : EUROSTAT and UNCTAD Handbook of International Trade and Development Statistics 1979

Trade balances

Despite the massive growth in imports, the Arab League as a whole still had a considerable trade surplus (table 9) of 18 billion dollars in 1978. Imports totalled 79 billion and exports 97 billion.

TABLE 9

THE ARAB LEAGUE'S TRADE SURPLUS
(billion US dollars)

	1973	1974	1975	1976	1977	1978
\$	10.3	48.3	32.1	43.9	36.4	17.9

Source : EUROSTAT

The trade balance of the Arab League as a whole hides the fact that only the Gulf states and Libya have a continuous surplus, while the Maghreb, Mashreq and non-Mediterranean countries are in deficit (approximately 14 billion dollars in 1978).

For the Arab League's trading partners, the oil exporters' surplus became more manageable for a time : if the effects of inflation are added to the absolute decline in the surplus of the Arab League, a very important reduction had occurred. This together with a more effective recycling of "petrodollars" had relieved the strain on the international economic system by 1978. In 1979 and in 1980 the situation will be much worse again.

The Arab League's main trading partners

The breakdown by region of Arab League trade is given in table 10. The EC, the United States and Japan took nearly 68 per cent of the League's exports and provided an equivalent share of the League's imports. Intra-Arab League trade accounts for another 5 per cent of total imports and exports, with the remaining quarter being traded with other regions.

TABLE 10

IMPORTANCE OF MAJOR TRADING GROUPS IN ARAB LEAGUE IMPORTS AND EXPORTS
(per cent)

	EXPORT		IMPORT	
	1972	1977	1972	1977
World	100	100	100	100
EC	51.3	35.0	42.7	43.9
Germany	8.1	6.8	8.0	11.6
France	12.6	9.4	12.8	10.0
Italy	11.4	7.6	7.9	8.5
Netherlands	7.4	3.9	2.7	2.6
Belgium/Luxemb.	2.1	1.7	2.1	2.5
United Kingdom	9.0	4.6	8.6	7.8
Ireland	0.3	0.2	0.1	0.2
Denmark	0.5	0.2	0.6	0.6
Greece	1.0	0.7	0.5	1.0
Portugal	0.5	0.4	0.1	0.1
Spain	3.6	3.2	1.6	2.0
USA	4.2	17.0	9.7	11.7
Japan	9.6	15.5	6.6	12.3
Eastern Bloc	6.0	1.7	11.1	4.6

Source : EUROSTAT figures based on IMF data

Since 1972, some changes in the patterns of trade have come about. Though the EC was still the biggest market for Arab League exports, its share had declined by 16 per cent in the five years from 1972 to 1977, while that of Japan and especially the USA had increased. On the import side, the European Community kept a constant share of the Arab market, Japan nearly doubled its share, while the share of Arab League trade with the Eastern Bloc experienced a sharp decline.

EURO-ARAB TRADE

Value and source by major regions of EC imports from the Arab League

The Arab League's share of the EC's imports from the rest of the world was up from 14 per cent in 1972 to 22 per cent during the 1974 oil crisis and stood at nearly 19 per cent in 1979. With 90 per cent of the Community's imports from the League consisting of fuels, this increase is accounted for by the growth in the value of oil producers' exports to the Community.

Most of the European Community's imports from the Arab League originate, as can be seen from tables 11a and 11b, from the Gulf region. Imports from both the Gulf states and Libya as well as from the Arab League as a whole have increased by more than four times since 1972.

TABLE 11a

EC IMPORTS FROM THE ARAB LEAGUE
(million EUA)

	1972	1973	1974	1975	1976	1977	1978	1979
Maghreb and Mashreq Countries	1 682	2 225	4 176	4 057	4 786	4 849	4 919	6 432
Gulf States and Libya	7 502	9 587	24 766	20 672	26 735	27 520	24 330	33 877
Non Mediterranean African Countries	202	238	284	311	376	363	309	315
TOTAL ARAB LEAGUE	9 387	12 042	29 227	25 039	31 897	32 732	29 558	40 624

Source : EUROSTAT : Monthly External Trade Bulletin, various issues.

