



Malaysia, Turkey & Saudi Arabia Driving Increased Intra-OIC Trade  
 Strong Fundamentals, Islamic Finance, Halal Food, and Increase Intra-OIC Networking Driving Growth.

List of Tables Included	
Trade Growth for Major Muslim World Economies (2003 – 2007)	Page 2
Top Trading Partners of Major Muslim World Economies	Appendix 1 – Page 8
Key Intra-OIC Investment Sectors	Page 5

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If you go by the past few years of trade and investment news between Muslim majority countries, there certainly seems to be a major up-tick in activity.

A myriad number of transactions within Islamic Finance, telecom, real-estate, energy and many other sectors have been initiated between companies in the GCC, Malaysia, Pakistan, UAE, Saudi Arabia, Turkey, Egypt and in other OIC (Organization of Islamic Conference) member countries.

Just this month, Abu Dhabi Commercial Bank bought a 25% stake in Malaysia's fourth largest lender, RHB Capital, with the goal to tap the fast-growing Islamic banking market in Southeast Asia and the Middle-East.

In the same week, Malaysia's top lender, Malayan Banking bought a 15 percent stake in Pakistan's largest listed lender MCB Bank for \$680 million - the largest-ever foreign banking acquisition in Pakistan, according to Thomson Reuters.

Again, in the same week, at the heels of the 5th Malaysian International Halal Showcase (Mihas) and the World Halal Forum in Malaysia, \$300 million worth of business deals are expected to happen in the fast growing global Halal food industry.

The question is - are these transactions a reflection of normal levels of trade and investment between Muslim countries, or is there truly a greater relative increase in trade amongst Muslim countries?

## Major Muslim World Economies Driving Intra-OIC Trade

In the analysis below we look closely at four of the largest Muslim majority economies – Turkey, Saudi Arabia, Malaysia and Indonesia and their trade with the 57 OIC member countries to extrapolate an overall assessment of recent intra-OIC trade trends. This approach is validated by the fact that Turkey, Saudi Arabia, Malaysia and Indonesia represent a significant - 42% - of the overall GDP of the 57 OIC member economies.

Using the IMF’s Direction of Trade Statistics and DinarStandard analysis, we look at the total trade numbers (Imports and Exports) during 2003-2007 for each of these four large OIC economies.

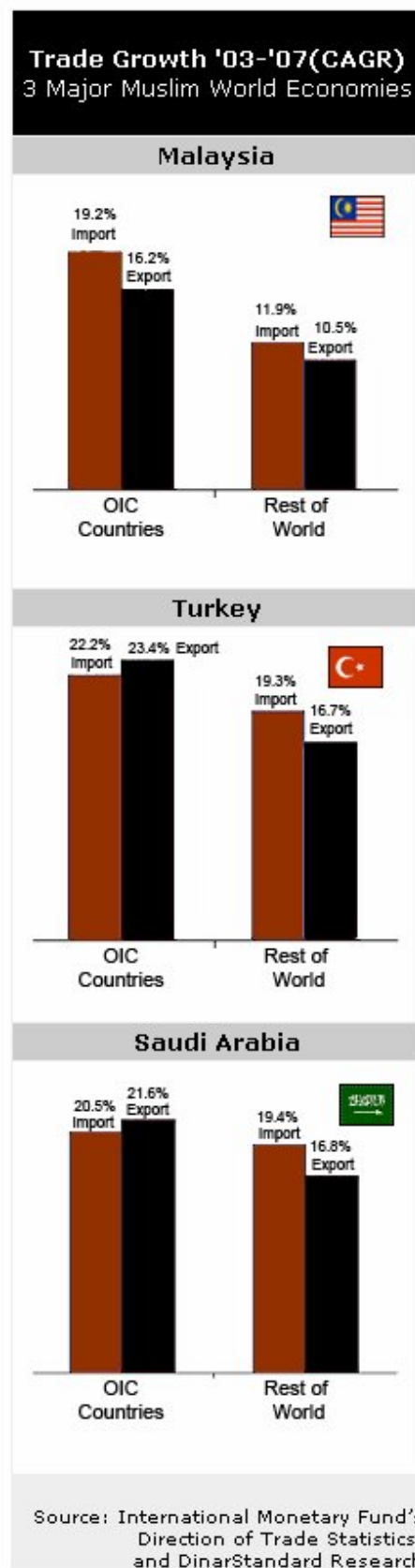
The result: During the period 2003-2007, Turkey, Saudi Arabia, and Malaysia have shown significantly larger growth in trade with OIC member countries than with the rest of the world.

