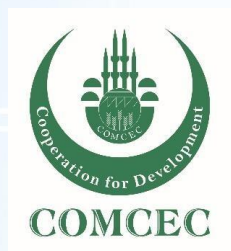




TRADE

OIC/COMCEC/



CCO BRIEF ON TRADE

COMCEC COORDINATION OFFICE
October 2020

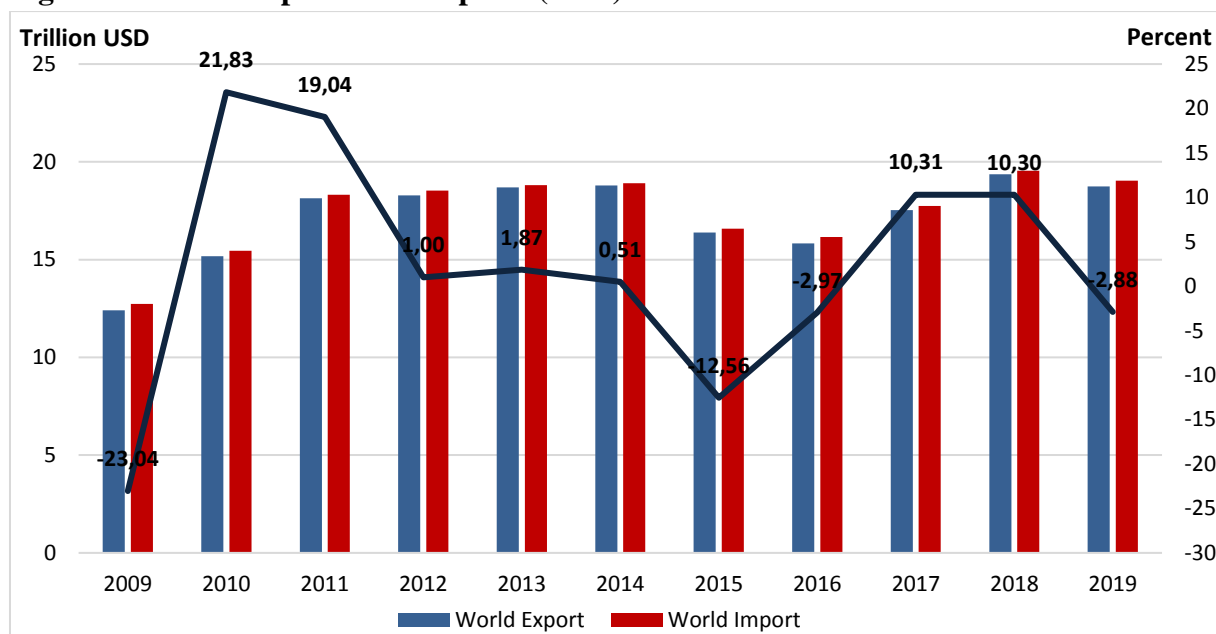
BRIEF ON TRADE COOPERATION

1. Introduction

International trade is an important catalyst for economic and social development. The evidence shows that enhancing international trade in countries contributes to the elevation of living standards, investments and employment. Many countries perceive international trade as an important tool for strengthening their integration with other countries and have taken important steps towards increasing trade and improving trading environment through multilateral, regional, or bilateral initiatives.

The world trade rapidly rebounded in 2009 after the crisis in 2008. However, it encountered about 12.6 percent and about 2.9 percent decrease in 2015 and 2016 respectively. Afterwards, the trade volume in the world demonstrated about 10.3 percent and 9.4 percent increase in 2017 and 2018 respectively. However the world trade encountered 2.9 percent decrease in 2019.

