



CCO BRIEF ON TRADE

BRIEF ON TRADE COOPERATION

1. Introduction

International trade is an important catalyst for economic and social development. It helps to boost development and reduce poverty, generate income and increase commercial opportunities and investments, as well as broaden the productive base through private sector development. In this regard, many countries have taken important steps towards increasing trade and improving their trading environment through multilateral, regional or bilateral initiatives. As a result, the global trade volume has recorded a dramatic increase and the composition of trade has been enriched and its direction has recently shifted towards the developing world.

World trade registered a significant increase in 2003-2008, followed by a drastic decline in 2009. Although global trade has recovered in 2010, and continued to increase in 2012 and 2013, the improvements needed to catch up with the pre-crisis growth rates, which have been slow as a result of concerns related to the Euro area and Japan, the slow down in Chinese economy and the developments in the Middle East.

Figure 1: Global Exports and Imports (2015)

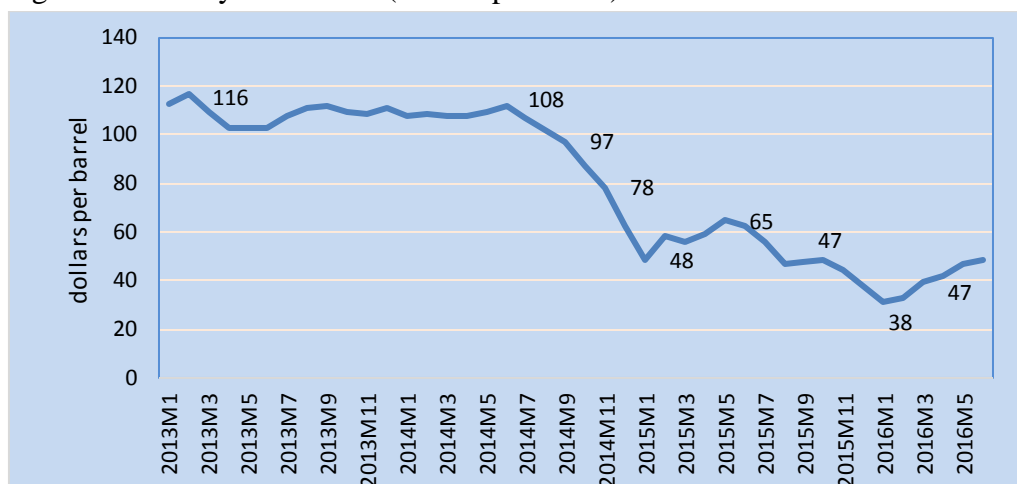


Source: IMF Direction of Trade Statistics

Commodity prices have taken a declining trend since 2012. In 2015, a sharper decline was witnessed in both energy and non-energy commodities, as energy prices decreased by 39.3 percent, and non-fuel prices fell by 19.1 percent between December 2014 and 2015. Despite the sharp decline in world trade value, world trade volume (which accounted for changes in prices and exchange rates) continued to grow by 2.8 per cent in 2015. The sharp decline in the dollar value of world trade came as a result of the depreciation of the local currencies in terms