EC IMPORTS FROM THE ARAB LEAGUE AS A PERCENTAGE OF TOTAL EC IMPORTS ¹⁾

	1972	1973	1974	1975	1976	1977	1978	1979
Maghreb and Mashreq Countries	2.6	2.6	3.2	3.2	3.0	2.8	2.8	2.9
Gulf States and Libya	11.4	11.4	18.9	16.5	16.8	16.0	13.6	15.5
Non Mediterranean African Countries	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.1
TOTAL ARAB LEAGUE	14.3	14.3	22.3	20.0	20.0	19.1	16.6	18.6

1) Extra EC trade.

Source : EUROSTAT : Monthly External Trade Bulletin, various issues.

Major Arab League suppliers of the EC

Saudi Arabia alone accounted for 35 per cent of EC imports from the Arab League in 1979 (28 per cent in 1972). Other major Arab suppliers, with shares exceeding 5 per cent of total EC imports from the League are all oil exporters. Saudi Arabia and other major oil exporters stepped up oil production in 1979 to make up for the shortfall in petroleum supplies caused by the temporary halt, and the subsequent lower output of Iran. Though the 1979 shares of the oil producers may thus be slightly higher than they would have been in the absence of the Iranian revolution, a growing importance of the Gulf at the "expense" of the Mashreq and non-Mediterranean African countries is clearly discernable.

TABLE 12

MAJOR ARAB LEAGUE SUPPLIERS OF THE EC
1972 and 1979

EC IMPORTS FROM :	million EUA		%	
	1972	1979	1972	1979
TOTAL ARAB LEAGUE	9 387	40 624	100	100
MAGHREB COUNTRIES	1 386	4 576	14.8	11.3
Algeria	765	2 764	8.1	6.8
MASHREQ COUNTRIES	296	1 856	3.2	2.1
GULF STATES AND LIBYA	7 502	33 877	80.0	83.4
Libya	1 676	4 876	17.9	12.0
Iraq	676	5 969	7.2	14.7
Saudi Arabia	2 632	14 260	28.0	35.1
Kuwait	1 599	4 527	17.0	11.1
United Arab Emirates	467	3 119	5.0	7.7
NON MEDITERRANEAN AFRICAN COUNTRIES	202	315	2.2	0.8

Source : EUROSTAT : Monthly External Trade Bulletin, various issues.

Composition of EC imports from the Arab League

The composition of EC imports from the League is shown in table 13. Compared with the preponderance of oil, other imports amount to only 10 percent. Food, raw materials and manufactures account for sizeable portions of EC imports from the Arab world and originate in the Maghreb, Mashreq and non-Mediterranean African countries. Total fuel imports of the Community cost nearly 27 billion European units of account (approximately 34 billion dollars) in 1978. Of these, only 750 million were refined petroleum products, half of which came from Kuwait and Saudi Arabia. Natural gas, mainly from Algeria, was worth just over EUA 500 million.

TABLE 13

EC IMPORTS FROM THE ARAB LEAGUE BY PRODUCT CATEGORIES
1978
(million EUA and per cent)

	FOOD (SITC 0+1)	FUELS (SITC 3)	RAW MATERIALS (SITC 2+4)	CHEMICALS (SITC 5)	MACHINERY (SITC 7)	HANUFACTURES (SITC 6+8)
Gulf States and Libya (SITC 0-9=100%)	9 0%	23 161 95.2%	18 0.1%	21 0.1%	173 0.7%	45 0.2%
Maghreb, Mashreq and Non-Mediterra- nean African Countries 1) (SITC 0-9=100%)	531 10.2%	3 242 62.1%	774 14.8%	120 2.3%	64 1.2%	475 9.1%
TOTAL ARAB LEAGUE (SITC 0-9=100%)	540 1.8%	26 403 89.3%	792 2.7%	141 0.5%	237 0.8%	520 1.8%

1) Excluding Jibuti

Source : EUROSTAT : EC Trade with the ACP States, 2/1980 and Supplement to the Monthly External Trade Bulletin 6/1979.