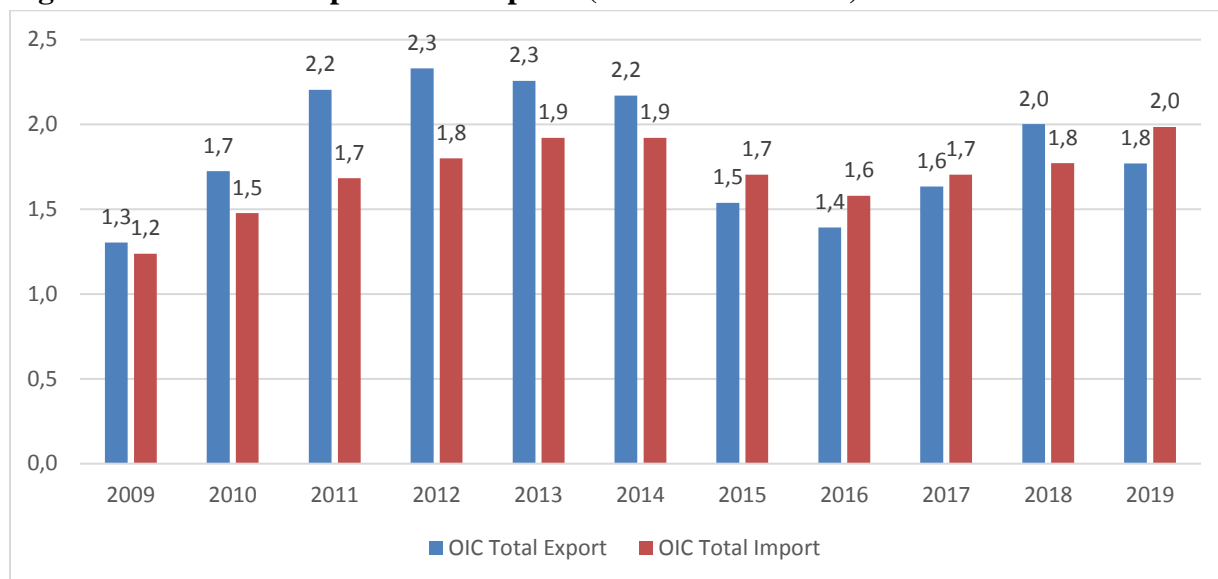
Figure 1: Global Exports and Imports (2019)



Source: IMF Direction of Trade Statistics

Trade of the OIC Member Countries

As shown in the Figure 2, the total OIC exports decreased by 10 percent from 2 USD trillion in 2018 to USD 1.8 trillion in 2019. The total OIC imports rose about 11 percent from USD 1.8 trillion in 2018 to USD 2 trillion in 2019.

Figure 2: Total OIC Exports and Imports (Trillion USD-2019)

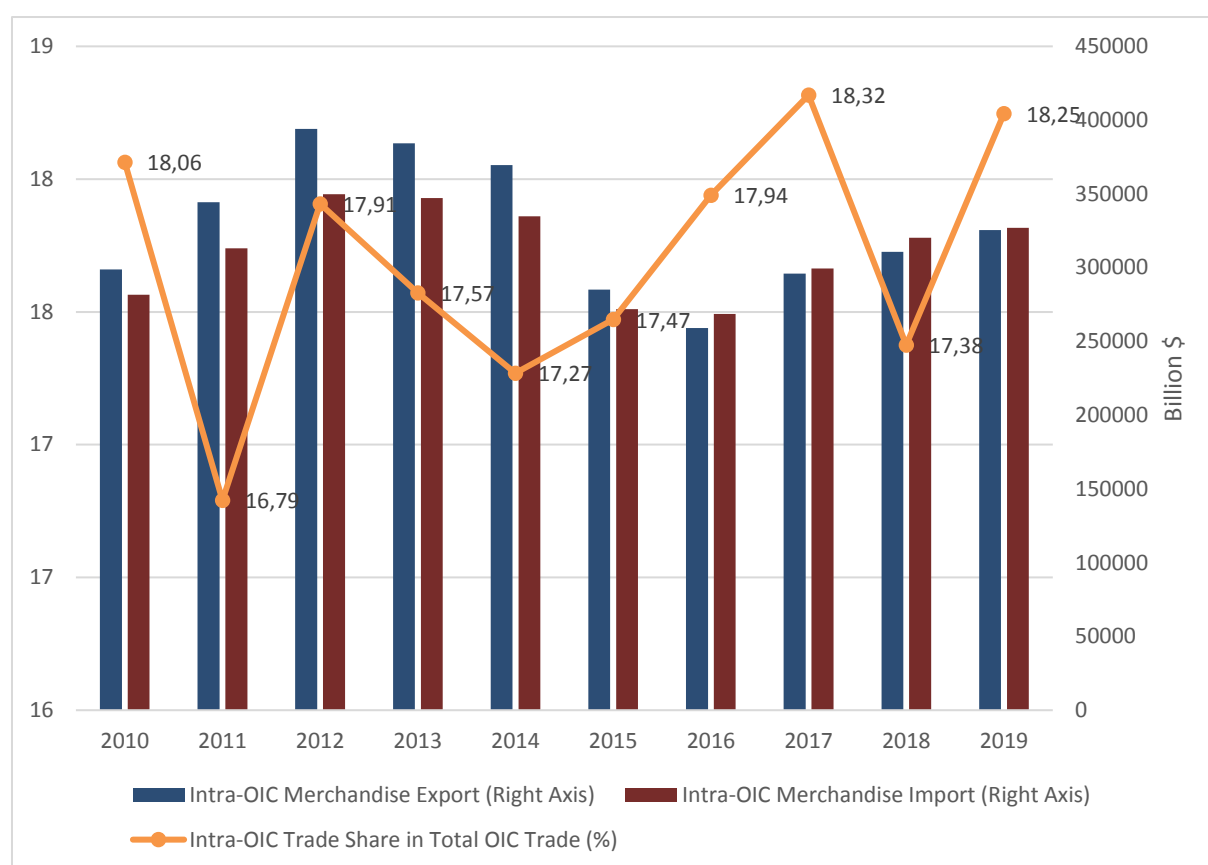
Source: IMF Direction of Trade Statistics

