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IMPLICATIONS OF THE INTRODUCTION OF THE EURO ON THE ECONOMIES OF THE OIC COUNTRIES

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The European Union (EU) is a successful example of regional integration. In this framework, the enlargement of the EU following the completion of the single market and the establishment of the economic and monetary union will have an important impact on the global economy, and in particular the developing countries, including the OIC countries. Therefore, the present study examines the recent developments that occurred after the introduction of the single currency, the Euro, and its effects on the economies of the OIC member countries. Since the introduction of the Euro is one of the most important financial events of the year, the paper first reviews the recent developments in the value of the Euro in international markets. Then, its implications are examined under tree headlines: a store of value, a medium of exchange and a unit of account. Finally, the paper concludes, in view of the European Union's weight and proximity to the OIC region, that the introduction of the Euro has, and will continue to have, a notable impact on the economies of OIC member countries, particularly those with historical and special economic and trade ties with the Union.

1. INTRODUCTION

The European Union (EU) is a successful example of regional economic integration. Soon after the end of the Second World War, the idea of European co-operation and integration commenced to develop amongst the hostile countries of Western Europe. The first step in this regard was the establishment of the European Coal and Steel Community (ECSC) in Paris in April 1951 (Treaty of Paris). This initiative flourished and turned into the creation of the European Economic Community in Rome in March 1957 (Treaty of Rome). The six founding members were Belgium, France, Germany, Italy, Luxembourg and the Netherlands.

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Since its establishment, the European Union has grown greatly in terms of its membership, its economic and political influence, and its organisational infrastructure. Starting with only six Member States, its membership has now reached fifteen following four successive enlargements in 1973 (Denmark, Ireland, and the United Kingdom) in 1981 (Greece) in 1986 (Portugal and Spain), and in 1995 (Austria, Finland and Sweden). Furthermore, more countries are waiting on the doorstep of the Union. On the other hand, in order to increase the level of co-operation, the founding treaties have been revised three times: in 1987 (the Single Act), in 1991 (the Treaty on European Union) and in 1997 (the Treaty of Amsterdam).

At the Maastricht Summit (9 to 11 December 1991), the Heads of State or Government of the 12 Member States agreed on the Treaty on the European Union (Treaty of Maastricht). This Treaty (signed on 7 February 1992 and entered into force on 1 November 1993) intended to facilitate the development of the European Community into an Economic and Monetary Union (EMU) by 1999 at the latest, and a political union including a common foreign and security policy at a later stage.

A further development was made in the form of the Treaty of Amsterdam that was signed on 2 October 1997 and entered into force on 1 May 1999. This Treaty opened the way for a multi-speed Europe since all the member States were not easily ready to increase the level of integration amongst them. In other words, this Treaty brought flexibility into the process of European unification. The Member States, which intend to establish closer co-operation amongst them, may make use of the institutions, procedures and mechanisms determined in the agreements. For this reason, some EU members (Britain, Denmark and Sweden) chose not to join the process of launching the single currency, the Euro.

The EU is presently an advanced form of multi-sectoral integration scheme extending from the economy to citizens' rights and foreign policy. The enlargement of the EU in addition to the completion of the single market and the establishment of the economic and monetary union will have an important impact on the global economy, and in particular the developing countries, including the OIC countries. This impact will be felt directly or indirectly in many areas, including the international trade in goods and services, investments, migration, competition policy and international job division.

With the completion of the enlargement process during the first decade of the new millennium, it will become an entity much more important than ever. The main effects of the enlargement process will be felt through the changes in the direction of migration, workers' remittances, foreign direct investments (FDI), and other economic policies within the EU region and increasing economic and political strength of the EU on the world scale.

Furthermore, with the completion of the transition period on 1 January 2002 when the Euro will be put into circulation in the form of bank notes and coins and will replace the national currencies of 12 Euro area member countries, the Euro will become one of the most widely circulated currencies at the international level. This phenomenon will create a new environment and will have an important impact on the world economy.

The Member States of the Organisation of the Islamic Conference (OIC) started to discuss the effects of the establishment of the Single European Market (1992) and the developments in Eastern Europe on the OIC countries in 1990. In this regard, the 19th Islamic Conference of Foreign Ministers (ICFM) requested the Ankara Centre to undertake a periodical in-depth study on the subject. Later, the 13th Standing Committee for Economic and Commercial Cooperation (COMCEC) discussed in detail the implications of regional economic groupings, particularly the European Union, for the economies of OIC member countries in a special Exchange of Views Session. The 26th ICFM requested relevant OIC institutions, including the SESRTCIC, to prepare studies on the effects of the launching of the Euro on the economies of the Member States. In line with this request, the Ankara Centre prepared various studies on relevant topics and submitted them to a number of OIC fora at different levels.

The present study examines mainly the recent developments that occurred after the introduction of the single currency, the Euro, and its effects on the economies of the OIC members. Subsequently, it discusses the implications of the EU’s enlargement process for the OIC countries. Finally, based on all these discussions, it provides some concluding remarks.

2. INTRODUCTION OF THE EURO

2.1. Steps for Launching the Single Currency, the Euro

After completing the earlier stage of a customs union on the way to establishing a union among them, the EU members concentrated their efforts on setting up a full economic and monetary union with a common currency. Minting or issuing money has always been seen as one of the very basic elements of national sovereignty. Additionally, design and implementation of monetary policy through adjusting the volume of money supply in the markets and banking system is again one of the two most fundamental economic policies. Therefore, the process to establish the European Economic and Monetary Union and to launch a single currency to replace national currencies is long and full of difficulties. The EU members, however, have made a systematic and structured effort, and shown, from the beginning, political will and determination to achieve this goal.

At the outset, the founding agreement, the Treaty of Rome (1958), aimed to establish a common European market as a European objective with the intention of increasing economic prosperity and contributing to "an ever closer union among the peoples of Europe".

As a first concrete step in this regard, the European Monetary System (EMS) was established and the European currency unit (ECU) was created as a unit of account following the decision by the European Council in Bremen in July 1978. Eight member States, excluding the United Kingdom, participated in the EMS. The ECU was defined as a basket of the currencies of the participating countries in March 1979. The exchange parities between the currencies were fixed and the margin of fluctuation was limited to 2.25 percent.

After a decade, at the Maastricht Summit (9-10 December 1991), the Member States agreed on the Treaty on European Union (EU). This Treaty aimed to develop the European Community into an economic and monetary union. Additionally, it laid the foundations for introducing a single European currency by 1999 at the latest. In accordance with the decisions of the Maastricht Summit, the Single Market was realised and capital movements were liberalised within the whole region at the beginning of 1993.

As a next step, the European Monetary Institute (EMI) was established in Frankfurt on 1 January 1994. It was responsible for strengthening co-operation between the national central banks and the co-ordination of Member States' monetary policies. Procedures for co-ordinating economic policies at the European level were strengthened. Member States agreed to combat excessive deficits and to achieve economic convergence amongst the economies of the participating countries.