Next in importance to oil and gas are other raw materials from the non-oil exporting countries, accounting for significant shares in the Maghreb's and Mashreq's trade : phosphates from Morocco and cotton from Egypt, Sudan and Syria as well as iron ore mostly from Mauritania. These products account for approximately 500 million EUA. Machinery worth 380 million was also imported from the League, a major part from Saudi Arabia. Finally, the Maghreb and Mashreq export some 400 millions EUA worth of foodstuffs to the EC, mainly fruits and vegetables, and also textiles and clothing (300 million EUA in 1978).

Importance of the Arab League to the EC as a source of supply

The importance of the Arab League as a source of supply for the Community in the various categories of traded goods is represented in table 14a and 14b. Though substantial in its shares of the EC total imports, the Arab League has only a small part in EC imports of product categories other than petroleum.

TABLE 14a

EC IMPORTS FROM THE ARAB LEAGUE BY PRODUCT CATEGORIES AS
A PERCENTAGE OF EC WORLD IMPORTS ¹⁾
1978

FOOD (SITC 0+1)	FUELS (SITC 3)	RAW MATERIALS (SITC 2+4)	CHEMICALS (SITC 5)	MACHINERY (SITC 7)	MANUFACTURES (SITC 6+8)	TOTAL
2.3	57.7	3.6	1.6	0.8	1.2	16.6

1) Excluding Intra-EC trade

Source : EUROSTAT : EC Trade with the ACP States, 2/1980

TABLE 14b

EC IMPORTS FROM THE ARAB LEAGUE BY INDIVIDUAL PRODUCT CATEGORIES AS
A PERCENTAGE OF EC IMPORTS FROM DEVELOPING COUNTRIES
1978

FOOD (SITC 0+1)	FUELS (SITC 3)	RAW MATERIALS (SITC 2+4)	CHEMICALS (SITC 5)	MACHINERY (SITC 7)	MANUFACTURES (SITC 6+8)	TOTAL
4.3	71.6	11.1	23.3	11.7	4.9	41.6

Source : EUROSTAT : EC trade with the ACP States, 2/1980

Within the overall product categories some individual items account for larger shares of total Community imports (see table 15). These are fertilizers - mainly Moroccan phosphates, cotton from the Mashreq and Sudan, and Mediterranean-type fruit and vegetables competing with the produce of southern European countries.

TABLE 15

SHARES OF THE ARAB LEAGUE IN EC MAIN PRODUCT IMPORTS
1978
(million EUA)

Products	from world	of which from Arab League
Crude petroleum	37 682	69.5%
Natural gas	1 044	26.3%
Fertilizers	1 134	22.4%
Petroleum products	4 225	17.8%
Cotton	885	17.4%
Vegetables	1 336	10.6%
Dried fruit	2 834	5.9%
Iron ores and concentrates	1 724	5.4%
Clothing	5 286	4.0%
Textiles	4 225	3.0%
Food	10 024	2.1%
Machinery	26 129	1.5%

Source : Study by "Istituto di scienze statistiche e matematiche" of Milan University and published by Eurostat in "EC trade with the ACP states and the South Mediterranean states (n° 1-1980).

Some of the main Arab League exporters of industrial goods were able to increase their sales of manufactures to the EC by a much higher percentage than their total exports. This can be seen from table 16a. Consequently, the share of industrial goods in total EC imports from these countries has risen considerably (see table 16b). Syria and Algeria are exceptions, although in both cases the proportional fall in industrial exports is due to the relative increase in oil exports.