Developments in Intra-OIC Trade

Despite its high potential, intra-OIC trade is below the desired level, due to various structural problems. Protectionist trade policies, high tariffs, non-tariff barriers, weak trade related logistics and infrastructure, underutilized trade financing and insurance mechanisms are major problems faced by the Member Countries. Moreover, many member countries do not have sufficient financial resources, sound payment and banking systems or efficient legal frameworks. The bureaucratic customs operations and lack of well-functioning coordination mechanisms among the relevant government agencies and the private sector are other challenges faced by the Member Countries with regards to trade.

Figure 3 shows the trends in intra-OIC trade since 2009. According to the Figure 3, the share of intra-OIC trade increased from 17,4 percent in 2018 to 18,3 in 2019.

Figure 3: Developments in Intra-OIC Trade 2010-2019 (Billion US Dollars)



Source: IMF Direction of Trade Statistics

2. Global Trends in Trade Facilitation

Important developments have taken place with regard to enhancing global trade since 2013. Trade negotiations reached a significant milestone in 2013 with the agreement on the “Bali Package,” which constituted a selection of issues from the broader Doha Round negotiations. The Package was agreed by the Ministers at the WTO’s Ninth Ministerial Conference, held in Bali in December 2013. The Package comprises 10 ministerial decisions/declarations covering trade facilitation, agriculture and development. The Trade Facilitation Agreement (TFA) is one of the most important components of the Package.