Malaysia is leading this trend. During 2003-07, Malaysian imports from OIC member countries increased (CAGR) 19.23% compared to 11.96% with rest of the world. Similarly, its exports to OIC member countries increased 16.21% compared to 10.55% with rest of the world.

As shown in the referenced tables, Turkey and Saudi Arabia also show similar increased Intra-OIC trade trends.

Meanwhile, Indonesia’s trade with OIC member countries did not show a greater increase compared to the rest of the world. Nevertheless, it still had a healthy 19% increase in imports and a 13% increase in exports with other OIC member countries.

Indonesia’s trend is reflective of the overall low percentage of trade between OIC member countries. According to the Islamic Development Bank Annual Report (2006-07), OIC member countries’ overall share of trade with other OIC member countries was a mere 14%.



Malaysia's total trade with OIC member countries was only 8.37% of its total global trade in 2007. Amongst the four economies profiled here – Saudi Arabia, at 15.65%, has the highest percentage of trade with OIC member countries.

In terms of trading partners – Malaysia's top OIC trading partners in 2007 were Indonesia, the UAE and Saudi Arabia. Turkey's top OIC trading partners in 2007 were Iran, Saudi Arabia and the UAE, whereas for Saudi Arabia its leading OIC trading partners were Bahrain, the UAE and Pakistan.

A noteworthy trend is that for Malaysia and Turkey--the biggest percentage growth in trade with OIC countries during 2003-07 was with OIC member African countries showing the significant potential of the African economies. For Malaysia, its trade with Gabon, Chad, Mali, and Cameroon showed the biggest increase, and for Turkey its trade with Comoros, Uganda, Djibouti, Mozambique and Niger (all OIC member States) showed the biggest increase.

#### Key Drivers to this Significant Trend

The higher growth of Intra-OIC trade within major OIC economies is a significant trend for corporate strategists to consider.

There are two key drivers for this trend:

1) Many of the OIC economies are showing strong fundamental growth potential and are increasingly becoming part of the global emerging markets. For example, a 2003 Goldman Sachs report that identified four emerging 'BRIC' economies (Brazil, Russia, India, China) had in 2005 released the Next-11 emerging markets which included the OIC economies of Egypt, Turkey, Pakistan, Nigeria, Iran, Indonesia and Bangladesh. Also, the oil-rich GCC economies are going through a major infrastructure boom and now regarded as major emerging markets as well.

2) A variety of existing and new forums are promoting OIC based corporate interaction and helping to leverage synergistic trade opportunities. The Islamic Development Bank has been the largest OIC wide development bank with various subsidiary projects and conferences to promote intra-OIC trade. Also, given the boom in the Islamic Finance and Halal Food industry, for whom OIC countries are the prime target markets, a myriad of related forums are increasing intra-OIC interaction. Finally, a new Davos styled annual World Islamic Economic Conference is beginning to make significant impact in promoting intra-OIC trade and private sector promotion.

Given the complimentary nature of OIC economies and above mentioned reasons, we expect intra-OIC trade to continue its aggressive growth path.

## WIEF (World Islamic Economic Forum): A Success to-Date

The World Islamic Economic Forum Foundation was established in March 2006 by the Asian Strategy & Leadership Institute (ASLI) in Malaysia. ASLI is an independent not-for-profit organization that organizes the Annual World Islamic Economic Forum which seeks to promote business partnerships and economic cooperation among Muslim entrepreneurs and companies in the OIC countries as well as to promote understanding and dialogue between the Muslim and non-Muslim worlds.

The Foundation has already held 4 very successful annual forums which are attracting a who's who of economic, political and social leaders of the Muslim world and beyond. At the recently held 4th WIEF in Kuwait with the theme of "Islamic Countries: Partners in the Global Development", Secretary General of the Union of Kuwait Banks, Yousef Al-Jassem, conveyed that "Kuwait hoped to bring Islamic economic institutions closer together and to push for cooperation by raising investment and commercial trade."