TABLE 16a

INDEX OF EC IMPORTS OF INDUSTRIAL GOODS ¹⁾
FROM SELECTED ARAB LEAGUE COUNTRIES
1973 = 100

	Total EC imports 1979	EC imports of industrial goods 1979
Morocco	177	394
Algeria	262	100
Tunisia	422	1 041
Egypt	624	648
Syria	587	260
Saudi Arabia	392	1 943

1) SITC sections 6,7 and 8

Source : EUROSTAT : Supplement to the Monthly External Trade Bulletin,
9/1975 and 5/1980

TABLE 16b

SHARE OF INDUSTRIAL GOODS ¹⁾ IN EC IMPORTS FROM
SELECTED ARAB LEAGUE COUNTRIES
in percent
1973 and 1979

	1973	1979
Morocco	9.7	21.6
Algeria	2.6	1.0
Tunisia	15.3	37.8
Egypt	12.1	12.5
Syria	3.6	1.6
Saudi Arabia	0.3	1.6

1) SITC sections 6,7 and 8

Source : EUROSTAT : Supplement to the Monthly External Trade Bulletin
9/1975 and 5/1980

Destination of Arab League exports to the EC

The destination of Arab League exports to the Community is given in tables 17a and 17b. The two biggest EC customers of the League are France and Italy, which together take more than half of all EC imports from the Arab World. The role of the different Arab League members as suppliers to individual EC member states can vary widely. Germany is on an equal footing with Italy and France as an importer from Maghreb and Mashreq countries, and Italy is by far the most important customer of non-Mediterranean African countries.

TABLE 17a

EC MEMBERSTATES' IMPORTS FROM THE ARAB LEAGUE
1979
(million EUA)

	Maghreb Countries	Mashreq Countries	Gulf States and Libya	Non Mediterranean African Countries	Arab League
Germany	1 570	247	5 497	42	7 356
France	1 525	261	8 806	81	10 675
Italy	782	1 072	8 405	126	10 385
Netherlands	249	68	3 836	3	4 156
Belgium/Luxembourg	216	30	2 306	23	2 575
United Kingdom	204	165	4 605	37	5 011
Ireland	7	0	152	0	159
Denmark	22	9	264	2	297

Source : EUROSTAT : Monthly External Trade Bulletin ,n° 4/1980

TABLE 17b

MEMBERSTATES' SHARES IN EC IMPORTS FROM THE ARAB LEAGUE
1979
(per cent)

	Maghreb and Mashreq Countries	Gulf States and Libya	Non Mediterranean African Countries	Arab League
Germany	28.2	16.2	13.3	18.1
France	27.8	26.0	25.7	26.3
Italy	28.8	24.8	40.0	25.6
Netherlands	4.9	11.3	1.0	10.2
Belgium/Luxamb.	3.8	6.8	7.3	6.3
United Kingdom	5.7	13.6	11.7	12.3
Ireland	0.1	0.4	0.0	0.4
Denmark	0.5	0.8	0.6	0.7
European Community	100%	100%	100%	100%

Source : EUROSTAT : Monthly External Trade Bulletin , n° 4/1980

The Arab League's share in Member States' imports

Imports from the Arab League vary in importance in member states' total trade (table 18). Italy has the highest level of import penetration by Arab League countries followed by France. For the other members of the European Community, the total value of imports from the League is considerably lower.

TABLE 18

THE ARAB'S LEAGUE SHARE IN INDIVIDUAL MEMBER STATES' IMPORTS
1979

	% of imports from world (1)	% of total extra EC imports	% of imports from developing countries
Germany	6.3	12.5	34.6
France	13.7	27.4	56.1
Italy	18.3	32.8	65.9
Netherlands	8.5	19.4	39.8
Belgium/Luxemb.	5.8	17.8	41.7
United Kingdom	6.7	11.3	36.5
Ireland	2.2	9.0	36.7
Denmark	2.2	4.4	20.7

Source : EUROSTAT, Monthly External Trade Bulletin, n° 4/1980

(1) Including Intra-EC trade

EC Exports to the Arab League

The Arab League countries' growing importance as an export market for the Community is shown in tables 19a and 19b.

The share of exports to the League in the Community's total more than doubled between 1972 and 1979. Such a dramatic change within a short period of time is unparalleled. The Gulf States and Libya were, in 1979, three times more important as an outlet for European exports than in 1972. Exports to the Maghreb and Mashreq also rose considerably.