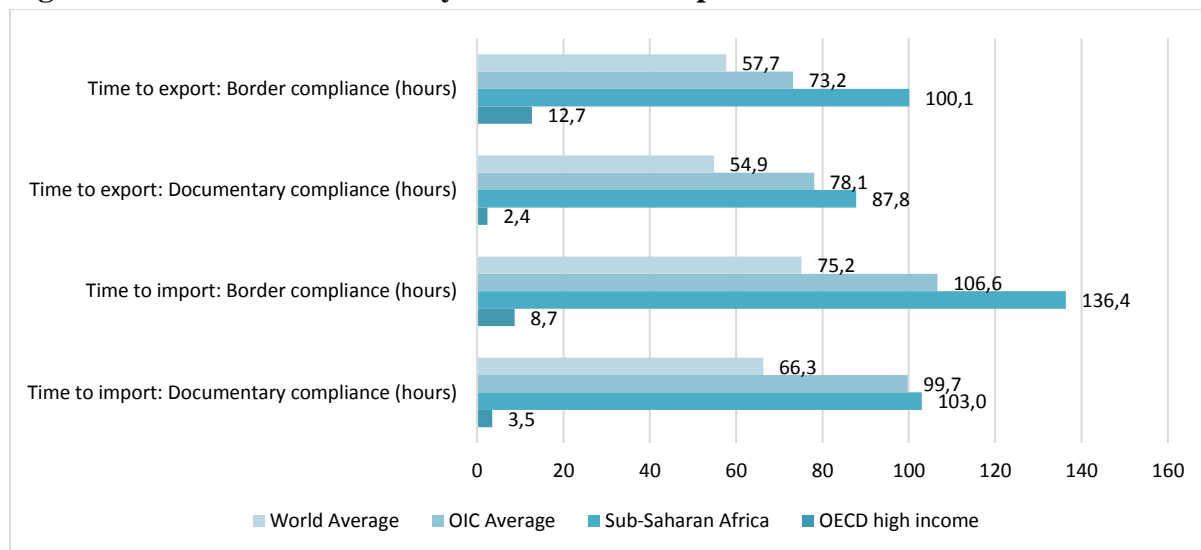
TFA mainly specifies measures for eliminating barriers against international trade, through the streamlining and simplifying of customs procedures. According to the WTO, the Agreement may increase global merchandise exports by up to \$1 trillion per annum. The TFA entered into force in February 2017 following the ratification by two-thirds of the WTO members. As of September 2020, 153 WTO Members, have ratified the TFA, 40 of which are OIC Member Countries.

3. Trade Facilitation in the OIC Member Countries

Recognizing the significance of reducing trade costs, trade facilitation is of particular importance for the OIC member countries. The performance of the OIC Member Countries varies in terms of trade operations. Several indices or reports have been developed by

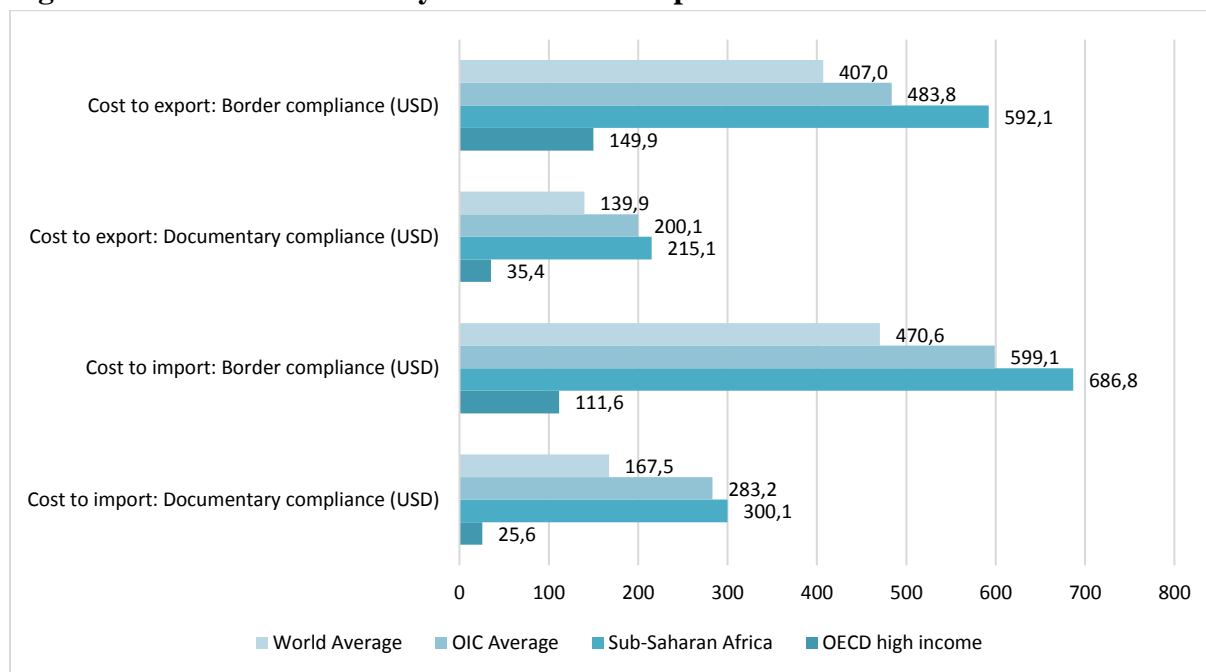
international institutions to identify the bottlenecks hindering international trade in countries. The World Bank Doing Business Report is one of these reports; it calculates the average time and cost for doing business in countries. In terms of trading across borders, Doing Business measures the money and time consumed during inland transportation and handling, ports and terminal handling and customs clearance as well as technical control for imports in over 150 countries. The Figure 4 and 5 show comparison of the time and cost for border and documentary compliance in the world, OIC and some other regions.