The Madrid European Council (15-16 December 1995) adopted the name *Euro* for the European single currency. The Council also agreed on the technical scenario for the introduction of the 'Euro' and the timetable for the changeover to the single currency on 1 January 1999. The completion of the process was scheduled for 2002.

Meanwhile, towards the end of December 1996, the European Monetary Institute (EMI) determined the regulatory, organisational and logistical framework for the European Central Bank (ECB) and the European System of Central Banks (ESCB). On 1 June 1998, these organs became operational. The ESCB is composed of the ECB and the national central banks of the EMU members. Its primary task is to ensure price stability in the Euro zone. It has one decision-making body: the Governing Council. Its members are the six members of the executive board of the ECB, and the 11 governors of the participating central banks. But they are members in their personal capacity. That is, they represent neither a country nor a national central bank.

On 1 January 1999, the conversion rates were fixed irreversibly and irrevocably between the currencies of the participating countries both amongst themselves and the Euro. Euro area countries began implementing a common monetary policy, the Euro was introduced as a legal currency and the 11 currencies of the participating Member States became subdivisions of the Euro.

The Euro area countries are Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal, and Spain. Britain, Denmark and Sweden chose not to join from the start, while Greece failed to meet the criteria to join the system on that date. However, after two years, on 1 January 2001, Greece also joined the system. On the other hand, Denmark is a member of the Exchange Rate

Mechanism II (ERM II), which means that the Danish krone is linked to the Euro, although the exchange rate is not fixed.

During the transition period between 1 January 1999 and 1 January 2002, the Euro has been serving as bank money. That is, it has been used in bank operations and foreign exchange transactions, but it has not been put into circulation in the form of bank notes and coins.

After completion of this transition period on 1 January 2002, the Euro bank notes and coins will be put into circulation in 12 Euro zone member countries. In the Euro area, the national bank notes and coins will be replaced according to the predetermined Euro conversion rates (Table 1). Actually, in some countries in the Euro area, the changeover process has already commenced with the ‘frontloading’ of the Euro bank notes and coins to the banks and other financial institutions since the beginning of September 2001. However, the changeover of the currencies in circulation at the hands of the public will start on the so-called Euro-day or E-day of 1 January 2002. Then, seven different bank notes and eight coins will be introduced in 12 member States of the European Union. Around 14.9 billion bank notes and 50 billion coins will be produced. 10 billion notes will be put into circulation throughout the Euro area during the changeover period, whereas 4.5 billion will be kept in reserves to accommodate any changes in demand for the bank notes. Altogether, the bank notes and coins will amount to a total of over 664 billion Euros, which will be equal to about 584 billion US dollars.

Table 1: Euro Conversion Rates

Austrian schilling	13.7603	Greek drachma	340.750
Belgian franc	40.3399	Irish pound	0.787564
Deutsche mark	1.95583	Italian lira	1936.27
Dutch guilder	2.20371	Luxembourg franc	40.3399
Finnish markka	5.94573	Portuguese escudo	200.482
French franc	6.55957	Spanish peseta	166.386

The speed of the changeover from existing national currencies to the Euro may vary from country to country depending on their respective national changeover plans. In Germany, the end date of legal tender for the Deutsche mark (DM) was determined as the end of December 2001. However, in line with the "joint declaration", the use of DM bank notes and coins is allowed until the end of February 2002. In the Netherlands, it will be completed by 28 January 2002, in Ireland by 9 February 2002 and in France by 17 February 2002. In all other Euro area countries, the changeover process will be completed by the end of February 2002 at the latest. However, it is expected that the bulk of the changeover will be realised within the first two weeks of January 2002. During this process, the Euro and the national currencies may continue to serve side by side as legal tender –the so-called dual circulation. Then, national bank notes and coins will be withdrawn completely from circulation and the changeover to the Euro will be completed in the Euro zone.

In non-Euro area countries, a similar calendar will also be implemented for the process of changeover. In accordance with the decision of the Governing Council of the ECB, the Bank will commence to distribute the Euro bank notes outside the Euro area to their banking sector through the Central Banks as from 1 December 2001. Such a frontloading outside the Euro area will also contribute to a smoother cash changeover in January 2002.

The non-Euro area countries include other EU members, namely Britain, Denmark and Sweden, 13 candidate countries including Turkey, and the third parties, which have economic, commercial, financial and institutional ties with the Euro area countries. The changeover process will influence all these partner countries on the basis of the intensity and characteristics of their relations with the Euro area countries. The impact of the process on third parties will be examined in detail later in this study. Here we will shortly discuss the impact of strategies for adopting the single currency on acceding countries.

Candidate countries need to prepare their economies for EU membership and, in particular, for the monetary union and the common currency. This preparation necessitates sound economic, monetary and financial policies including exchange rate regimes and structural reforms consistent with the Union's economic criteria and policies. The Economic and Financial Council of the EU have already identified these policies. The transition process towards the adoption of the Euro will be completed in three successive stages, namely, the pre-accession stage, the stage following accession and the adoption of the Euro.

During the pre-accession stage, exchange rate policies should be designed so as to provide macroeconomic stability and support other economic policies in order to meet the Copenhagen economic criteria and to converge these economies towards the EU members.

After accession, candidate countries will not be able to adopt the Euro immediately: they will first have to comply with all the relevant requirements, including the fulfilment of the Maastricht convergence criteria before finally adopting the Euro. The assessment of the fulfilment of the Maastricht convergence criteria and the procedures to be followed for the adoption of the Euro will be based on the principle of equal treatment between future member States and the current participants in the Euro area.

On the other hand, unilateral “Euroisation”, i.e. the adoption of the Euro as legal tender in acceding countries will not be permitted, since the fundamental assumption of the economic and monetary union is that the Euro is not a means but a result of the structural convergence of the economies in the Union. For this reason, the acceding countries will wait until they successfully complete the structural changes in their economies and fulfil the Maastricht convergence criteria.

During the stage following accession and before the adoption of the Euro, new member States will join the ERM II as a legal requirement. The ERM II foresees an exchange rate mechanism on the basis of a predetermined central parity and fluctuation band. Any currency exceeding this fluctuation band in either direction should be readjusted.

2.2. **Recent Developments in the Value of the Euro**

In the previous sub-section, we have tried to summarise the necessary steps leading to the establishment of the monetary union and the introduction of the single common currency, the Euro, on a chronological basis. However, the whole process will be completed after the removal of national bank notes and coins in the Euro area.

When the Euro was first launched on 1 January 1999, its nominal value was equal to 1.1785 US dollars. At the end of the same year, it deteriorated to 1.005 dollars on the international currency markets, a fall by about 17.3 percent. During the year 2000, it continued to decline reaching a minimum of 0.856 US dollars at the end of November 2000, against all the positive expectations at the beginning of its launching. As of 15 November 2001, it is equal to 0.88 dollars, almost a 30 percent fall as compared to its initial value in January 1999.