TABLE 19a

EC EXPORTS TO THE ARAB LEAGUE
(million EUA)

	1972	1973	1974	1975	1976	1977	1978	1979
Maghreb and Mashreq Countries	2 450	3 256	5 612	7 342	8 018	9 700	9 699	11 454
Gulf States and Libya	1 723	2 232	4 587	7 433	10 450	13 041	14 459	17 108
Non Mediterranean African Countries	190	239	364	507	610	778	766	732
TOTAL ARAB LEAGUE	4 363	5 728	10 563	15 283	19 078	23 519	24 924	29 294

Source : EUROSTAT : Monthly External Trade Bulletin, various issues

TABLE 19b

EC EXPORTS TO THE ARAB LEAGUE AS A PERCENTAGE OF TOTAL EXTRA EC EXPORTS

	1972	1973	1974	1975	1976	1977	1978	1979
Maghreb and Mashreq Countries	3.7	4.0	4.9	6.1	5.7	5.9	5.6	5.9
Gulf States and Libya	2.6	2.8	4.0	6.1	7.4	7.9	8.3	8.8
Non Mediterranean African Countries	0.3	0.3	0.3	0.4	0.4	0.5	0.4	0.4
TOTAL ARAB LEAGUE	6.6	7.1	9.2	12.6	13.5	14.3	14.3	15.1

Source : EUROSTAT : Monthly External Trade Bulletin : various issues and Special Issue 1956-1979

Major Arab League clients of the EC

There has been a shift of emphasis in the relative importance of the individual Arab League countries as markets for EC exports (table 20).

TABLE 20

THE EUROPEAN COMMUNITY'S MAJOR ARAB LEAGUE CLIENTS
1972 and 1979
(million EUA and per cent)

EC EXPORTS TO :	million EUA		%	
	1972	1979	1972	1979
TOTAL ARAB LEAGUE	4 363	29 294	100	100
MAGHREB COUNTRIES	1 574	6 726	36.1	23.0
Morocco	365	1 677	8.4	5.7
Algeria	938	3 816	21.5	13.0
Tunisia	271	1 233	6.2	4.2
MASHREQ COUNTRIES	877	4 728	20.1	16.1
Egypt	276	2 324	6.3	7.9
Lebanon	382	819	8.8	2.8
GULF STATES AND LIBYA	1 723	17 108	39.5	58.4
Libya	648	3 387	14.9	11.6
Iraq	217	2 667	5.0	9.1
Saudi Arabia	320	6 392	7.3	21.8
United Arab Emirates	106	1 790	2.4	6.1
NON MEDITERRANEAN AFRICAN COUNTRIES	190	732	4.4	2.5

Source : EUROSTAT : Monthly External Trade Bulletin, various issues

While in 1972 the Maghreb and Mashreq took 56 per cent of all Community exports to the League, exports to the Gulf states and Libya are now more important in value. Algeria, for example, has given up its position as the main EC client to Saudi Arabia. Nonetheless, EC exports are more evenly distributed among the different regions of the League than are its imports. In 1979, 40 per cent of Community exports went to the Maghreb and Mashreq, while only 12 per cent of all EC imports came from these countries.

Composition of EC exports to the Arab League

The product structure of European exports shows that the Arab world receives industrial goods, mainly capital goods essential for the Arab countries' future development, in exchange for their raw materials and agricultural products. Machinery, transport equipment and other manufactures make up some 80 per cent of total EC exports (table 21). Food and chemical exports, with a share of 15 per cent, are also important.