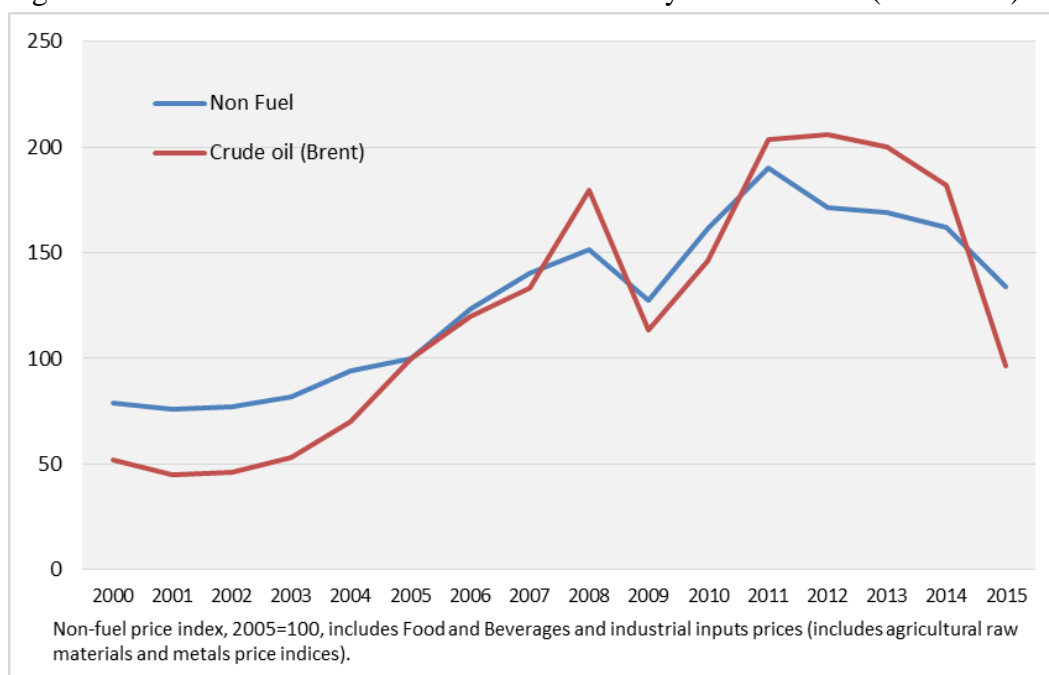
of dollar. The decrease in dollar value of the commodities and oil also contributed to the decline.

Figure 2: Monthly Oil Prices (dollars per barrel)



Source: IMF Commodity Price Statistics

Figure 3: Evolution of Oil and Non-Fuel Commodity Price Indices (2005=100)



Source: IMF Database

Oil prices fell sharply in recent years due to both demand and supply factors. On the supply side, two recent developments contributed to the fall in oil prices, namely: the surge in oil production in non-OPEC countries (especially the United States) and OPEC's new policy of keeping the market share by maintaining the same production levels, rather than targeting a price band. Additionally, increasing production in Iraq, and partly in Libya, had a positive impact on global oil supply. On the demand side, several factors played a role in decreasing oil prices, such as the weak demand in some advanced economies and the slowing pace of

growth in emerging markets, foremost in China. Moreover, improvements in energy efficiency also played an important role in slowing down global oil consumption.

Trade of the OIC Member Countries

The total OIC exports fell sharply by 25.4 percent from USD 2.2 trillion in 2014 to USD 1.6 trillion in 2015. The low level of growth in the region, the decrease in oil prices and the depreciation of local currencies are among the important reasons which contributed to the decrease in exports in the OIC region.

On the other hand, the total OIC imports, which continued to increase in the 2012 - 2014 period, fell by 7.4 per cent to USD 1.8 trillion in 2015. Thus, the total OIC trade fell by 16 percent from USD 4.1 trillion in 2014 to USD 3.4 trillion in 2015.

