

**REPORT ON**  
**THE WORKSHOP ON**  
**“THE IMPACT OF BREXIT ON THE ECONOMIES**  
**OF THE OIC MEMBER STATES”**

**SUBMITTED BY**

**THE ISLAMIC CENTRE FOR DEVELOPMENT**  
**OF TRADE**

**TO THE**

**41<sup>st</sup> ISLAMIC COMMISSION FOR ECONOMIC,**  
**CULTURAL AND SOCIAL AFFAIRS**

**Jeddah, Kingdom of Saudi Arabia**  
**13-15 March 2018**

# WORKSHOP ON “THE IMPACT OF BREXIT ON THE ECONOMIES OF THE OIC MEMBER STATES”

Dubai, United Arab Emirates  
18 – 19 April 2017

## REPORT

### ❖ Context:

Within the framework of the implementation of the Resolution 6/43-E of the OIC Council of the Ministers of Foreign Affairs held in Tashkent, on Activities of the OIC Institutions working in the economic field, which called on ICDT to conduct a preliminary study on the Impact of Brexit on OIC Member States in cooperation with SESRIC and IDB Group and to submit a report to the relevant OIC fora.

In this regard, the Islamic Centre for Development of Trade (ICDT) and the Department of Resource Mobilization and Cooperation (DRMC) of the Islamic Development Bank and the Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC), organized under the auspices of the Ministry of Economy of the State of United Arab Emirates, a the workshop on “*Impact of Brexit on the Economies of the OIC Member States*” in Dubai, United Arab Emirates on 18 and 19 April 2017.

### ❖ Objectives:

The objective of this workshop was to seek the views of Member States on this issue and present to OIC Member States the preliminary findings of the joint study composed of three chapters:

- ✓ “Brexit Impact on OIC Countries’ Foreign Trade”;
- ✓ “Financial Implications of the Brexit Decision for the OIC Member Countries”;
- ✓ “Impact of Brexit on Immigration and Labor Market.

### ❖ Participants:

The following countries attended this workshop: Bangladesh, Cameroon, Côte d’Ivoire, Gabon, Egypt, Oman, Pakistan, Tunisia and United Arab Emirates.

Experts from OIC Institutions also participated: ICDT, IDBG and SESRIC.

### ❖ Proceedings of the Workshop:

After reading Verses of the Holy Qur'an, the representative of the Minister of Economy of the State of the United Arab Emirates, the Director General of ICDT and the Representative of the IDB Group took the floor to thank the Government of the State of UAE and participants. They highlighted the importance of the assessing the impact of Brexit on the OIC Member States on foreign trade, finance, migration, employment in order to explore the possible scenarios to cope with Brexit and its implication on OIC Member States and guarantee the preferential access to UK Market and protect their vested interest.

They pointed out that the Brexit will impact relatively future trade and investment relations not particularly OIC Member Countries but all partners of EU and UK.

They underlined to continue the necessity of updating and adapting the preliminary study according to the final scenario of Brexit.

❖ **Axes of the Workshop:**

The experts presented the following themes:

▪ ***Working session 1: Impact of Brexit on Foreign Trade of OIC Member States by ICDT.***

The Expert mentioned in this presentation that the British surprise vote in favor of the Brexit created a climate of uncertainty on all sides, particularly in terms of trade. Indeed, as this country is a Member of the European Union (EU), its commercial transactions with third countries are governed by the agreements concluded between the Union and these countries, including several OIC Members States.

Besides, the possibility of having to renegotiate its accession or retention within the WTO is increasingly raised.

In fact, several post-Brexit scenarios are to be considered and fall into two perspectives: A soft Brexit in which the United Kingdom remains linked to the EU by some trade arrangements such as those of Switzerland or Norway, on the one hand, and a hard Brexit where the UK pulls out completely from the EU on the other.

Depending on the chosen scenario, the implications on the OIC countries, and in particular those with strong trade relations with the UK, may vary significantly. However, these implications, which are often presented under their negative aspects, will also create opportunities in both the UK and EU markets.