One of the major WIEF initiatives involves the expansion of networks of Muslim business women. The WIEF Businesswomen Network (WBN) acts to reinstate the livelihood of the first Muslim women who actively participated in merchant trades and found livelihood as businesswomen and entrepreneurs of their time.

Other WIEF initiatives include the WIEF Education Trust (WET) and the WIEF Young Leaders Network (WYN), with great emphasis on educating the youth. Their "Let's Plug-in Education" programme is driven to improving infrastructure networks and affordable computers to impoverished societies. Under another scheme, the Islamic Development Bank (IDB) inaugurated an educational centre of WIEF-Universiti Teknologi MARA (WIEF-UiTM) in Shah Alam, Malaysia three months ago. The centre is focused on bringing together scholars, business leaders, industry practitioners and academics worldwide to plan initiatives that promote scholarship, knowledge advancement and competencies upgrading for Muslims. Its programmes include research collaboration on biotechnology and initiatives on technical training to increase human capital for the Muslim world.

### Leadership Driving

Inspired leadership is starting to drive economic cooperation amongst OIC member states. Secretary General of OIC and President of the Republic of Turkey, Professor Ekmeleddin Ihsanoglu, has been instrumental in pooling for cooperation amongst the OIC Member States. During the 23rd Session of the Standing Committee for Economic and Commercial Cooperation of the Organisation of the Islamic Conference (COMCEC), Professor Ekmeleddin underlined a 20% target increase in intra-OIC trade by 2015. He emphasized that such an increase would spur substantial economic development and therefore work towards the eradication of poverty.

The Ministry of Industry and Trade of Turkey also came up with an important initiative, in collaboration with the OIC General Secretariat. The Minister of Industry and Trade, Zafer Caglayan, officiated the Forum on Enhancement and Promotion of Trade and Investment in the Cotton Sector. The forum was attended by 21 cotton producing OIC member states to create a means for the optimal development of the cotton sector and was poised to improve the cotton and textile sectors in the OIC member states.

Another nation leader, Prime Minister of Malaysia Datuk Seri Abdullah Ahmad Badawi, launched the World Halal Forum (WHF) in 2004 to promote a specific focus towards an all-halal (permissible by Islamic principles) market. The WHF 2008 was themed "Sustained Development through Investment and Integration," and took place in Kuala Lumpur in May 2008. With the accumulated wealth of halal economies recorded at USD580 billion, WHF seeks to create a world-class halal market that will advocate Islamically-compliant goods and services. WHF 2008 aspires to attract heads of Muslim states, trade ministers and experts from different industries including science and technology, as well as Shari'ah scholars.

Banking, Food, and Energy have been most attractive sectors



Growth in Islamic finance has become a major driver of Intra OIC trade.

To determine some of the most attractive sectors within OIC, we look at the investment trends of the four major OIC economies (Turkey, Malaysia, Indonesia and Saudi Arabia) using DinarStandard's aggregated list of significant investments (between 2003-06) by companies from these four markets into other OIC markets.

The results show 57 deals being done within Banking/Other Financial Services sector; 25 deals in Food & Beverage; and 20

in Oil & Gas. Other major sectors included Industrial Goods and Services, Telecommunication, Construction & Materials, and Travel & Leisure.

Below are some of the specific sector opportunities in the Muslim world:

- Though many Muslim countries aspire to take reigns of the services sector as a driver of economic growth, traditional industries such as Energy, and

Agri-business are well-established and provide tremendous opportunity to innovate on given emerging global trends of food and energy crisis. For example, Malaysia being the world's biggest palm oil producer, is attracting ventures into Pal Oils potential as a bio-fuel.