TABLE 21

EC EXPORTS TO THE ARAB LEAGUE BY PRODUCT CATEGORIES
1978
(million EUA and per cent)

	FOOD (SITC 0+1)	FUELS (SITC 3)	RAW MATERIALS (SITC 2+4)	CHEMICALS (SITC 5)	MACHINERY (SITC 7)	MANUFACTURES (SITC 6+8)
Gulf States and Libya (SITC 0-9=100%)	1 042 7.2%	138 1.0%	94 0.7%	745 5.2%	7 051 48.8%	4 741 32.8%
Maghreb, Mashreq and Non Mediterrane- an African Countries (SITC 0-9=100%)	1 040 10.0%	370 3.5%	209 2.0%	923 8.9%	4 918 47.2%	2 832 27.2%
TOTAL ARAB LEAGUE (SITC 0-9=100%)	2 082 8.4%	508 2.0%	303 1.2%	1 668 6.7%	11 969 48.1%	7 573 30.4%

Source : EUROSTAT : EC Trade with the ACP states, 2/1980 and Supplement to the Monthly External Trade Bulletin 6/1979

The significance of exports to the Arab League by product categories in the EC's total sales of those products is illustrated in tables 22a and 22b. It can be seen from the latter table that the structure of exports to the League are typical of EC exports to developing countries in general.

TABLE 22a

EC EXPORTS TO THE ARAB LEAGUE BY PRODUCT CATEGORIES AS
A PERCENTAGE OF EC WORLD EXPORTS ¹⁾
1978

FOOD (SITC 0+1)	FUELS (SITC 3)	RAW MATERIALS (SITC 2+4)	CHEMICALS (SITC5)	MACHINERY (SITC 7)	MANUFACTURES (SITC 6+8)	TOTAL
18.2	7.2	7.7	8.2	16.6	13.8	14.3

1) Intra-EC trade is excluded

Source : EUROSTAT : EC Trade with the ACP States, 2/1980

TABLE 22b

EC EXPORTS TO THE ARAB LEAGUE BY PRODUCT CATEGORIES AS
A PERCENTAGE OF EC EXPORTS TO DEVELOPING COUNTRIES
1978

FOOD (SITC 0+1)	FUELS (SITC 3)	RAW MATERIALS (SITC 2+4)	CHEMICALS (SITC 5)	MACHINERY (SITC 7)	MANUFACTURES (SITC 6+8)	TOTAL
38.8	36.4	30.7	23.6	38.3	40.9	37.4

Source : EUROSTAT : EC Trade with the ACP States, 2/1980

Members states' exports to the Arab League

The nominal values of individual member states' exports to the Arab League are given in table 23a and are expressed as percentages in table 23b. Germany, France and Italy each sell more than a fifth of all EC exports to the League. France is the major exporter to the Maghreb and Mashreq; the United Kingdom, with few exports to these countries, has a substantial share in exports to the Gulf and non-Mediterranean African countries. Both the U.K. and Germany have higher shares in EC exports to the League than in EC imports from the Arab countries.

TABLE 23a

EC COUNTRIES' EXPORTS TO THE ARAB LEAGUE

1979
(million EUA)

	Maghreb Countries	Mashreq Countries	Gulf States and Libya	Non Mediterranean African Countries	Arab League
Germany	1 334	1 168	4 300	103	6 905
France	3 002	1 118	2 697	172	6 989
Italy	1 221	1 057	3 907	147	6 332
Netherlands	261	271	1 131	41	1 704
Belgium/Luxemb.	522	270	828	50	1 670
United Kingdom	320	747	3 866	211	5 144
Ireland	29	23	74	2	126
Denmark	36	72	302	8	418

Source : EUROSTAT : Monthly External Trade Bulletin, 4/1980

Table 23b

MEMBERSTATES' SHARES IN EC EXPORTS TO THE ARAB LEAGUE

1979
(per cent)

	Maghreb and Mashreq Countries	Gulf States and Libya	Non Mediterranean African Countries	Arab League
Germany	21.8	25.1	14.1	23.6
France	36.0	15.8	23.5	23.9
Italy	19.9	22.8	20.1	21.6
Netherlands	4.6	6.6	5.6	5.8
Belgium/Luxemb.	6.9	4.8	6.8	5.7
United Kingdom	9.3	22.6	28.8	17.6
Ireland	0.5	0.4	0.3	0.4
Denmark	0.9	1.8	1.1	1.4
European Community	100	100	100	100

Source : EUROSTAT : Monthly External Trade Bulletin, 4/1980

The Arab League countries are most important as export markets for Italy, followed by France (table 24). With the exception of these two countries, the League accounts for between 30 per cent and 40 per cent of the exports of other member states to developing countries. These shares are essentially in line with the share which the Arab League has in individual member states' imports as given in table 18 above.

