

POTENTIAL FOR USING ISLAMIC FINANCE IN INTERNATIONAL TRADE



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*AAOIFI - World Bank Annual Conference on Islamic Banking and Finance
23 - 24 October 2011*

October 24, 2011

Roadmap

- *Growth in International Trade*
- *Growth in Trade among the OIC Member Countries*
- *Islamic Trade Finance Market*
- *Achievements by the Islamic Development Bank Group*
- *Trade Policy and International Integration of Islamic Finance*
- *Possible Way Ahead*

Growth in International Trade - A Potential

In 2010, most trade flows took place within regions, rather than between regions; for instance:

- Intra Europe \$3,998 billion*
- Intra Asia \$2,464 billion*
- Intra North America \$957 billion*
- Intra Middle East \$89 billion*
- Total Middle East Trade \$471 billion*
 - with Europe \$108 billion*
 - with North America \$79 billion*

(Source: WTO - International Trade Statistics 2011)

Growth in International Trade - A Potential

Intra-Regional Exports

- *65% of EU merchandise were exported from within EU*
- *12% of African merchandise export were exported within Africa*
- *Trade within North America and Europe has been much higher than trade within the developing regions (such as: Africa, Middle East, Common wealth of Independent states and Central America)*

(Source: WTO - International Trade Statistics 2011)

Growth in International Trade - A Potential

In 2010:

<i>Global GDP expansion</i>	<i>3.5%</i>
<i>Global merchandise export increase</i>	<i>14%</i>
<i>Global export of commercial services</i>	<i>9%</i>

During 2000 - 2010:

<i>Global GDP expansion</i>	<i>2.5%</i>
<i>Global merchandise trade increase</i>	<i>4.3%</i>

(Source: WTO - International Trade Statistics 2011)

Growth in Trade within the OIC Member Countries: An Emerging Promise

- *Global trade of OIC Member States \$1.59 trillion, comprising:*
 - *10.51% of the world trade*
 - *28.9% increase from its share of 2009*
- *OIC Member States*
 - *2010 Imports: \$1.50 trillion (21% increase from 2009)*
 - *2010 Exports: \$1.68 trillion (26% increase from 2009)*
 - *Mineral Fuels constituted 35.6% of the total exports in 2010*

(Sources: The Islamic Centre of Development of Trade 2011 Annual Report on the Trade Among the Member States of OIC)

Growth in Trade within the OIC Member Countries: An Emerging Promise

Main foreign trade actors in OIC Member States (representing over 70% of the total OIC Member States' international trade)

<i>Malaysia</i>	<i>\$426.8</i>	<i>billion</i>	<i>representing</i>	<i>13.41%</i>
<i>Saudi Arabia</i>	<i>\$330.8</i>	<i>billion</i>	<i>representing</i>	<i>10.39%</i>
<i>UAE</i>	<i>\$322.3</i>	<i>billion</i>	<i>representing</i>	<i>10.13%</i>
<i>Turkey</i>	<i>\$299.6</i>	<i>billion</i>	<i>representing</i>	<i>9.42%</i>
<i>Indonesia</i>	<i>\$293.5</i>	<i>billion</i>	<i>representing</i>	<i>9.22%</i>
<i>Iran</i>	<i>\$172.6</i>	<i>billion</i>	<i>representing</i>	<i>5.42%</i>
<i>Nigeria</i>	<i>\$124</i>	<i>billion</i>	<i>representing</i>	<i>3.90%</i>
<i>Algeria</i>	<i>\$96</i>	<i>billion</i>	<i>representing</i>	<i>3.02%</i>
<i>Egypt</i>	<i>\$92</i>	<i>billion</i>	<i>representing</i>	<i>2.89%</i>
<i>Qatar</i>	<i>\$87.6</i>	<i>billion</i>	<i>representing</i>	<i>2.75%</i>

