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Committee on Trade Policies in the States Members of the Economic  
and Social Commission for Western Asia

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## **External trade indicators for the Arab region**

### **Summary**

The present document provides an overview of efforts by the Economic and Social Commission for Western Asia (ESCWA) to showcase a set of trade indicators used to assess the trade performance and trends of individual Arab countries and of the region as a whole.

The Committee on Trade Policies in the States Members of ESCWA is invited to review the present document and consider the way forward.

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## Introduction

1. The Arab region has untapped potential in terms of economic integration and regional trade. Nevertheless, information and data related to Arab economic integration are scattered between various regional and international sources, which impedes the work of trade stakeholders, especially in decision-making processes.
2. As Arab Governments continue their efforts to streamline trade-related procedures and to enhance the quality of related infrastructure and services, it is important that officials tasked with developing future plans in this area are fully cognizant of the available data and indicators they may use to monitor progress in this endeavour.
3. Designing, negotiating, entering into and staying in a trade agreement depend crucially on a detailed assessment of trade performance prior to implementation, in the process of full implementation, and after the agreement is fully implemented. This can be achieved in a relatively comprehensive and communicable manner by employing appropriate trade indicators and other complementary tools.

## I. Selection of indicators

4. ESCWA selected 16 indicators to assess the trade performance and trends of individual Arab countries and of the region as a whole. The indicators are showcased according to the following categories: national, bilateral, regional and global. The indicators set out in the present document are not exhaustive, but are selected on the basis of their relevance to Arab countries and data availability.

### Indicators to assess the trade performance and trends of Arab countries and of the region

Indicator		Definition
1	Trade openness ratio	Measures the importance of international trade in the economy. The world's average is 56.4 per cent. A higher ratio than the world's average means a more open economy that increasingly depends on the global economy.
2	Foreign trade coverage ratio	Shows the extent to which export earnings finance imports, and thus illustrates the position of the balance of trade in terms of its components rather than the difference. A value higher than one means a balance surplus, and lower than one means a deficit.
3	Exports-to-GDP ratio	Called the propensity-to-export indicator, and measures the ratio of national output exported in relation to total output produced.
4	Imports-to-GDP ratio	Called the import dependency indicator and also the import penetration indicator, which measures the extent of domestic demand fulfilled by imports of foreign products.
5	Trade balance-to-GDP ratio	Measures the contribution of the net balance of external trade to national output. A negative ratio reveals a deficit.
6	Export diversification ratio	Measures a country's concentration of exports in a limited number of production sectors. Values range from 0 to 1. A value of zero indicates that the export pattern exactly matches the world's average. Higher values indicate a country's dependence on a small number of products.

Indicator		Definition
7	Intra-regional exports share	The percentage of the intra-regional exports of an Arab country to the region as a share of the country's total exports. Increases in the export share over time may indicate a country's greater regional integration.
8	Regional market share	The intra-regional market share is defined as the proportion of total exports of an Arab country in the total intra-regional exports of the Arab region, which measures the relative importance of individual Arab countries to intra-regional trade.
9	Trade intensity index	Captures whether the value of trade between a reporter and partner is greater or smaller than what would be expected, on the basis of their importance in world trade.
10	Trade complementarity index	Captures how well the structures of a country's exports and its partner's imports match, showing the extent of prospects for further exchange. The index shows the value 0 when no goods are exported by one country or imported by the other, and 1 when the export and import shares exactly match.
11	Export similarity index	Captures the extent to which two entities are competitors in a common market. The index value 0 suggests that there is no competition between the two entities, and 1 when they are perfect competitors.
12	Intra-industry trade index	When the value of the index approaches 1, this indicates a high level of trade exchange within an industrial sector, exporting and importing with equal value during the same time period. When the index value is 0, this indicates that there is no trade exchange of products within a specific industrial sector, meaning that a country is either only importing or only exporting the products of that sector.
13	Share of the Arab region's total exports	Measures the share of an Arab country in the total exports of the Arab region to the world. It shows the size of the different Arab countries in the export performance of the region.
14	Share of the Arab region's total imports	Measures the share of an Arab country in the total imports of the Arab region. It shows the size of the different Arab countries in the region's total imports.
15	Arab region's share of global exports	Measures the size of the Arab region's total exports as a percentage of the world's exports.
16	Arab region's share of global imports	Measures the size of the Arab region's total imports as a percentage of the world's imports.

5. At the national level, the indicators reveal current and past trends in the performance of exports and imports relative to the size of an economy; the capacity of exports to finance foreign imports; the overall balance of trade (surpluses/deficits); and an assessment of export diversity and trade at the industry level. At the bilateral level, they show the degree of similarity and/or complementarity of national exports with selected trading partners. At the regional level, they assess each Arab country's share of trade within the Arab region (intra-regional trade). At the global level, they indicate the Arab region's share of global trade.

## II. Way forward

6. ESCWA may build on this initial set of trade indicators, depending on the issues that emerge in regional trade policy debates. As new issues gain traction, ESCWA may introduce new or modify existing trade indicators.

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