It is difficult to explain the reasons behind this development. However, one major reason might be the very strong performance of the US economy in 1999 as compared to the stagnating economic growth in the EU. In 1999, the US economy was operating at a state very close to full employment, with unemployment at a 30-year low rate of 4.2 percent, a low inflation rate of 2.2 percent in the same year and a prolonged economic growth since the beginning of the 1990s. The other reason could be the difference between the rates of interest applicable on these currencies. The investors chose to invest in the US dollar deposits rather than the Euro. Another reason might be psychological, namely a lack of confidence in the newly issued currency, the Euro. When it was first introduced as bank money, it had limited money functions. It could serve as a unit of account and partially as store of value, but it could not serve as a medium of exchange, which is the most basic function of money.

However, the signs of weakening economic activity in the US appearing in late 2000 and in 2001 also deteriorated the expectations about the strength of the US dollar vis-à-vis other major currencies and in particular the Euro. For this reason, the international value of the Euro against the US dollar was stabilised in late 2000 and remained so throughout the first three-quarters of 2001.

On the other hand, although a slight recovery was observed in the EU countries in 2000 after the economic stagnation in 1998 and 1999 (Table 2), this recovery was not strong enough to push up the value of the Euro against the US dollar. Furthermore, especially because of the negative effects of higher oil prices on the economies of the EU countries and the lack of business confidence in these countries, the recent projections do not envisage a strong improvement in these economies in 2001 and early 2002. For this reason, although the falling trend of the Euro has already been reversed, the Euro may not be expected, during early 2002, to return back to its initial value against the US dollar when it was first launched in January 1999. However, due to the continuous stagnation of the Japanese economy, it may appreciate against the Japanese yen during the same period.

Table 2: Main Indicators in the Major Economies
(Average annual increase, in percent)

	Euro area	United States	Japan
Real GDP			
1998	2.7	4.4	-2.5
1999	2.7	4.1	0.8
2000	3.5	4.1	1.5
2001 p.	1.8	1.3	-0.5
2002 p.	2.2	2.2	0.2
Consumer prices			
1998	1.1	1.6	0.6
1999	1.2	2.2	-0.3
2000	2.4	3.4	-0.6
2001 p.	2.7	3.2	-0.7
2002 p.	1.7	2.2	-0.7
Unemployment			
1998	10.8	4.5	4.1
1999	9.9	4.2	4.7
2000	8.8	4.0	4.7
2001 p.	8.4	4.7	5.0
2002 p.	8.4	5.3	5.6

Source: IMF, *World Economic Outlook, October 2000,* p.10, and *World Economic Outlook, October 2001,* p.11.
Note: p. stands for projection.

3. IMPLICATIONS OF THE INTRODUCTION OF THE EURO

In general, money is defined as a commodity accepted by general consent as a medium of exchange. It circulates from person to person and from country to country. It facilitates domestic and international trade. It is used for private as well as official purposes. It is a measure of wealth and a store of value. It is also the medium in which prices are quoted and values are expressed. In summary, it has three basic functions: store of value, medium of exchange and unit of account.

As a store of value, money is used for investment and financing purposes in the private sector and also for reserve purposes by the central banks and monetary authorities.

As a medium of exchange, it is used in exchanges of goods and services in domestic and international transactions, and in currency exchange at the international level. Furthermore, the central banks and monetary authorities use money as intervention currency to keep the parity of the national currency at a certain level with respect to other currencies.

As a unit of account, money is used for pricing or quoting the value of goods and services in private use and for pegging, linking the international value of money to an international hard currency or to a basket of various currencies for official purposes.

Money should assume all these functions. In this sense, the ECU was not full-fledged money. It was a basket of virtually all of the European Union's currencies. It served as a unit of account whose value depended on the underlying value of its constituent currencies. It also served as a store of value in the sense that significant volumes of public and private debt were denominated in ECU. However, it has never become legal tender, nor was it represented by official bank notes and coins.

The Euro will assume all these functions starting from 1 January 2002 on Euro-day or E-day. Then its real effects will be felt on the economies of the Euro area countries and the third parties, in particular, the developing countries. This section will evaluate the possible implications of the introduction of the Euro for the economies of the developing and the OIC countries as well. These effects depend on the characteristics and the intensity of the relations between the Euro zone countries and the third parties.

3.1. Euro as Store of Value

The Euro will have an impact on investment decisions at the international level which will be determined by its stability in international currency markets. These decisions by private and official economic actors around the globe will, in turn, play an important role in the internationalisation of the Euro. The ECB administration declares that they neither foster nor hinder the international use of the Euro. Nevertheless, the Euro will definitely assume various functions on the international scale. The most important one of these functions will be its role as an international investment and financing currency.

International capital markets are heavily dominated by the US dollar. The other major currencies are the Japanese yen, the pound sterling, the French franc, the German mark and the Swiss franc. International capital flows such as portfolio investments, foreign direct investments and foreign debts are mostly in US dollars. As an example, Table A1 at the annex shows the currency composition of the long-term external debts of the OIC member countries. The most apparent observation is the heavy concentration of the long-term debts in the US dollar. The share of the US dollar climbs to 97.9 percent in the case of Tajikistan. In 26 out of 46 OIC member countries for which the foreign debt data is reported, the share of the US dollar amounts to more than 50 percent. In 13 of them, this share is more than 60 percent.

In the case of the French franc, the highest figure is 43.6 percent in the case of Gabon. In 12 OIC countries, the share of contracts in French franc denominations exceeds 10 percent.

Regarding the German mark, the highest share is observed in Turkey with 19.5 percent and its share exceeds 10 percent only in 5 OIC countries.

The share of the Japanese yen in long-term debt contracts exceeds 10 percent in 16 out of 46 OIC countries with the highest share being 35.2 percent in the case of Indonesia (Table A1).

As it is summarised, the high concentration of the long-term foreign debts of the OIC countries in the US dollar cannot be considered a favourable situation. First, the appreciation of the US dollar with respect to the other major currencies and the domestic currency means an increase in the already heavy burden of the foreign debts on the economies of the OIC countries. Second, such a situation pushes the countries to keep more and more US dollars in their foreign exchange reserves, to conduct their foreign trade mostly in the US dollar and to link their economies mostly to the US economy. When the US economy grows much and, as a result, the US dollar appreciates, their foreign debt position deteriorates. On the other hand, with such strong links to the US economy, if it goes into trouble and falls into a recession, then the countries exporting to the US will be affected adversely and their exports will decrease, resulting in a deterioration in their balance of payments and an increase in their need for borrowing. Thus, in either case, such a heavy dependence on a single partner may harm these economies.

For this reason, the introduction of the Euro in international capital markets may offer an opportunity for developing as well as OIC countries to diversify their economies and change their borrowing policies.