Figure 4: Time for Documentary and Border Compliance



Source: World Bank

Figure 5: Cost to Documentary and Border Compliance



Source: World Bank

Due to the importance of the matter for the Member Countries, the COMCEC Trade Working Group has been focusing on different aspects of Trade Facilitation in its recent meetings. In this regard, strengthening compliance to international standards, improving border agency cooperation and Single Window Systems in the Member Countries have been elaborated by the Working Groups.

In this framework, the 15th Meeting of the COMCEC Trade Working Group was held on September 22nd, 2020 in virtual-only format with the theme of “*Guidelines for Establishing Effective National Trade Facilitation Bodies in the OIC Countries*”. Governments tend to simplify their trade procedures and formalities in order to reduce trade transaction costs and increase their competitiveness in trade. In this regard, National Trade Facilitation Bodies (NTFBs) charged with trade facilitation objectives provide a powerful and formal dialogue platform for all stakeholders in trade community to discuss trade challenges and solutions at the national level. Additionally, NTFBs can actively contribute to sustainable and inclusive trade-led development of countries, the modernization of the public and private sectors and be a catalyst for a country’s economic and social progress.

The necessity of establishment of NTFBs is highlighted in the Article 23.2 of WTO TFA, being said that countries “shall establish and/or maintain a national committee on trade facilitation or designate an existing mechanism to facilitate both domestic coordination and implementation of the provisions of this Agreement.”

The Handbook on the subject, which was submitted to the 15th Meeting of the TWG, highlights that the success of a NTFBs will be measured over time by the level of achievement of its vision, mission and strategic importance. Strategic planning and performance management are vital for a NTFBs’s effectiveness and sustainability over time. Furthermore, the Handbook points out that effective communication among stakeholders, effective organizational framework, and adoption of modern management techniques to run the NTFBs’ operations and execute its strategy are key to achieving success.

The major challenges faced by countries concerning National Trade Facilitation Bodies (NTFBs) are as follows:

- Limited political support over time
- Inadequate participation of senior official in NTFBs meetings
- Insufficient resources (human and financial) to run NTFBs operations
- Resistance to change
- Lack of awareness on the importance of NTFBs and trade facilitation

All the documents prepared for the Working Group Meetings are available on the COMCEC website (www.comcec.org).

Furthermore, a Consultative Meeting was held virtually with the theme of “The impacts of COVID-19 on Trade and the Way Forward in the OIC Member Countries.” on July 13th, 2020.

The meeting was attended by the representatives of 21 Member States. The meeting was also attended by the representatives of the UNCTAD, SESRIC, ICDT, SMIIC and COMCEC Coordination Office. The meeting started with exploring the impacts of COVID-19 Pandemic on OIC economy and trade and continued with the evaluation of Trade Facilitation Policies in this crises environment. Also Member Countries shared their experiences of tackling COVID-19 crisis and the participants deliberated on the cooperation opportunities based on the needs and experiences of the member countries

4. The Flagship Project of the COMCEC on Trade: TPS-OIC

Since the establishment of the COMCEC, trade has been one of the most important cooperation areas. In order to enhance trade among the OIC Member Countries, the COMCEC has initiated many programs and projects towards reaching this objective. The Trade Preferential System among the Member States of the OIC (TPS-OIC) is one of the most important projects of the COMCEC for fostering intra-OIC trade.