TABLE 24

IMPORTANCE OF THE ARAB LEAGUE AS AN EXPORT MARKET FOR EC MEMBER STATES
1979

	% of exports (1) to world	% of total extra EC exports	% of exports to developing countries
Germany	5.5	10.7%	38.6%
France	9.8	20.7%	43.6%
Italy	12.0	23.8%	58.4%
Netherlands	3.7	13.4%	35.7%
Belgium/Luxemb.	4.1	14.9%	39.0%
United Kingdom	7.8	13.4%	36.1%
Ireland	2.5	10.9%	31.4%
Denmark	3.9	7.7%	34.6%

Source : EUROSTAT : Monthly External Trade Bulletin , 4/1980

(1) Including Intra-EC trade

EC Arab League balances

The Community's balance of trade with the Arab League and its member countries is summarised in table 25.

TABLE 25

EC BALANCE OF TRADE WITH THE ARAB LEAGUE
(million ECU)

	1972	1973	1974	1975	1976	1977	1978	1979
Maghreb and Mashreq Countries	+768	+1 031	+1 436	+3 285	+3 232	+4 851	+4 780	+5 022
Gulf States and Libya	-5 779	-7 346	-20 179	-13 239	-16 285	-14 479	-9 871	-16 769
Non Mediterranean African Countries	-12	+1	+80	+196	+234	+415	+457	+417
ARAB LEAGUE	-5 024	-6 314	-18 664	-9 756	-12 819	-9 213	-4 634	-11 330

Source : EUROSTAT (Exports f.o.b. minus imports c.i.f.), various issues of "Monthly External Bulletin"

The developments in EC-Arab League trade since 1972 run parallel to the pattern of the League's trade with the rest of the world. Given the persistent Arab League surplus in trade with the EC, yearly movements in the value of EC trade (shown in tables 26a and 26b) illustrate the reasons for the year-by-year changes in the trade balance more clearly.

TABLE 26a

RATES OF CHANGE IN EC IMPORTS
(percentage changes over previous year)

EC IMPORTS FROM :	1973	1974	1975	1976	1977	1978	1979
Maghreb and Mashreq Countries	32.3	87.7	-2.8	18.0	1.3	1.4	30.8
Gulf States and Libya	27.7	158.6	-16.5	29.3	2.9	-11.6	39.2
Non Mediterranean African Countries	17.8	19.3	9.5	20.9	-3.5	-14.9	1.9
TOTAL ARAB LEAGUE	28.3	142.7	-14.3	27.4	2.6	- 9.7	37.4
World (Extra EC)	28.6	55.2	- 4.1	27.2	7.6	3.9	22.3

Source : EUROSTAT: Monthly External Trade Bulletin, various issues

TABLE 26b

RATES OF CHANGE IN EC EXPORTS

EC EXPORTS TO :	1973	1974	1975	1976	1977	1978	1979
Maghreb and Mashreq Countries	32.9	72.4	30.0	9.2	21.0	0.0	18.1
Gulf States and Libya	29.5	105.5	62.0	40.6	24.8	10.9	18.3
Non Mediterranean African Countries	25.8	52.3	39.3	20.3	27.5	-1.5	-4.4
TOTAL ARAB LEAGUE	31.3	84.4	44.7	24.8	23.3	6.0	17.5
World (Extra EC)	22.7	41.6	6.1	16.6	16.3	5.8	11.7

Source : EUROSTAT : Monthly External Trade Bulletin, various issues

Though the EC was able to boost exports to the Arab League by over 80 per cent in 1974 after the first oil price explosion, the rise of imports from the Arab world that year by 140 per cent led to a staggering 20 billion EUA deficit in trade with Arab oil producers. In subsequent years up to 1978, imports from the different subregions of the Arab League rose more moderately and in some cases actually fell. Over the same period, the EC was consistently able to expand its exports to the Arab World, though at a slower pace. The deficit never rose to the same volume as in 1974 in nominal, let alone real terms. This includes 1979, when the second wave of oil price increases set in, though the trend might continue and result in more substantial deficits in the years to come.