Actually, there are some indications that the Euro has started to play a significant role and has become the second most widely used currency in international financing and investment. In particular, the share of the Euro in international market instruments recorded a substantial increase in the period 1999-2000 (ECB, 2001). For the time being, however, these developments are limited to the Euro area countries. In the future, the role played by the Euro as an international investment and financing currency is expected to increase.

On the other hand, the Euro has immediately become the second most important reserve currency, accounting for 12.5 percent and 12.7 percent in 1999 and 2000, respectively (Table 3), following its introduction on 1 January 1999. Such a sudden leap may be considered as a big success for newly issued bank money with limited functions.

However, when the performances of other international currencies are observed in detail, the picture is not that bright for the Euro. First of all, only one of the national currencies in the Euro area, the German mark had a share of 15.4 percent in 1991 in official holdings of foreign exchange (Table 3). The French franc had a 3.0 percent share and the Netherlands guilder 1.1 percent share in total international reserves in the same year. In addition to all these national currencies, the European currency unit (the ECU), treated as a separate currency, had a 10.2 percent share.

A considerably high volume of European currencies in international foreign exchange reserves left a 51.3 percent share for the US dollar in 1991. However, in the 1990s, the share of the US dollar increased continuously from its level in 1991 and reached 68.4 percent in 1999.

On the contrary, the shares of all national European currencies declined continuously from their levels in 1991: the German mark down to 12.2 percent, the French franc to 1.4 percent, and the Netherlands guilder to 0.4 percent in 1998. The ecu also declined to 0.8 percent. These national currencies and the ecu completely disappeared from the scene in the following year after the introduction of the Euro on 1 January 1999.

However, the developments affecting the European currencies should be evaluated cautiously. With the introduction of the Euro and the establishment of the monetary union, the European currencies held in the international reserves of these Euro area countries have become their domestic assets. For this reason, the share of the Euro in official holdings of foreign exchange in 1999–2000 is not directly comparable with the share of the European currencies in the previous years. However, after making the necessary adjustments on the data, it was observed that their combined share in 1998 was virtually identical to the share of the Euro in 1999 (IMF, 2001a, p.101). Additionally, the examination of the non-Euro area currencies' share in the international reserves clearly shows that the Euro was not able to catch up with the combined level of the European currencies in the previous years. The jump in the share of the US dollar from 65.9 percent in 1998 to 68.4 percent in 1999 with negligible changes in the percentage of the other currencies clearly verifies this change in the international reserves (Table 3).

On the other hand, the share of the Japanese yen in international reserves also declined steadily from 8.5 percent in 1991 to 5.2 percent at the end of 1997, and has since remained at about that level. Throughout the past decade, the share of the pound sterling remained at between 3 and 4 percent and that of the Swiss franc at approximately 1 percent.

When the trends in the industrial countries are considered, the change in favour of the US dollar becomes more pronounced. The share of the US dollar in international reserves increased by 29.9 percentage point from 43.6 in 1991 to 73.5 percent in 1999, and slightly declined to 73.3 percent in 2000. In the meantime, the newly introduced Euro's share in international reserves also declined by 0.5 percentage point from 10.7 percent to 10.2 percent.

Table 3: Share of Currencies in Official Holdings of Foreign Exchange[1]

Years	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
All countries										
US dollar	51.3	55.3	56.7	56.6	57.0	60.3	62.4	65.9	68.4	68.2
J. yen	8.5	7.6	7.7	7.9	6.8	6.0	5.2	5.4	5.5	5.3
P. sterling	3.3	3.1	3.0	3.3	3.2	3.4	3.7	3.9	4.0	3.9
Sw. franc	1.2	1.0	1.1	0.9	0.8	0.8	0.7	0.7	0.7	0.7
Euro	—	—	—	—	—	—	—	—	12.5[2]	12.7[2]
D. mark	15.4	13.3	13.7	14.2	13.7	13.1	12.9	12.2	—	—
Fr. Franc	3.0	2.7	2.3	2.4	2.3	1.9	1.4	1.4	—	—
Nl. Guilder	1.1	0.7	0.7	0.5	0.4	0.3	0.4	0.4	—	—
ECUs[3]	10.2	9.7	8.2	7.7	6.8	5.9	5.0	0.8	—	—
Other[4]	6.2	6.6	6.6	6.5	8.9	8.3	8.4	9.3	8.9	9.2
Industrial countries										
US dollar	43.6	48.8	50.2	50.8	51.8	56.1	57.9	66.7	73.5	73.3
J. yen	9.7	7.6	7.8	8.2	6.6	5.6	5.8	6.6	6.5	6.5
P. sterling	1.8	2.4	2.2	2.3	2.1	2.0	1.9	2.2	2.3	2.0
Sw. franc	0.8	0.4	0.3	0.2	0.1	0.1	0.1	0.2	0.1	0.2
Euro	—	—	—	—	—	—	—	—	10.7[2]	10.2[2]
D. mark	18.3	15.1	16.4	16.3	16.4	15.6	15.9	13.4	—	—
Fr. Franc	3.1	2.9	2.6	2.4	2.3	1.7	0.9	1.3	—	—
Nl. Guilder	1.1	0.4	0.4	0.3	0.2	0.2	0.2	0.2	—	—
ECUs[3]	16.6	16.7	15.2	14.6	13.4	12.0	10.9	1.9	—	—
Other[4]	4.9	5.7	4.8	5.0	7.0	6.7	6.4	7.4	6.9	7.6
Developing countries										
US dollar	63.3	64.4	64.3	63.0	62.4	64.4	66.2	65.3	64.6	64.3
J. yen	6.7	7.7	7.5	7.6	7.0	6.5	4.7	4.5	4.7	4.4
P. sterling	5.5	4.1	4.0	4.4	4.4	4.8	5.1	5.2	5.3	5.2
Sw. franc	1.8	1.9	2.0	1.7	1.5	1.4	1.1	1.1	1.1	1.1
Euro	—	—	—	—	—	—	—	—	13.9	14.6
D. mark	10.8	10.8	10.5	11.9	11.0	10.6	10.3	11.3	—	—
Fr. Franc	2.7	2.3	2.0	2.4	2.3	2.0	1.8	1.5	—	—
Nl. Guilder	1.0	1.0	1.0	0.8	0.6	0.5	0.6	0.5	—	—
ECUs[3]	—	—	—	—	—	—	—	—	—	—
Other[5]	8.2	7.7	8.7	8.1	10.9	9.8	10.1	10.7	10.4	10.4

Source: IMF (2001a), *Annual Report 2001*, September 2001, p.103.
Note: Components may not sum to totals because of rounding.
1. Only IMF member countries that report their official holdings of foreign exchange are included in this table.