In order to make the TPS-OIC system operational, 10 Member States have to fulfill two conditions at the same time, namely the ratification of the three TPS-OIC Agreements and the submission of the list of concessions to the TNC Secretariat. The list showing signing/ratifying TPS-OIC Member Countries can be found in Annex 1.

However, for the System to enter into force, there are a few practical steps that should be taken by the participating member states. The most important step in this context is the updating of the concession lists. By April 2019, Turkey, Malaysia, Pakistan, Jordan, Bangladesh, Iran, Morocco and Gulf Cooperation Council on behalf of its 6 Member States have submitted their updated concession lists.

The 34th Session of the COMCEC held on November 26-29th, 2018 in İstanbul, has requested the Trade Negotiating Committee (TNC) Secretariat to communicate with the concerned participating Member States to ensure the submission of the concession lists in the same format and circulate them among the concerned Member States accordingly.

On the other hand, for successful implementation of the System, the Member Countries are required to undertake some internal measures, such as: printing the TPS-OIC Certificate of Origin documents, conveying specimen impressions of stamps to the Trade Negotiating Committee Secretariat and completing the necessary internal legislative and administrative measures. After the completion of these measures, the System would become fully operational.

In addition to the technical preparations for operationalization of the TPS-OIC System, the relevant OIC Institutions have been organizing various activities towards increasing awareness on the potential benefits of the TPS-OIC.

A Consultative Meeting for discussing issues regarding the Implementation of the TPS-OIC is planned to be held virtually on October 27th, 2020 with the attendance of the Participating States which have ratified the TPS-OIC Agreements and submitted their concession lists. The

Participating States are expected to discuss the current state of the System in terms of the completion of the necessary steps (i.e. the submission of the updated concession lists, completion of internal procedures stemming from the provisions of the TPSOIC-Agreements) to be taken for its effectuation and to identify a road map for the future.

5. Activities of the OIC Institutions in Trade Domain

The relevant OIC Institutions' efforts are of particular importance for boosting trade among the Member Countries.

- TPS-OIC is the most important project of the COMCEC in the field of trade. The System will not only facilitate increasing the intra-OIC trade but also build a framework for cooperation among the OIC Member Countries. Thus, it will be a basis for further cooperation among the member countries. In this regard, the 35th Session of the COMCEC requested the concerned Member States to expedite their efforts for the submission of the concession lists to the Trade Negotiating Committee (TNC) Secretariat in the standard format circulated by the TNC Secretariat for the operationalization of the TPSOIC at the earliest. For accelerating the process, the Ministry of Trade of the Republic of Turkey, Chairman of the 1st and 2nd Rounds of TNC Meetings, requested TNC Secretariat to organize a Virtual Consultative Meeting for discussing issues regarding the Implementation of the TPS-OIC with the attendance of the Participating States, which have ratified the TPS-OIC Agreements and submitted their concession lists. The COMCEC Coordination Office, in consultation with the Host Country and the ICDT (as the co-Secretariat of the TNC), has announced that the said Virtual Consultative Meeting will be held virtually on October 27th, 2020.
- The World Halal Summit (WHS) 2019, a prestigious halal event in the world gathering prominent speakers and important stakeholders of the halal industry and was held simultaneously with the 7th OIC Halal Expo on 28 November-01 December 2019 in Istanbul, under the auspices of the Presidency of the Republic of Turkey. World Halal Summit was co-organized by SMIIC, The Islamic Centre for Development of Trade (ICDT), and Discovery Events under the theme of "Halal for All Generations: Importance of Family and Youth".
- SMIIC has continued to work on the development of the much-needed common standards in the OIC including the OIC/SMIIC Halal Tourism Standard, which was published in December 2019. SMIIC has conducted 6 training programs on the OIC/SMIIC Halal Standards in order to aid the common use of standards within the OIC.
- During the 13th Islamic Summit held on 10-15 April 2016 in Istanbul, Turkey, H.E. Recep Tayyip ERDOĞAN, the President of the Republic of Turkey and the Chairman

of the COMCEC proposed to set-up an OIC Arbitration Center in İstanbul for the benefit of the Member Countries. Upon this proposal, the COMCEC has put this important initiative on its agenda. The 35th General Assembly Meeting of the ICCIA has approved the Statute of the Center. The Headquarter Agreement of the Center has been signed during the 35th COMCEC Session. ICCIA and TOBB are undertaking the final preparations for making the Center operational soon.