- Agri-business and associated value add services remain a strong favorite for potential growth. The abundance of natural resources and untapped land in the Muslim world is vast. Agri-business in Turkey accounted for 15% in GDP at the turn of the century. The Indonesian economy, likewise, relies heavily on agri-business as a driver of their economy – both through major conglomerates and the small-medium industry and thus is an available goldmine for investors.
- The Real-Estate and Constructions sector also promises expansion. Emaar Properties PJSC from the Arab Emirates has six intra-OIC projects in Lybia, Pakistan, Syria, Egypt, Sudan and Saudi Arabia. Egypt is hardly left behind, with leading construction contractor – Orascom Construction Industries – actively closing deals in countries like Algeria and Tunisia
- Tourism has been a growing sector in Muslim countries post- 9-11. With the restrictions facing Muslims who wish to travel to the United States and Europe, many spend their vacations within the vicinity of the Muslim world.
- The Technology and Telecommunications sectors remain amiable, scoring high merger and acquisition deals. The former concentrates on acquisitions of start-up companies with high growth potential while the latter contracts are formed between major infrastructural corporations.
- Lastly, Islamic finance is developing aggressively by virtue of banking heavyweights such as Bahrain, Malaysia, Arab Emirates, Saudi Arabia and Kuwait and still has immaculate growth potential.

### Future Prospects

This report sufficiently shows a significant trend towards increased Intra-OIC trade. With many forums of interaction now available as well as many of these markets becoming global emerging markets – it's a tremendous opportunity for OIC based companies to leverage their existing OIC networks to tap into.

It is no longer folk-lore that Muslim countries are unable to unite economically. The infrastructure exists as do strong leadership qualities by virtue of the major economies of OIC. It now rests on active participation in economic forums for Muslim countries to bring prosperity to its masses as well as, per WIEF theme of this year, become "Partners in the Global Development."

## Key Learnings:

- ✓ Myriad of transactions within Islamic Finance, telecom, real-estate, energy and many other sectors are being witnessed between GCC, Malaysia, Pakistan, UAE, Saudi Arabia, Turkey, Egypt and other OIC (Organization of Islamic Conference) member country based companies.
- ✓ During the period 2003-2007, three of the largest Muslim majority economies - Turkey, Saudi Arabia, and Malaysia have shown significantly larger growth in trade with OIC member countries than with the rest of the world.
- ✓ Sectors getting most of the Intra-OIC investment attention include Financial Services Food & Beverage; Oil & Gas; Industrial Goods and Services; Telecommunication; Construction & Materials; and Travel & Leisure.

Appendix 1

MALAYSIA		TURKEY		SAUDI ARABIA		RECENT INVESTMENTS	
Top 10 OIC Trading Partners (by Size - US\$ millions)				Top 10 OIC Trade Partners (by Growth CAGR '03-'07)			
Country	Total Trade 2007 US\$mill	%age Growth '03-'07	Country	%age Growth '03-'07			
INDONESIA	\$11,158	17.10%	GABON	305%			
UAE	\$4,248	24.59%	CHAD	69%			
SAUDI ARABIA	\$2,604	21.29%	GUYANA	63%			
PAKISTAN	\$1,319	12.99%	MALI	63%			
IRAN	\$1,061	19.89%	GUINEA-BISSAU	59%			
TURKEY	\$986	22.22%	TAJIKISTAN	58%			
KUWAIT	\$699	37.20%	BENIN	55%			
OMAN	\$579	2.23%	CAMEROON	52%			
EGYPT	\$565	3.39%	UZBEKISTAN	50%			
BRUNEI	\$485	6.78%	SIERRA LEONE	48%			
<b>Total World</b>	<b>\$325,432</b>	<b>11.63%</b>					

*Data Source: International Monetary Fund's Direction of Trade Statistics and DinarStandard Research*

MALAYSIA		TURKEY		SAUDI ARABIA		RECENT INVESTMENTS	
Top 10 OIC Trading Partners (by Size - US\$ millions)				Top 10 OIC Trade Partners (by Growth CAGR '03-'07)			
Country	Total Trade 2007	%age Growth '03-'07	Country	%age Growth '03-'07			
IRAN	\$8,001	27.29%	COMOROS	120.16%			
SAUDI ARABIA	\$3,926	18.08%	QATAR	95.66%			
UAE	\$3,711	35.36%	UGANDA	56.54%			
IRAQ	\$3,457	29.70%	DJIBOUTI	53.29%			
ALGERIA	\$3,340	15.08%	BRUNEI	57.61%			
KAZAKHSTAN	\$2,364	36.40%	BENIN	47.06%			
EGYPT	\$1,582	24.21%	MOZAMBIQUE	25.53%			
INDONESIA	\$1,534	25.26%	NIGER	38.68%			
AZERBAIJAN	\$1,376	25.72%	OMAN	32.50%			
MALAYSIA	\$1,336	16.67%	KAZAKHSTAN	35.78%			
<b>Total World</b>	<b>\$277,099</b>	<b>18.91%</b>					