(Sources: The Islamic Centre of Development of Trade 2011 Annual Report on the Trade Among the Member States of OIC)

Growth in Trade within the OIC Member Countries: An Emerging Promise

Intra-OIC Trade in 2010 (Imports + Exports)

- *Total trade volume \$539 billion (26.30% increase from 2009)*
- *Share of OIC Member States within OIC increased to 17.03% (from 16.65% in 2009)*

(Sources: The Islamic Centre of Development of Trade 2011 Annual Report on the Trade Among the Member States of OIC)

Growth in Trade within the OIC Member Countries: An Emerging Promise

Main Intra-OIC Trade Actors (representing 68.68% of net Intra-OIC trade in 2010)

<i>UAE</i>	<i>\$ 60.73</i>	<i>billion</i>	<i>representing</i>	<i>11.27%</i>	<i>of Intra OIC Trade</i>
<i>Turkey</i>	<i>\$60.45</i>	<i>billion</i>	<i>representing</i>	<i>11.21%</i>	<i>of Intra OIC Trade</i>
<i>Saudi Arabia</i>	<i>\$50.08</i>	<i>billion</i>	<i>representing</i>	<i>9.42%</i>	<i>of Intra OIC Trade</i>
<i>Malaysia</i>	<i>\$40.52</i>	<i>billion</i>	<i>representing</i>	<i>7.52%</i>	<i>of Intra OIC Trade</i>
<i>Indonesia</i>	<i>\$38.78</i>	<i>billion</i>	<i>representing</i>	<i>7.19%</i>	<i>of Intra OIC Trade</i>
<i>Iran</i>	<i>\$33.39</i>	<i>billion</i>	<i>representing</i>	<i>6.19%</i>	<i>of Intra OIC Trade</i>
<i>Pakistan</i>	<i>\$24.70</i>	<i>billion</i>	<i>representing</i>	<i>4.58%</i>	<i>of Intra OIC Trade</i>
<i>Syria</i>	<i>\$22.63</i>	<i>billion</i>	<i>representing</i>	<i>4.20%</i>	<i>of Intra OIC Trade</i>
<i>Egypt</i>	<i>\$21.78</i>	<i>billion</i>	<i>representing</i>	<i>4.04%</i>	<i>of Intra OIC Trade</i>

(Sources: The Islamic Centre of Development of Trade 2011 Annual Report on the Trade Among the Member States of OIC)

Islamic Trade Finance Market

Potential Market

- *Based on OIC global trade statistics, the current potential market for Islamic trade finance could be \$1.56 trillion or \$539 billion*
- *The current size of Islamic trade finance is not known with certainty*
- *Using the global market share of Islamic finance (being 1-3%), we may assume that the Islamic trade finance would be roughly in the same proportion vis-à-vis its conventional counterpart*

Islamic Trade Finance Market

International Islamic Trade Finance Corporation (IITFC) experienced significant growth over the recent years

Its volumes almost doubled in the last 5 years:

Year	Volume
2005	1159
2006	2111
2007	2602
2008	2505
2009	2166
2010	2555

Trade Policy and International Integration of Islamic Finance

- *Islamic trade finance cannot grow by itself without the overall growth of Islamic finance locally and globally*
- *Islamic trade finance is dependant on:*
 - *Effective and aggressive trade policy implementations in the home markets*
 - *A steady and significant increase of Islamic finance within the home markets*
 - *A gradual yet somewhat quicker integration of Islamic finance internationally*

Possible way ahead

- *More effective standardizations, e.g:*
 - *Greater uniformity for Islamic trade finance agreements*
 - *More uniformity in Sharia-compliant (say, LC discounting) products*
- *Liquidity Management Strategies:*
 - *Private sector fund to allow off-loading of Islamic letters of credits to offer more liquidity*
 - *Public-private partnership in managing such fund as part of liquidity management*
- *Enhancing over-all global competitiveness and reliance on the Islamic trade finance products*

Thank You