Therefore, it is strongly recommended that OIC Member States should not wait until the effective exit of the UK from the EU to begin negotiations to establish trade agreements with this country. The OIC Countries will also benefit from considering the opportunities that may arise in the European market as a result of the UK exit.

▪ ***Working session 2: Financial Implications of the Brexit Decision for the OIC Member States by IDB.***

The representative of IDB pointed out that Brexit has a number of potential financial and monetary implications for the UK and the rest of the world, including the member countries of the Organization of Islamic Cooperation (OIC). These implications could include the impact on financial flows – namely the flows of investment, investment income, remittances and official development assistance from the UK to the OIC member countries – and the impact on financial stocks – namely the assets and liabilities on the balance sheets of the OIC investors and financial institutions. He underlined that it would be overambitious to aim to provide an unconditional quantitative assessment of the financial implications of Brexit. This is due to a very limited availability of detailed data on the OIC member countries' (MC) financial exposures to the UK, a lack of robust historical correlations between the UK's economic performance and financial flows to and from the OIC MCs, and the uncertainty about the final shape of the Brexit arrangement and hence its medium- to long-term economic and financial impact.

Indeed, he mentioned that the financial implications of the Brexit decision on the OIC member countries will materialize through three fundamental channels: the impact on the UK's (and global) growth, the impact on the UK (and global) monetary policy, and the impact on the path of the UK (and global) asset prices.

Besides, the size of the past financial flows from the UK to the OIC MCs provide a useful window into assessing which of the MCs could be impacted most. Although the link between the capital flows to the individual MCs and the UK's growth and current account is not tight enough to make definitive predictions, Mali, Azerbaijan and Mozambique could be most exposed relative to the size of their own GDP. Meanwhile, Malaysia, Indonesia, Turkey, Nigeria, Saudi Arabia and the UAE have the largest exposures in absolute, US dollar terms

▪ ***Working session 3: Impact du Brexit on migration and market employment of OIC Member States by SESRIC***

The Representative of SESRIC indicated that the outcome of the referendum was a surprise to most observers, immigration issue was probably the single most important factor driving the leave vote.

He estimated that the total number of immigrants from OIC countries living in the UK remains stable around 650,000, while the immigrants from developed and non-OIC developing countries follow an upward trend. In 2015, there were around 671,000 people living in the UK originally migrated from the OIC member countries, corresponding to 13% of total immigrants. On the other hand, the immigrants from non-OIC developing countries account almost half of the total immigrants.

In light of the recent statements of government officials on potential policies, there is a clear signal on the importance of skills levels in regulating the immigration. A recent survey also revealed that Britons favour the argument that priority should be given to people with high levels of qualifications and skills to fill needs in particular professions.

In this connection, although immigration from OIC countries to the UK is not substantial, planned tightening of immigration procedures during post-Brexit process is likely to affect the OIC member countries as well.

Immigration from OIC countries to the UK is already highly concentrated to few countries. Around half of people living in the UK with the origin of an OIC country are estimated to be from three OIC countries, namely Pakistan, Nigeria and Bangladesh. Noting the fact that majority of them live in low-income households, a significant number of immigrants from OIC member countries may be affected from the skill and salary requirements. Given the strong preference for skilled workforce, immigration from OIC countries are expected to be constrained mostly to skilled workforce and students only, which may contribute to greater brain drain from the concerned OIC countries.

▪ ***Working session 4: National perspectives: Egypt, Tunisia, Bangladesh, Pakistan, Cote d'Ivoire, Cameroon and Gabon.***

According to the findings its likely that the countries that will be negatively impacted by Brexit are the former British colonies with special ties with UK and particularly the LDCs like the Gambia, Guyana, Bangladesh and also Nigeria and Pakistan. These countries will be affected through the erosion on elimination of free access to UK market and the reduction of workers remittances due to the depreciation of British pound. Other countries will be affected through the depreciation of the assets invested in UK, it's the case of some GCC countries like Bahrain.

