

The Mashrek¹ countries and the European Union

Stéphane QUEFELEC

The EU exports more to the Mashrek countries than it imports from them. Since 1999, however, the gap has declined appreciably. Europe's exports to the Mashrek have fallen slightly since 2000, whereas its imports have increased since 1998, due in part to the rise in the price of oil, which in 2002 accounted for 55% of the EU's imports from the Mashrek. The EU's exports to the Mashrek comprise mainly machinery and vehicles.

On the Mashrek side, Egypt is the EU's biggest trading partner by far. On the EU side, Germany, France and Italy are the Mashrek's most important trading partners.

Statistics in focus

EXTERNAL TRADE

THEME 6 – 1/2003

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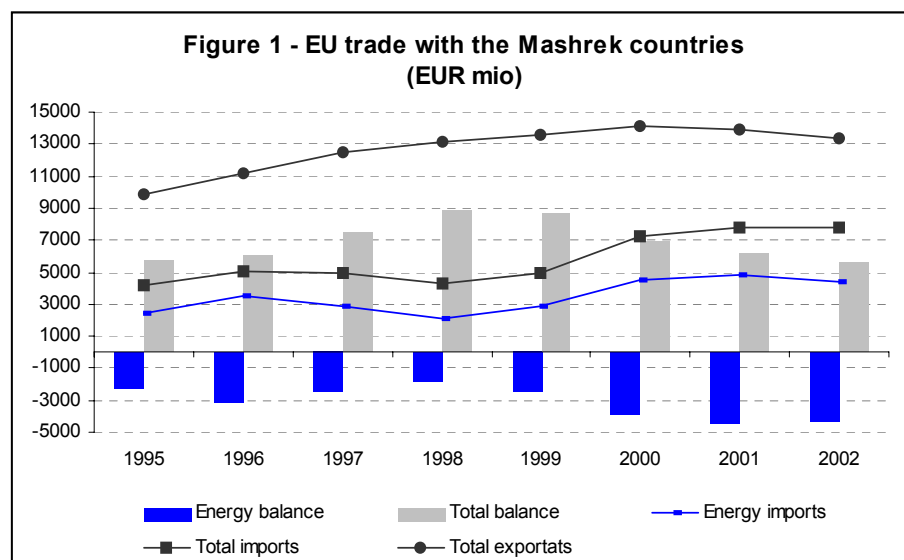
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Slowdown the in growth of EU/Mashrek trade

In 2002, the EU accounted for approximately 40% (source: IMF) of the Mashrek's total trade (imports + exports), which makes it the region's principal trading partner, ahead of Asia and North America. Total Mashrek/EU trade stood at about 21 billion euros in 2002, which is about 1.1% of the EU's overall external trade and almost equivalent to Greece's total foreign trade.

European imports from the Mashrek, expressed in euros, increased slightly between 1995 and 1997. They then decreased in 1998, before surging until the year 2000, since when they have been almost unchanged. A large share of the EU's imports is accounted for by oil (55%), which is why the fall in the price of oil in 1998 and its subsequent increase in 2000 had major impacts on the value of the EU's imports from the Mashrek. The Mashrek countries (except Jordan) have experienced a significant slowdown in growth since 2000. Investments and private consumption have slowed or actually decreased, and this has contributed to the decrease in European exports to the Mashrek since 2000. The Mashrek traditionally imports more from the EU than it exports to it. However, with the downward trend in EU exports and the rise in the cost of imported oil, the EU's surplus has decreased continually since 1998, while its deficit



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¹ Mashrek: Egypt (EG), Jordan (JO), Lebanon (LB), Palestinian Authority (PS), Syria (SY).
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in energy products has increased

Since 1995, the EU's trade with the Mashrek has, on the whole, increased at a slower pace than both the EU's overall external trade and its trade with the 12 Mediterranean Partner Countries (MPC-12) (Table 1). In 2002, EU/Mashrek trade was 14% of total trade between the EU and the MPC, even though the population of the Mashrek (95 million, including 65 million Egyptians) is more than 40% that of the MPC. This is because the Mashrek, from a trade point of view, is less strongly oriented towards the EU (Jordan and Egypt in particular) than the Maghreb or Turkey, and because some Mashrek countries (especially Syria and Egypt) are less open to international trade than other MPCs.

Egypt: the EU's main trading partner in the Mashrek region

In terms of total trade (imports + exports), Egypt is the EU's biggest trading partner in the Mashrek (Table 1). It also has the region's biggest economy.