*Data Source: International Monetary Fund's Direction of Trade Statistics and DinarStandard Research*

MALAYSIA		TURKEY		SAUDI ARABIA		RECENT INVESTMENTS	
Top 10 OIC Trading Partners (by Size - US\$ millions)				Top 10 OIC Trade Partners (by Growth CAGR '03-'07)			
Country	Total Trade 2007	%age Growth '03-'07	Country	%age Growth '03-'07			
BAHRAIN	\$6,082	22.47%	NIGER	56.47%			
UAE	\$4,426	15.08%	KAZAKHSTAN	54.53%			
PAKISTAN	\$3,988	22.59%	BENIN	50.91%			
INDONESIA	\$3,856	17.60%	SYRIA	42.10%			
TURKEY	\$3,853	21.75%	JORDAN	32.00%			
EGYPT	\$3,331	24.84%	LIBYA	30.75%			
SYRIA	\$3,243	42.10%	MALDIVES	27.90%			
JORDAN	\$3,045	32.00%	EGYPT	24.84%			
MALAYSIA	\$2,505	22.69%	AFGHANISTAN	24.59%			
MOROCCO	\$1,961	22.74%	IRAN	23.20%			
<b>Total World</b>	<b>\$284,572</b>	<b>18.18%</b>					

*Data Source: International Monetary Fund's Direction of Trade Statistics and DinarStandard Research*

MALAYSIA		TURKEY		SAUDI ARABIA		RECENT INVESTMENTS	
Select Cross OIC Country Investments							
Source Company	Country	Invested In/ Acquired	Country	Sector			
Emaar Properties	AE	Emaar Misr	EG	Real Estate/ Construction			
Saudi Telecomm.	SA	PT Natrindo Telepon Seluler	ID	Telecom			
Emirates Telecomm.	AE	Excelcomindo Pratama TBK	ID	Telecom			
YTL Power Intl. Bhd	MY	Jawa Power, PT	ID	Electricity			
Anwal United Trading Company	SA	Omar Effendi Stores Company	EG	Retail			
KORDSA Sabanci	TR	PT Branta Mulia	ID	Auto Parts			
Mimatas Tekstil Sanayi Ve Ticaret AS	TR	Aim Textile Joint Corporation	UZ	Clothing & Accessories			
Petroleum International	TR	KarakudukMunai	KZ	Oil & Gas			
IOI Corporation Bhd	MY	PT Bumitama Gunajaya Agro	ID	Farming & Fishing			
Proton Holdings Bhd	MY	PT Unggul Gunatama Mobil Unit	ID	Auto Parts			
Ranhill Power Bhd	MY	Laraib Energy Ltd	PK	Electricity			
Savola Food Oil Co Ltd	SA	Turkuaz Edible Oils	KZ	Food Products			
Maktoob.com Inc.	AE	SportUp Jordan	JO	Technology			
Trans-Arabian Creative Communications Srv.	SA	Zeidan Consultancy	AE	Media Agency			

*Data Source: DinarStandard - DS Research  
Country codes: AE-United Arab Emirates, SA-Saudi Arabia, TR-Turkey, MY-Malaysia, ID-Indonesia, PK-Pakistan, KZ-Kazakhstan, Jo-Jordan, UZ-Uzbekistan, EG-Egypt*

## About DinarStandard

DinarStandard™ is a business advisory service whose purpose is to enhance the global competitiveness of businesses in the Muslim World by providing practical insights and resources which address their unique challenges and opportunities. Its DS100™ ranking of the Top 100 Businesses in the Muslim World has been covered by The Economist, Arab News, Malaysian Star and many other prominent media outlets.

Topics covered by its online publication include management, innovation, marketing, finance, current challenges, the Islamic business model, and the Muslim Lifestyle Market™. DinarStandard™ also provides market intelligence services focused on the major economies of the OIC (Organization of the Islamic Conference.)