2. Not comparable with the combined share of Euro legacy currencies in previous years because it excludes the Euros received by Euro area members when their previous holdings of other Euro area members' legacy currencies were converted into Euros on January 1, 1999.
3. In the calculation of currency shares, the ecu is treated as a separate currency. Ecu reserves held by the monetary authorities existed in the form of claims on both the private sector and European Monetary Institute (EMI), which issued official ecus to European Union central banks through revolving swaps against the contribution of 20 percent of their gross gold holdings and U.S. dollar reserves. On December 31, 1998, the official ecus were unwound into gold and U.S. dollars; hence, the share of ecus at the end of 1998 was sharply lower than a year earlier. The remaining ecu holdings reported for 1998 consisted of ecus issued by the private sector, usually in the form of ecu deposits and bonds. On January 1, 1999, these holdings were automatically converted into Euros.
4. The residual is equal to the difference between total foreign exchange reserves of IMF member countries and the sum of the reserves held in the currencies listed in the table.
5. The calculations here rely to a greater extent on IMF staff estimates than on those provided for the group of industrial countries.

On the other hand, the developing countries tend to keep a higher share of the Euro in their official foreign exchange holdings as compared to the industrial countries. Furthermore, they have increased the reserve share of the Euro by 0.7 percentage point from 13.9 percent in 1999 to 14.6 percent at the end of 2000. In the developing countries, the share of the US dollar in foreign exchange reserves increased by only one percentage point from 63.3 percent in 1991 to 64.3 percent in 2000, although it has always been the dominant reserve currency.

In the past, after the gold standard, the British sterling served as the major international reserve money. After the Second World War, a new international financial system was established under the surveillance of the Bretton Woods Institutions, the International Monetary Fund (IMF) and the World Bank (IBRD). The US dollar was able to replace the British sterling. However, confidence in the US dollar as an international exchange and reserve currency eroded during the 1970s. Furthermore, the success of European integration created a belief that the new European currency, the Euro, would easily assume a role as reserve money and might replace the US dollar in this regard. However, developments in the real world took the opposite direction. The Euro as bank money depreciated against the major international currencies as compared to its initial launching value.

In this regard, most of the OIC countries, in particular those in the Mediterranean region, the Middle East and Africa, were also affected adversely by the depreciating Euro, because of their existing close relations with the EU members. Especially, the countries holding Euro reserves suffered considerable losses due to its depreciation.

3.2. The Euro as Medium of Exchange

With the completion of the last stage in the establishment of the economic and monetary union through the introduction of the Euro, the very first effect will be felt in international trade. Theoretically, regional integration schemes, such as free trade areas, customs unions, common markets, economic and monetary unions, have trade creation and trade diversion effects. Simply put, trade diversion will create a negative effect on the economies of third parties because the members of the regional grouping, in this case the EU member States, will start buying from each other instead of buying from third parties. This will cause the trade relations of the members of the Union with other countries to deteriorate.

Furthermore, the introduction of the common currency in all the markets of the Euro area countries will make trade exchanges much easier amongst them. Particularly, the red tape and formalities relating to payments, payments instruments, money exchanges, transaction costs and costly banking practices such as commissions, charges, etc., will disappear. As a result, consumers and producers will indispensably choose to buy European goods and services. That will create a negative impact on the export products of the main trading partners of the EU, in particular the neighbouring countries in the Mediterranean region, sub-Saharan Africa and the Middle East, mostly OIC member countries. Such negative effects will be felt more deeply in the short and medium term in these countries. In the long run, the positive effects of trade creation may tend to diminish the negative effects of trade diversion.

Table A2 at the Annex shows the share of the exports to the EU in the total exports of the OIC countries. In the OIC countries in the Mediterranean region, the share of the EU (69.9 percent) is significantly higher than that in the OIC countries in sub-Saharan Africa (33.8 percent) and other regions (18.4 percent) in 2000. In the exports of the OIC countries in sub-Saharan Africa, the share of the EU fell from 41.4

percent in 1998 to 33.8 percent in 2000 and similarly in other OIC countries as an average, it declined from 20.5 to 18.4 percent in 1998 and 2000 respectively. However, the same trend is not observed in the exports of the OIC countries in the Mediterranean region. On the contrary, the share of the EU increases from 64.9 to 69.9 percent in 1998 and 2000 respectively. Nevertheless, if one examines the developments in each country in the group, in Egypt, Jordan, Lebanon and Tunisia, the share of the EU in their exports also decreased considerably in just two years. However, in other countries like Algeria and Libya, the EU share increases mainly due to increases in the oil prices. An increase in the EU share is also observed in Turkey. But Turkey is an exceptional case because it is in the process of accession and has already established a customs union with the EU.

In general, the data displayed in Table A2 in the Annex shows that there is a fall in the share of the exports to the EU in the total exports of the OIC countries. A similar situation is also observed in the imports of the OIC countries (Table A3). The share of the EU in the imports of the OIC countries in the Mediterranean region fell from 55.7 percent in 1998 to 50.9 percent in 2000. In sub-Saharan African OIC countries it decreased from 45.2 to 40.0 percent and in other OIC countries from 24.8 percent to 19.3 percent in the same period. The foreign trade data of the OIC countries clearly show that the OIC countries are affected negatively as the Union increases the level of regional and economic integration amongst itself and becomes increasingly inward-looking.

Furthermore, the foreign trade data reflect the situation just after the introduction of the Euro in January 1999 when the Euro was not fully in use. Especially after the completion of the monetary union in the Euro zone countries in 2002, the negative effects will be felt more deeply in the OIC countries, in the Mediterranean region, sub-Saharan Africa and the Middle East.

Because of regional economic integration, trade creation is likely to occur as a result of the increasing economic activity in the member countries of the group. Mainly due to the introduction of the Euro and the use of a common currency, commercial and financial transaction costs like banking charges and commissions will be removed amongst the members of the Union. Furthermore the exchange risk will be eliminated completely. This will increase economic efficiency in commercial and financial transactions and improve macroeconomic stability. As a result, the economic activity, investments and the overall economic growth and development will be further induced. As the Euro area countries shift to higher levels of output and income, they will also increase their demand for imports from third parties. However, as an initial expectation, it is not difficult to foresee that the increase in demand for export products from third parties will be lower than that for such products from the member States of the Union. In other words, the members of the Union will largely reap the positive benefits to be realised as a result of the trade creation effect. Smaller benefits may go to third parties based on the intensity of the trade relations and the share of the Euro zone countries as customers for the exports of the other countries, namely the OIC countries and in particular those in the Mediterranean region, North Africa and the Middle East.

The net effect of the trade creation and trade diversion will depend mainly upon the manner and the extent to which the economies of the OIC countries will manage to adjust themselves to these changes in the future.

Furthermore, the completion of the introduction of the Euro in the economies of the members of the Union will further augment the convergence of their economies. This means the creation of a larger economic area in which economies will behave more and more similarly. In other words, recovery in the Euro area will be felt more strongly, but at the same time recession and economic or monetary and financial crises will also be felt more strongly by the economies of the third parties. The developing countries and the OIC member States should diversify their economies in terms of product composition and trade partners so that they will not be affected negatively by the contagious effects of economic and financial crises originating from such a condensed and large economic entity.