Between 1995 and 2002, however, and despite its small size, Syria became the EU's biggest supplier, ahead of Egypt. Moreover, Syria is the only Mashrek country to record a trade surplus with the EU. This is explained by oil, which dominates Syrian exports to the EU (85% in 2002). In fact, the volume of oil exported from Egypt to the EU has declined since 1997, a fall which has been largely compensated for by a rise in the volume of imports from Syria (Diagram 2.2). Moreover, the big increase in the value of imports is due to the increase in the price of oil since 1999 (Diagram 2.1).

On the export side, Lebanon is the EU's second-biggest customer after Egypt, ahead of Syria and Jordan. The EU recorded its biggest trade surpluses with Egypt and Lebanon (Table 1).

Italy and Germany are the Mashrek's biggest trading partners in the EU

Of the EU Member States, Italy, Germany, France and the United Kingdom do the most trade with the Mashrek countries in value terms (Table 2). These countries also have the largest economies in the EU. Because

incessantly (Diagram 1).

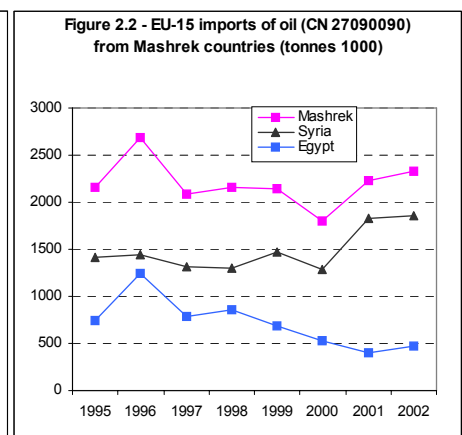
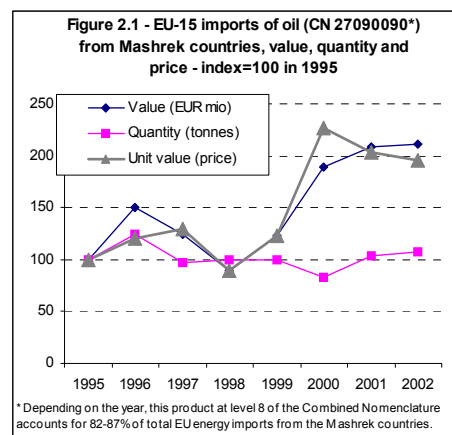
Table 1 - EU-15 trade with the Mashrek countries

| | Imports | | | | Exports | | | | Balance | |
|----------------|-------------|-------------|---------------------|-----------|-------------|--------------|---------------------|-----------|-------------|-------------|
| | EUR mio | | % of extra-EU trade | % change | EUR mio | | % of extra-EU trade | % change | EUR mio | |
| | 1995 | 2002 | 2002 | 95/02 | 1995 | 2002 | 2002 | 95/02 | 1995 | 2002 |
| Extra-EU | 545253 | 988015 | 100,0 | 81 | 573277 | 994129 | 100,0 | 73 | 28024 | 6114 |
| MPC-12 | 32102 | 66793 | 6,8 | 108 | 50613 | 79958 | 8,0 | 58 | 18511 | 13164 |
| Mashrek | 4171 | 7785 | 0,8 | 87 | 9918 | 13394 | 1,3 | 35 | 5747 | 5609 |
| Egypt | 2190 | 3244 | 0,3 | 48 | 5017 | 6339 | 0,6 | 26 | 2827 | 3095 |
| Syria | 1735 | 4055 | 0,4 | 134 | 1378 | 2095 | 0,2 | 52 | -357 | -1959 |
| Lebanon | 111 | 185 | 0,0 | 67 | 2471 | 2971 | 0,3 | 20 | 2361 | 2786 |
| Jordan | 135 | 294 | 0,0 | 117 | 1046 | 1957 | 0,2 | 87 | 911 | 1663 |
| WB. & Gaza S. | 0 | 8 | 0,0 | - | 5 | 33 | 0,0 | 552 | 5 | 25 |