TABLE 27

EC EXPORT/IMPORT RATIOS IN TRADE WITH THE ARAB LEAGUE

	1972	1973	1974	1975	1976	1977	1978	1979
Maghreb Countries	114	113	98	142	144	177	155	147
Mashreq Countries	296	306	311	328	225	260	240	255
Non Mediterranean African Countries	94	100	128	163	162	214	248	232
Gulf States and Libya	23	23	19	36	39	47	59	51
TOTAL ARAB LEAGUE	46	48	36	61	60	72	84	72

Source : EUROSTAT : Monthly External Trade Bulletin , various issues.

Table 27 shows, by means of export-import ratios (the extent to which exports cover imports,) the underlying improvement in the trade position of the EC vis-à-vis the Arab League and the oil-producing countries in particular until 1979.

When considering global balances, important regional differences should not be lost sight of. A breakdown of the trade balance by country in table 28 shows that in 1979 the Community ran a deficit with only seven countries, all of which except Mauritania generally enjoy surpluses. Other non-oil exporting countries and Algeria, have traditionally run a deficit on their trade with the Community.

TABLE 28

EC ARAB LEAGUE TRADE :
IMPORTS, EXPORTS AND TRADE BALANCES WITH INDIVIDUAL COUNTRIES
1979
(million EUA)

EC IMPORTS FROM AND EXPORTS TO :	EC IMPORTS (c.i.f.)	EX EXPORTS (f.o.b.)	BALANCE Exports minus Imports
Saudi Arabia	14 260	6 392	-7 868
Iraq	5 969	2 667	-3 302
Kuwait	4 527	1 354	-3 173
Libya	4 876	3 387	-1 489
United Arab Emirates	3 119	1 790	-1 329
Qatar	870	417	-453
Mauritania	117	103	-14
Jibuti	3	60	+57
South Yemen	43	105	+62
Somalia	26	168	+142
Oman	159	380	+221
Sudan	169	401	+232
Bahrain	45	322	+277
North Yemen	9	294	+285
Tunisia	796	1 233	+437
Syria	612	1 053	+441
Jordan	20	532	+512
Morocco	1 016	1 677	+661
Lebanon	38	819	+781
Algeria	2 764	3 816	+1 052
Egypt	1 186	2 324	+1 138

Source : EUROSTAT : Monthly External Trade Bulletin, 4/1980

GLOSSARY

Billion	= 1000 million
Eurostat	Statistical Office of the European Communities
EUA	European Unit of Account, value in US dollars in 1974 = 1.1927 \$ 1977 = 1.1411 \$ 1975 = 1.2408 \$ 1978 = 1.2743 \$ 1976 = 1.1181 \$ 1979 = 1.3706
SITC	Standard International Trade Classification, where SITC sections refer to : Food, Beverages, Tobacco 0 + 1 Fuel Products 3 Raw Materials 2 + 4 Machinery and Transport Equipment 7 Other Industrial Products 5, 6, 8 Goods and Transactions not classified elsewhere 9
Geographical and economic regions	see Table 1. - Gulf States - excludes Iran - Maghreb countries : -Morocco -Algeria -Tunisia - Mashreq countries : -Egypt -Lebanon -Syria -Jordan - Non-Mediterranean African countries : -Sudan -Mauritania -Jibuti -Somalia

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Manuscript prepared by

European Research Associates
Bureau d'études

B-1040 Bruxelles

Bd Clovis, 39

September 1980

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- Europe and the Third World
A study on interdependence (by M. Noelke)
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- Europe - Third World : The challenge of Interdependence (M. Nölke)
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2. "Information Series" and "Europe Information":

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