On the other hand, with the completion of the introduction of the Euro, more and more commercial transactions will be concluded in this new currency. Previously, international business practices necessitated the use of the US dollar in transactions between the EU member States and the third parties. Especially, if the national currency of an EU member is not an internationally recognised convertible currency, like the Greek drachma, the transaction could be concluded in the US dollar as the most widely accepted convertible currency. Such a trade between partners involved first exchanging the domestic currency for US dollars and then exchanging the US dollars for Greek drachmas, or vice versa. Of course, such a transaction comprises a double exchange risk and double transaction costs, like banking commissions and other charges.

After the introduction of the Euro and its international recognition as a convertible currency, such transactions will be concluded directly in Euros by eliminating exchange risks and transaction costs. The transaction documents, in other words, invoices, will be concluded in Euros. Furthermore, the Euro may also commence to assume this particular role of being a vehicle currency, which is played mostly by the US dollar today. As the Euro starts to be used as an invoicing currency in international trade, it will likely tend to increase its role as a vehicle currency not only in the transactions involving an Euro area country as a partner but also in others. As its role as invoicing, payment and vehicle currency (in currency exchange) increases, the Euro will generate for itself other roles, particularly in international capital markets, such as raising syndicated credits in Euros, issuance of bonds and securities in Euros, etc. In line with these developments, the Euro's role as an international reserve currency will also increase. In turn, as a result of these developments, European financial markets will benefit and become deeper and more liquid as they grow.

Against these expectations, we should emphasise that a likely shift in favour of the financial assets denominated in the Euro may appear gradually if the new currency is able to establish itself in international financial markets. Otherwise, the dominant role being played by the US dollar in international capital markets may not change in the future.

3.3. The Euro as Unit of Account

One common unit is needed to define the value of a product and to register and aggregate all economic activities. Money serves this purpose as pricing or quotation currency for private use. Furthermore, for official purposes, internationally convertible hard currencies may also be used as an instrument for exchange rate regimes. In other words, a country pegs its currency at a fixed rate to a major convertible currency which is used as a pegging currency.

In almost all international commodity markets, excluding very few examples such as the rubber market in Malaysia, copper and lead in London metal exchange, tin in the Kuala Lumpur market, etc., the US dollar is used as quotation currency. This practice most likely will also continue in the future. In this context, the Euro is not expected to assume any role as a quotation currency in the future.

However, regarding its use in the exchange rate regimes of third countries, the ECB found that the Euro plays some role in the exchange rate regimes of 56 countries. This role varies from being directly the money in circulation in some countries to being the pegging currency in some others. The Euro assumed this role quite early since its first launching in January 1999. The countries having developed close economic relations with the member countries of the Union, in particular, France, Germany, Spain, Portugal, etc., started to peg their currencies to the Euro and also to keep part of their foreign exchange reserves in it. Such a development is a sign of confidence in the monetary policies of the Euro area countries and the role the Union is expected to play as a global actor.

In addition to its becoming legal tender on 1 January 2002 in 12 Euro area countries, the Euro will also be introduced in Guadeloupe, Martinique, French Guyana and Reunion, Azores and Canary Islands. San Marino, Vatican and Monaco are also entitled to use the Euro as their official currency following monetary agreements with the European Union (ECB, 2001, p.42). On the other hand, the Euro will also be circulated de facto in Andorra, situated between France and Spain, since the French franc and the Spanish peseta were being used there. Additionally, the Euro will also be circulated in Kosovo and Montenegro (ECB, 2001, p.42).

Of the countries implementing the Currency Board Arrangements[1] in their exchange rate regimes, three (Bosnia-Herzegovina, Bulgaria and Estonia) linked their national currencies to the Euro.

On the other hand, France and Portugal had exchange rate agreements when the Euro was introduced. In line with these

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[1] A monetary regime based on an explicit legislative commitment to exchange domestic currency for a specified foreign currency at a fixed exchange rate.

agreements, the CFA franc[2] and the Comorian franc were pegged to the French franc and the Cape Verde escudo was pegged to the Portuguese escudo. Due to the removal of the French franc and the Portuguese

Table 4: OIC Countries Involving the Euro in Their Exchange Rate Regime (As of 26 March 2001)

	Exchange rate regime	Peg against	Features of the arrangement
Bahrain	Peg	SDR	7.25 % fluctuation band
Bangladesh	Peg	Basket of trading partners' currencies including the Euro	
Comoros	Peg	EUR	Fixed
Jordan	Peg	SDR	De facto peg to the US $
Kuwait	Peg	Undisclosed adjustable basket, likely including the Euro	1.5 % fluctuation band De facto peg to the US $
Libya	Peg	SDR	Broad fluctuation band
Morocco	Peg	Undisclosed basket where the Euro is likely to be the most important currency	The rate can fluctuate daily by 0.3 % either way
Qatar	Peg	SDR	7.25 % fluctuation band De facto peg to the US $
Saudi Arabia	Peg	SDR	Fixed De facto peg to the US $
Tunisia	Crawling fluctuation band	Undisclosed basket where the Euro is likely to be the most important currency	The exchange rate follows the Euro
UAE	Peg	SDR	7.25 % fluctuation band De facto peg to the US $
CFA franc*	Peg	EUR	Fixed

Source: ECB (2001), *Review of the International Role of the Euro*, European Central Bank, 2001, p. 44.

[2] The CFA zone consists of two currency unions UEMOA, Union Ecomique et Monétaire d'Afrique de l'Ouest (**Benin**, **Burkina Faso**, the **Ivory Coast**, **Guinea-Bissau**, **Mali**, **Niger**, **Senegal** and **Togo**) and CEMAC, Communauté Economique et Monétaire de l'Afrique Centrale (**Cameroon**, the Central African Republic, **Chad**, Congo, Equatorial Guinea and **Gabon**) [OIC Member States are in bold characters.]

escudo, the Euro will be substituted as pegging currency in these exchange rate agreements. France and Portugal will inform the concerned Union organs including the European Commission and the European Central Bank about the implementation of these agreements, in particular, any changes to be made in the parity between the Euro and these currencies. 11 countries out of 14 in the CFA franc Zone and Comoros are members of the OIC. Therefore, these OIC countries will be directly affected by the changes in the value of the Euro.

Furthermore, because the Euro accounts for 29 percent of the SDR basket (Special Drawing Rights of IMF) starting from 1 January 2001, countries that pegged their currencies to the SDR will also be under the influence of the Euro. For this reason, those OIC member countries that have pegged their currency to the SDR but not directly to the Euro will also be affected indirectly by the developments in it in the future. However, although in Jordan, Qatar, Saudi Arabia and the UAE, the national currencies were officially pegged to the SDR, they de facto follow the changes in the US dollar. Particularly, in countries with very close economic ties to the Union, like Morocco and Tunisia, the exchange rates move very closely with the Euro because the baskets, which their national currencies are pegged against, contain the Euro as the most important currency. Table 4 summarises the situation in the OIC countries involving the Euro in their exchange rate regimes.