Table 2 - EU and EFTA trade with the Mashrek countries

| | 1995 | | 2002 | | | 95/02 change | | Import | Export | % of total trade in 2002* |
|----------------|-------------|-------------|-------------|--------------|-------------|--------------|-----------|------------|------------|---------------------------|
| | Import | Export | Import | Export | Balan. | Import | Export | | | |
| | EUR mio | | | | | % | | | | |
| EU15 | 4171 | 9918 | 7785 | 13394 | 5609 | 87 | 35 | 0,8 | 1,3 | |
| Italy | 1208 | 2143 | 2365 | 2696 | 330 | 96 | 26 | 2,1 | 2,2 | |
| Germany | 777 | 2105 | 1602 | 2846 | 1244 | 106 | 35 | 0,7 | 1,0 | |
| United Kingdom | 381 | 906 | 1047 | 1398 | 352 | 174 | 54 | 0,6 | 1,1 | |
| France | 556 | 1826 | 919 | 2564 | 1644 | 65 | 40 | 0,8 | 1,9 | |
| Spain | 389 | 440 | 549 | 699 | 150 | 41 | 59 | 1,0 | 1,8 | |
| Netherlands | 156 | 577 | 545 | 829 | 284 | 250 | 44 | 0,5 | 1,4 | |
| Greece | 304 | 245 | 196 | 178 | -18 | -36 | -27 | 1,2 | 2,9 | |
| Austria | 52 | 172 | 196 | 224 | 28 | 273 | 31 | 0,7 | 0,7 | |
| Belg./Luxbg. | 152 | 576 | 177 | 912 | 735 | 17 | 58 | 0,3 | 1,4 | |
| Portugal | 112 | 42 | 125 | 51 | -75 | 12 | 22 | 1,3 | 0,9 | |
| Ireland | 8 | 190 | 21 | 178 | 156 | 157 | -6 | 0,1 | 0,5 | |
| Finland | 2 | 191 | 15 | 265 | 250 | 563 | 39 | 0,1 | 1,2 | |
| Denmark | 17 | 206 | 14 | 201 | 186 | -19 | -2 | 0,1 | 1,0 | |
| Sweden | 56 | 300 | 13 | 355 | 342 | -76 | 18 | 0,1 | 0,9 | |
| EFTA** | 78 | 361 | : | : | : | : | : | : | : | : |
| Iceland | 0,04 | 0,06 | : | : | : | : | : | : | : | : |
| Norway | 6 | 30 | 16 | 64 | 48 | 161 | 117 | 0,0 | 0,1 | |
| Switzerland | 72 | 331 | 119 | 640 | 522 | 66 | 93 | 0,1 | 0,7 | |

* % of extra-EU trade of each EU Member State and of total external trade of each EFTA country. **Excluding Liechtenstein.



of their smaller size, some Member States may appear less oriented towards the Mashrek. However, in terms of the share in each Member State's trade accounted for by the Mashrek, the latter was more important to Greece,

Spain and Portugal in 2002 than to the other Member States (apart from Italy and France). Moreover, Greece and Portugal recorded trade deficits with the Mashrek (Table 2).

EU: Energy imports

A large share of Europe's imports comprises energy products and, more particularly, crude oil. Consequently, the EU's imports are highly concentrated on certain goods, with the top 10 products imported from the Mashrek countries representing 70% of the EU's total imports from those countries in 2002 (Table 4). Excluding energy, however, the figure is only 15%. The Mashrek also supplies the EU with manufactured goods, including textile products (from Egypt), metals (aluminium) and fruit and vegetables (Diagram 3 and Table 3).

Diversified exports

Although dominated by machinery and vehicles, European exports to the Mashrek are much more diversified, and include manufactured goods, chemicals and food products. In 2002, the products most in demand among Mashrek countries were industrial machinery and road vehicles (Table 3).

Trade in services: EU in deficit

Between 1992 and 2001, the share of services in total EU/Mashrek trade (goods and services) increased from 15% to 20% in the case of exports and from 28% to 36% for imports. The latter figure is the result of developments in the service sector (including tourism) in the Mashrek. Thus, the EU traditionally has a deficit in travel and transport services, but runs a surplus in other services (Diagram 4). Among these, Europe mainly exports building services, public works and other services to businesses (78%).