▪ **General Debate: Way forward for enhancing EU-OIC-UK Trade relations.**

❖ **Way forward:**

After a fruitful discussion, participants proposed the following recommendations:

- Encouraging OIC Member States to start trade and investment negotiations with UK bilaterally such as Turkey, Qatar, United Arab Emirates, KSA, Malaysia, Bangladesh, Nigeria, Egypt, Indonesia, Pakistan and Cameroon...and determining the scope of these negotiations within the framework of GSP+;
- Updating the study on the impact of Brexit on the Economies of the OIC Member States;
- Diversifying the OIC Trade in goods and services and Investment flows in order to avoid the uncertainty surrounding the Brexit process;
- Conducting a strategic study on the impact of Brexit in relation of the TYPOA-2025 Target and the COMCEC Strategy;
- Analysing the OIC Foreign Trade with the framework of the worldwide value chains, international competition and property rights and key role to be played by the WTO Agreements on Brexit;
- Collaborating with the OIC Member States in exchanging data on Brexit in order to improve the preliminary study;
- Studying the effects of Brexit on the OIC Member States remittances transfers and UK Aid;
- Organising such workshops for the benefit of the OIC Member States and following the Brexit issue;
- Encouraging Member States to start pre-negotiations with UK in order to reach new trade agreements.

❖ **Motion of Thanks:**

At the end of the meeting, the participants requested the representatives of the Minister of Economy of the State of the United Arab Emirates to convey their deepest thanks and gratitude to His Highness Khalifa Ben Zayed Al Nahyane, May God Glorify and Bless Him and to the Government of the United of Arab Emirates and the Emirati people for facilities granted to them since their arrival in Dubai.

The participants also expressed their deepest thanks and appreciation to His Excellency Dr. Yousef A. Al-OTHAIMIEN, the Secretary General of the Organization of Islamic Cooperation for his sustained support to enhance the level of economic integration of the OIC Member States.

The participants also expressed their profound gratitude and thanks to H.E. Dr. Bandar M. H. HAJJAR, President of the IDB Group for his full support for this initiative and his willingness to actively support the strategy for the development of economic cooperation and regional integration.

Finally, the Delegates congratulated and expressed their deep appreciation to the Director General of the Islamic Centre for Development of Trade and to ICDT's staff and experts for the laudable efforts they make and the excellent conditions in which the workshop was held, which enabled the success of this event.

# IMPACT OF THE BREXIT ON THE FOREIGN TRADE OF THE OIC COUNTRIES

## SUMMARY



The British surprise vote in favor of the Brexit created a climate of uncertainty on all sides, particularly in terms of trade. Indeed, as this country is a Member of the European Union (EU), its commercial transactions with third countries are governed by the agreements concluded between the Union and these countries, including several OIC Members States.

The exit of the United Kingdom from the EU will have among other implications, to put an end to the implementation of these agreements at the level of trade exchanges of the country with the rest of the world. The possibility of having to renegotiate its accession or retention within the WTO is increasingly raised.

Several post-Brexit scenarios are to be considered and fall into two perspectives: A soft Brexit in which the United Kingdom remains linked to the EU by some trade arrangements such as those of Switzerland or Norway, on the one hand, and a hard Brexit where the UK pulls out completely from the EU on the other.

Depending on the chosen scenario, the implications on the OIC countries, and in particular those with strong trade relations with the UK, may vary significantly. However, these implications, which are often presented under their negative aspects, will also create opportunities in both the UK and EU markets.

Therefore, it is strongly recommended that OIC Member States should not wait until the effective exit of the UK from the EU to begin negotiations to establish trade agreements with this country. Moreover, the UK has already begun to approach some countries such as Turkey to explore the possibility of concluding agreements in this direction. The OIC countries will also benefit from considering the opportunities that may arise in the European market as a result of the UK exit.

**For download, click on the following link:** [icdt-oic.org/ICDT\\_Page.aspx?Id\\_Page=881](http://icdt-oic.org/ICDT_Page.aspx?Id_Page=881)