4. **CONCLUSION**

At first, the expectations about the Euro were quite positive: it would emerge as a strong currency against major international currencies like the US dollar and the Japanese yen. It could be used as an international currency in transactions, currency exchange, investments, financing and reserve holdings of the central banks. Within the framework of these expectations, the central banks and monetary authorities of the developing countries, including the OIC countries, having close trade and investment relations with the EU, immediately started to hold Euro reserves following its launching on 1 January 1999. In developing countries, the share of the Euro in their foreign exchange reserves increased to a level of about 15 percent. However, the following depreciation of the Euro against the US dollar resulted in losses in their foreign exchange reserves because of the parity changes between the US dollar and the Euro.

Furthermore, the depreciation of the Euro against the US dollar made European goods and services cheaper as compared to products originating from the US. This development would increase the competitiveness of the Euro area economies and improve their economic activity. Improved economic activity and increased growth in the Euro area countries would also augment the import demand for products originating from third parties and, in particular, from the developing countries. However, the result was quite mixed: the economic growth in some major Euro area countries such as Germany and Italy slowed down. But in some others, like France, growth accelerated. However, because of the divergence in economic performances of the Euro zone countries and lack of business confidence in the incomplete form of the Euro as a currency, the Euro zone as a whole could not benefit from the depreciation of the Euro against the US dollar.

When the Euro was launched on 1 January 1999, it was not fully-fledged money. In other words, it was incomplete in terms of the fundamental functions of money in an economy. It assumed functions as a unit of account and as a store of value, but not as a medium of exchange because it was only bank money and it was not put into circulation at that time. However, on 1 January 2002 it will be fully-fledged currency assuming all the functions to be expected from money. Then, its real effects on the economies of the Euro zone countries and the third parties, in particular on the developing and the OIC countries, will take shape.

Some initial implications which have been studied in detail in the body of this report are not very positive for the developing and in particular the OIC countries.

First of all, with the start of the circulation of Euro bank notes and coins in 12 Euro area countries on 1 January 2002, exchange rate risks across these countries will be completely eliminated and all the charges and commissions to be paid in currency exchanges and in exchange of goods and services across the borders will be removed. In other words, the economic and monetary union will be completed amongst these countries. Obviously, products bought from Europe will be much cheaper than products from other countries. The net effect of these developments will be a fall in the import demand for the third country goods and services in the short run. The composition of the OIC countries' export data with respect to the main trading partners showed that the share of the EU in the exports of the OIC countries significantly decreased during the last two years. The same trend was also observed in the composition of their imports. This situation affects particularly the neighbouring OIC countries in the Mediterranean region, Sub-Saharan Africa and the Middle East.

The OIC countries will be affected negatively as the Union increases the level of regional and economic integration amongst its members and becomes increasingly inward-looking.

Such implications should be considered alarming for the OIC countries. The OIC countries should, first of all, diversify their economies and foreign trade in terms of both product composition and trading partners. Furthermore, they should also intensify trade exchanges between them and work on removing the obstacles that impede progress in this respect.

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ANNEX TABLES

Table A1: Currency Composition of Long-Term Debt, 1999
(Percent)

	Deutsche Mark	French Franc	Japanese Yen	US Dollars	Other currencies
Mediterranean region					
Albania	7.1	0.0	3.6	75.6	13.7
Algeria	5.9	13.2	15.1	44.5	21.3
Egypt	9.9	16.3	14.8	38.2	20.8
Jordan	5.5	7.9	25.6	31.1	29.9
Lebanon	3.1	28.4	0.5	0.0	68.0
Morocco	6.0	17.6	3.4	40.8	32.2
Syria	1.8	0.6	3.5	85.0	9.1
Tunisia	6.2	10.9	20.6	31.8	30.5
Turkey	19.5	1.2	15.0	51.0	13.3
Sub-Saharan Africa					
Benin	0.2	7.2	2.5	56.3	33.8
Burkina Faso	0.1	3.9	0.0	64.8	31.2
Cameroon	16.6	31.1	0.3	26.3	25.7
Chad	0.0	4.8	0.0	57.4	37.8
Comoros	0.0	17.5	0.0	35.9	46.6
Djibouti	0.0	2.6	0.0	14.7	82.7
Gabon	6.0	43.6	1.0	12.6	36.8
Gambia	0.1	0.3	0.0	51.7	47.9
Guinea	0.5	6.7	3.0	53.3	36.5
Guinea Bissau	0.3	0.9	0.0	32.4	66.4
Ivory Coast	3.1	25.9	1.5	52.0	17.5
Mali	0.1	16.9	3.2	28.3	51.5
Mauritania	0.2	6.2	3.9	39.6	50.1
Mozambique	4.4	9.7	2.0	66.8	17.1
Niger	0.0	27.6	2.0	43.0	27.4
Nigeria	10.1	9.4	15.2	32.5	32.8
Senegal	1.5	13.6	3.7	44.8	36.4
Sierra Leone	1.3	2.3	8.2	43.4	44.8
Somalia	0.0	3.8	3.3	51.7	41.2
Sudan	0.8	2.8	3.2	51.7	41.5
Togo	1.2	6.9	6.8	52.4	32.7
Uganda	0.2	0.2	1.7	66.7	31.2
Others					
Azerbaijan	4.5	0.0	17.4	72.9	5.2
Bangladesh	0.1	0.8	22.0	42.6	34.5
Guyana	1.0	0.0	0.0	66.5	32.5
Indonesia	3.3	2.0	35.2	47.4	12.1
Iran	5.6	1.2	8.3	78.5	6.4
Kazakhstan	7.8	0.3	15.1	53.3	23.5
Kyrgyz Rep.	2.3	0.3	14.5	67.7	15.2
Malaysia	0.3	0.3	29.9	60.0	9.5
Maldives	2.0	0.0	0.0	50.1	47.9
Oman	0.0	0.0	10.5	55.2	34.3
Pakistan	4.8	2.2	17.7	40.1	35.2
Tajikistan	0.0	0.0	0.0	97.9	2.1
Turkmenistan	15.2	0.0	13.4	71.0	0.4
Uzbekistan	10.8	3.1	20.3	58.7	7.1
Yemen	0.0	1.2	7.5	60.6	30.7

Source: World Bank, Global Development Finance 2001.