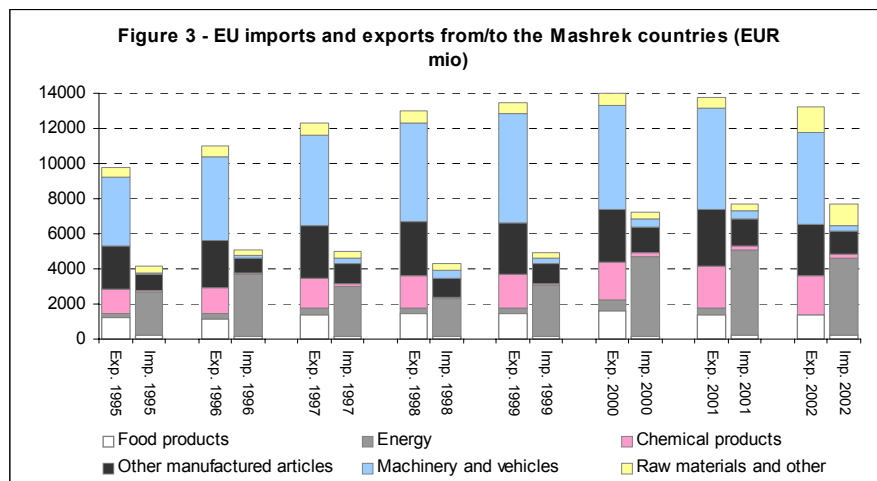
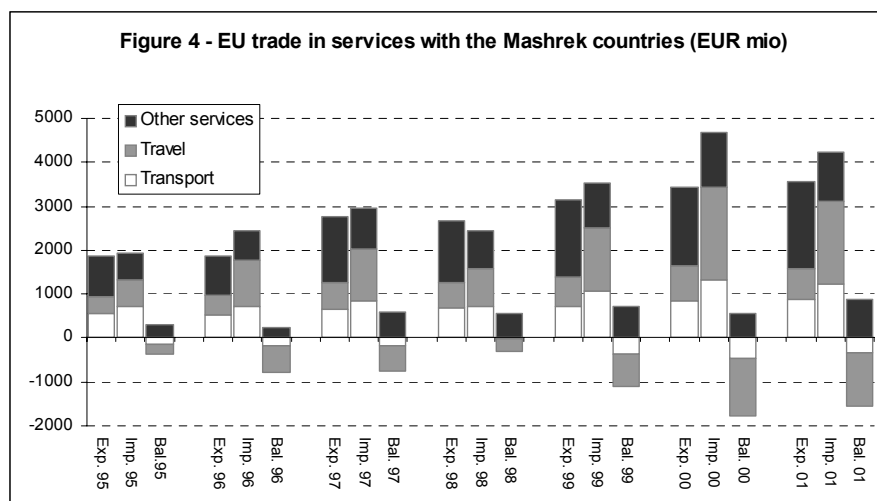


Table 3 - Main products traded between the EU and the Mashrek countries in 2002.

| Imports | | | | Exports | | | |
|--------------|--|--------------|--------------|--------------|------------------------------------|--------------|------------|
| SITC lev. 2 | Product | EUR mio | % of total | SITC lev. 2 | Product | EUR mio | % of total |
| TOTAL | | 7785 | | TOTAL | | 13394 | |
| 33 | Oil <i>of which, Syria 80%</i> | 4274 3434 | 54,9 44,1 | 74 | General machinery for industry | 965 | 7,2 |
| 84 | Clothing <i>of which, Egypt 68%</i> | 395 270 | 5,1 3,5 | 78 | Road vehicles | 881 | 6,6 |
| 65 | Fils, tissus... | 342 | 4,4 | 72 | Specialised machinery for industry | 848 | 6,3 |
| 68 | Non-ferrous metals | 185 | 2,4 | 54 | Medicinal products | 794 | 5,9 |
| 5 | Fruit & vegetables | 179 | 2,3 | 77 | Electrical appliances | 635 | 4,7 |
| 333 | Crude oil | 4265 | 54,8 | 542 | Medicinal products | 559 | 4,2 |
| 684 | Aluminium | 182 | 2,3 | 764 | Telecommunications | 475 | 3,5 |
| 845 | Clothing | 160 | 2,0 | 781 | Vehicles | 444 | 3,3 |

Table 4 - Concentration of trade by products (SITC level 3) in 2002

| | Mashrek | Lebanon | Syria | Palest. Auth. | Jordan | Egypt |
|--|---------|---------|-------|---------------|--------|-------|
| Percentage of top 10 products in total imports and exports | | | | | | |
| Imports | 69,6 | 59,5 | 92,2 | 97,0 | 69,0 | 51,4 |
| Exports | 25,1 | 32,7 | 29,4 | 61,2 | 39,7 | 26,1 |



➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

Country groupings: EU = EU15; MPC-12 = Algeria, Morocco, Tunisia, Egypt, Jordan, Lebanon, Syria, Israel, Palestinian Authority, Cyprus, Malta and Turkey.
Mashrek = Egypt, Jordan, Palestinian Authority, Syria and Lebanon.

Maghreb = Algeria, Morocco, Tunisia. Figures on the Palestinian Authority refer to the Gaza Strip and the West Bank.

Trade in goods: Data sources: Customs, Eurostat's COMEXT database. Figures provided by the EU. **System:** special trade. **Classification:**

SITC rev. 3 (Standard Classification for International Trade). **Statistics:** EU: CIF for imports and FOB for exports.

Trade in services: Data sources: NewCronos Eurostat. Figures provided by the EU. **Methodology:** 5th Balance of Payments Manual.

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➤ Databases

NewCronos, theme 2, Domain: bop/its and Comext

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