- Islamic Trade Fairs are organized for increasing intra-OIC trade and promoting the products, industries, and services of the OIC member countries. In addition to the Islamic Trade Fairs, sector-specific fairs and exhibitions are also organized by the Member Countries in cooperation with ICDT.
- Since the 35th Session of the COMCEC, SESRIC has made efforts to strengthen intra-OIC South-South cooperation, by implementing a wide range of capacity building programs and training activities under the agenda item on intra-OIC trade. Since the outbreak of the Coronavirus Pandemic (COVID-19), the Centre has realized studies and a Webinar on “Economic Impacts of the Covid-19 Pandemic on OIC Countries.

ANNEX 1**MEMBER STATES THAT SIGNED / RATIFIED THE TPS-OIC AGREEMENTS** *(Until April 2019)*

No.	Member States	Framework Agreement		PRETAS		TPS-OIC Rules of Origin		Submission of the Concession Lists
		Signed	Ratified	Signed	Ratified	Signed	Ratified	
1	Bahrain	✓	✓	✓	✓	✓	✓	✓
2	Bangladesh	✓	✓	✓	✓	✓	✓	✓
3	Benin	✓	---	✓	---	✓	---	
4	Brunei Darussalam	✓	✓	---	---	---	---	
5	Burkina Faso	✓	---	✓	---	✓	---	
6	Cameroon	✓	✓	✓	✓	✓	---	
7	Chad	✓	---	---	---	---	---	
8	Comoros	✓	---	✓	---	✓	---	
9	Cot d'Ivoire	✓	---	✓	---	✓	---	
10	Djibouti	✓	✓	✓	---	✓	---	
11	Egypt	✓	✓	✓	---	---	---	
12	Gabon	✓	✓	---	---	---	---	
13	Gambia	✓	✓	✓	✓	✓	✓	
14	Guinea	✓	✓	✓	---	✓	---	
15	Guinea-Bissau	✓	---	✓	---	✓	---	
16	Indonesia	✓	✓	✓	---	✓	---	
17	Iran	✓	✓	✓	✓	✓	✓	✓
18	Iraq	✓	✓	---	---	---	---	
19	Jordan	✓	✓	✓	✓	✓	✓	✓
20	Kuwait	✓	✓	✓	✓	✓	✓	✓
21	Lebanon	✓	✓	---	---	---	---	
22	Libya	✓	✓	---	---	---	---	
23	Malaysia	✓	✓	✓	✓	✓	✓	✓
24	Maldives	✓	✓	---	---	---	---	
25	Mauritania	✓	✓	✓	---	✓	✓	
26	Morocco	✓	✓	✓	✓	✓	✓	✓
27	Niger	✓	---	✓	---	✓	---	
28	Nigeria	✓	---	✓	---	✓	---	
29	Oman	✓	✓	✓	✓	✓	✓	✓
30	Pakistan	✓	✓	✓	✓	✓	✓	✓
31	Palestine	✓	✓	✓	✓	✓	✓	
32	Qatar	✓	✓	✓	✓	✓	✓	✓
33	Saudi Arabia	✓	✓	✓	✓	✓	✓	✓
34	Senegal	✓	✓	---	---	---	---	
35	Sierra Leone	✓	---	✓	---	✓	---	
36	Somalia	✓	✓	✓	✓	✓	✓	
37	Sudan	✓	---	✓	---	✓	---	
38	Syria	✓	✓	✓	✓	✓	✓	✓*
39	Tunisia	✓	✓	✓	---	✓	---	
40	Turkey	✓	✓	✓	✓	✓	✓	✓
41	UAE	✓	✓	✓	✓	✓	✓	✓
42	Uganda	✓	✓	---	---	---	---	
		42	32	33	18	32	18	14

*The Syrian Arab Republic's membership was suspended by the 4th Extraordinary Summit of the OIC.