Table A2: Exports of OIC Countries to EU

	Total exports (Million US $)		Exports to EU countries (Million US $)		Share of exports to EU (%)	
	1998	2000	1998	2000	1998	2000
Albania	206	280	191	260	92.7	92.9
Algeria	10956	20225	7500	14550	68.5	71.9
Egypt	3159	5458	2560	2990	81.0	54.8
Jordan	1208	1428	180	160	14.9	11.2
Lebanon	716	825	180	190	25.1	23.0
Libya	6032	12471	4939	11800	81.9	94.6
Morocco	4634	8338	2717	5850	58.6	70.2
Syria	2890	4628	1660	3210	57.4	69.4
Tunisia	5748	6233	5040	5140	87.7	82.5
Turkey	26301	27625	15170	17040	57.7	61.7
Mediterranean area	**61850**	**87511**	**40137**	**61190**	**64.9**	**69.9**
Benin	232	232	60	70	25.9	30.2
Burkina Faso	292	221	90	70	30.8	31.7
Cameroon	1671	2217	1312	1650	78.5	74.4
Chad	120	85	83	49	69.2	57.8
Gabon	2488	3883	560	950	22.5	24.5
Gambia	29	20	23	11	79.3	52.8
Guinea	821	820	500	430	60.9	52.4
Guinea-Bissau	102	63	11	5	10.8	8.7
Ivory Coast	4395	4702	2760	1900	62.8	40.4
Mali	292	241	110	80	37.7	33.2
Mauritania	495	499	350	330	70.7	66.1
Mozambique	245	379	130	140	53.1	36.9
Niger	206	167	170	90	82.5	53.9
Nigeria	11364	20410	3250	5850	28.6	28.7
Senegal	832	862	400	370	48.1	42.9
Sierra Leone	7	49	4	23	57.1	46.6
Somalia	128	140	12	1	9.4	0.7
Sudan	538	1155	200	180	37.2	15.6
Togo	413	427	50	60	12.1	14.1
Uganda	410	355	310	210	75.6	59.2
Sub-Saharan	**25080**	**36927**	**10385**	**12469**	**41.4**	**33.8**
Azerbaijan	607	1400	60	920	9.9	65.7
Bahrain	2750	8058	340	360	12.4	4.5
Bangladesh	3822	5658	2290	2670	59.9	47.2

Brunei	1979	3093	310	160	15.7	5.2
Guyana	582	643	160	200	27.5	31.1
Indonesia	48843	67327	11160	11190	22.8	16.6
Iran	12884	22195	4520	7620	35.1	34.3
Iraq	4649	12492	2550	5460	54.9	43.7
Kazakhstan	5404	7977	1090	2960	20.2	37.1
Kuwait	8915	11577	1380	2330	15.5	20.1
Kyrgyzstan	513	527	210	110	40.9	20.9
Malaysia	73470	102390	13130	15770	17.9	15.4
Oman	5375	8869	240	180	4.5	2.0
Pakistan	8433	9156	2680	2560	31.8	28.0
Qatar	4947	9685	130	350	2.6	3.6
Saudi Arabia	38727	69327	8580	14530	22.2	21.0
Surinam	436	512	151	165	34.6	32.3
Tajikistan	597	936	100	50	16.8	5.3
Turkmenistan	506	1892	140	210	27.7	11.1
U.A.E	25806	38362	1760	2330	6.8	6.1
Uzbekistan	2441	2709	540	510	22.1	18.8
Yemen	1497	1899	100	70	6.7	3.7
Others	**251686**	**384785**	**51521**	**70635**	**20.5**	**18.4**
OIC-total	**338616**	**509223**	**102043**	**144294**	**30.1**	**28.3**

Source: IMF, Direction of Trade Statistics, Quarterly, June 2001. IMF, Direction of Trade Statistics, Yearbook 2000.

Table A3: Imports of OIC Countries from the EU

	Total imports (Million US $)		Imports from EU countries (Million US $)		Share of imports from EU (%)	
	1998	2000	1998	2000	1998	2000
Albania	795	1040	620	770	78.0	74.0
Algeria	9834	10762	5840	5700	59.4	53.0
Egypt	16479	20834	8200	7630	49.8	36.6
Jordan	4011	4288	1250	1470	31.2	34.3
Lebanon	7060	5950	3170	2720	44.9	45.7
Libya	5600	4708	2910	2440	52.0	51.8
Morocco	8427	12666	6660	7380	79.0	58.3
Syria	3895	4938	1730	1660	44.4	33.6
Tunisia	8402	9273	6360	6630	75.7	71.5
Turkey	44731	52713	24090	28270	53.9	53.6
Mediterranean area	**109234**	**127172**	**60830**	**64670**	**55.7**	**50.9**
Benin	639	1186	470	540	73.6	45.5
Burkina Faso	814	838	280	210	34.4	25.1
Cameroon	1495	1464	1030	880	68.9	60.1
Chad	177	171	98	84	55.4	49.4
Gabon	1118	1463	650	1000	58.1	68.4
Gambia	329	234	120	107	36.5	45.8
Guinea	775	764	360	330	46.5	43.2
Guinea-Bissau	91	94	46	46	50.5	49.4
Ivory Coast	2991	3341	1730	1340	57.8	40.1
Mali	1222	1347	370	320	30.3	23.8
Mauritania	610	672	320	340	52.5	50.6
Mozambique	817	1460	180	210	22.0	14.4
Niger	362	409	170	160	47.0	39.1
Nigeria	7582	8568	3140	3560	41.4	41.5
Senegal	1537	1780	980	960	63.8	53.9
Sierra Leone	198	399	90	160	45.5	40.1
Somalia	246	329	18	32	7.3	9.7
Sudan	1609	1490	540	470	33.6	31.5
Togo	1088	1203	280	310	25.7	25.8
Uganda	860	935	220	200	25.6	21.4
Sub-Saharan Africa	**24560**	**28147**	**11092**	**11260**	**45.2**	**40.0**
Azerbaijan	1076	1153	360	280	33.5	24.3
Bahrain	2831	3603	850	870	30.0	24.1

Bangladesh	7370	9082	630	710	8.5	7.8
Brunei	2353	1427	690	380	29.3	26.6
Guyana	554	611	80	80	14.4	13.1
Indonesia	27337	37910	4580	4400	16.8	11.6
Iran	13158	13925	4890	4660	37.2	33.5
Iraq	1431	1712	560	830	39.1	48.5
Kazakhstan	4257	5975	1430	1230	33.6	20.6
Kuwait	8617	3659	2360	1570	27.4	42.9
Kyrgyzstan	841	576	100	70	11.9	12.2
Malaysia	58319	86041	5980	8230	10.3	9.6
Oman	5682	5296	1600	1110	28.2	21.0
Pakistan	9308	11049	1730	1770	18.6	16.0
Qatar	3717	3251	1490	1240	40.1	38.1
Saudi Arabia	30012	36741	13120	11340	43.7	30.9
Surinam	552	496	168	128	30.4	25.9
Tajikistan	711	804	50	30	7.0	3.7
Turkmenistan	966	1177	180	190	18.6	16.1
U.A.E	24728	38010	9570	11470	38.7	30.2
Uzbekistan	3055	2581	660	520	21.6	20.1
Yemen	2167	2748	740	600	34.1	21.8
Others	**209042**	**267827**	**51818**	**51708**	**24.8**	**19.3**
OIC-total	**342836**	**423146**	**123740**	**127638**	**36.1**	**30.2**

Source: IMF, Direction of Trade Statistics, Quarterly, June 2001. IMF, Direction of Trade Statistics, Yearbook 2000.