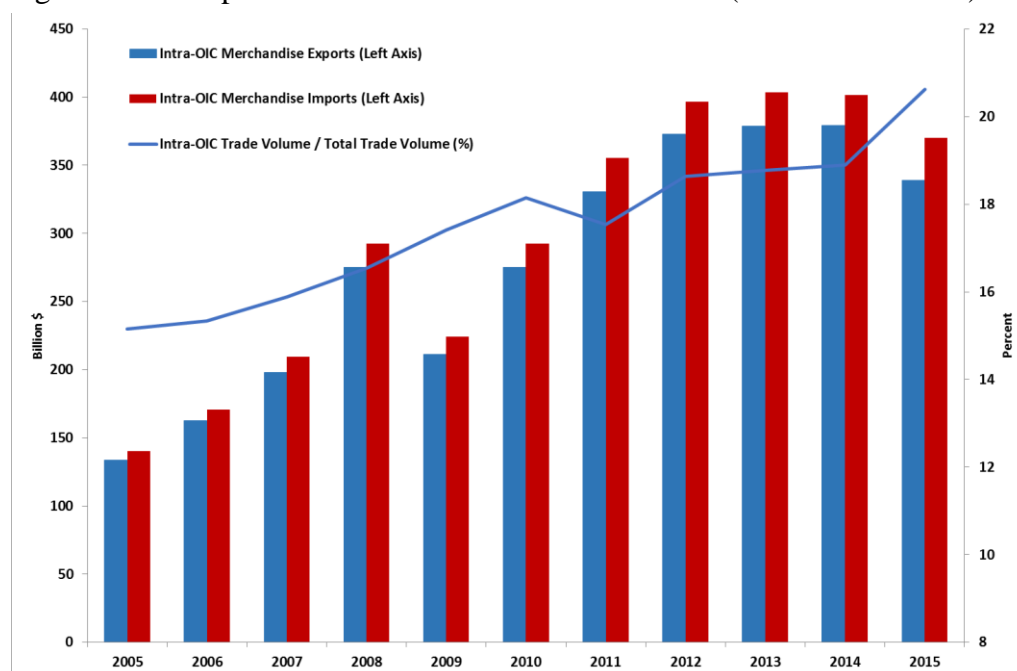
Two characteristics of the total OIC exports still constitute a risk for the future: First is the dominant role of mineral fuels in exports. The share of mineral fuels, oils and distillation products in the OIC exports was 47.4 percent in 2015. The fluctuations in oil prices constitute a considerable risk for oil exporters. Second is that the top ten OIC countries in terms of their trade volume and value have constituted 70 % of all OIC trade with the world in 2015. Thus, the majority of the Member States has a limited foreign trade volume, and highly depends on the exports of a few commodities.

Developments in Intra-OIC Trade

Despite its high potential, intra-OIC trade is below the desired level, due to some 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 in the region. Moreover, many member countries do not have sufficient financial resources or sound payment and banking systems. Despite these challenges, after remaining roughly constant between 2012 and 2014, averaging 18.5 percent, the share of intra-OIC trade increased to 20 percent in 2015.

In 2015, intra-OIC exports accounted for 21.1 percent of the total OIC exports, while intra OIC imports accounted for 20.2 percent of the total OIC imports. Figure 4 shows the trends in intra-OIC trade since 2005.

Figure 4: Developments in Intra-OIC Trade 2005-2015 (Billion US Dollars)



Source: IMF Direction of Trade Statistics

2. Global Trends in Trade Facilitation

Important developments took place since 2013 with respect to enhancing global trade. Trade negotiations reached a significant milestone in 2013, with the agreement of the “Bali Package”, which constituted a selection of issues from the broader Doha Round negotiations. The Package was agreed upon by ministers at the conclusion of 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 is the most important component of the Package.

Trade Facilitation Agreement (TFA) mainly specifies measures to eliminate barriers against international trade, through streamlining and simplification of customs procedures. The Agreement has two sections, which include provisions for expediting the movement, release and clearance of goods and differential treatment provisions for developing and least-developed countries respectively.

With regards to differential treatment, TFA enables developing and least-developed countries to select three categories of provisions, namely A, B and C, based on their readiness for implementation. WTO also aims to provide technical assistance and capacity building programs to developing and least-developed countries through collaboration with donor Member States to facilitate implementation of the Agreement. Some of the important arrangements of the Agreement are publication and availability of information, advance rulings, the right to appeal or review, pre-arrival processing, electronic payment and freedom of transit. According to the WTO, the agreement may increase global merchandise exports by up to \$1 trillion per annum.

TFA will be operational after the formal ratification of the Agreement by the two thirds of the WTO members. As of August 2016, 92 members of WTO have ratified the TFA, Senegal and Uruguay being the latest ratifying countries.

3. Trade Facilitation in the OIC Member Countries

Recognizing the significance of reducing trade costs, trade facilitation is of particular importance for the member countries. Some of the main challenges faced by the Member Countries could be identified as: restricted logistic services, lack of adequate infrastructure, inefficient legal frameworks, bureaucratic customs operations and lack of well-functioning coordination mechanisms among the relevant government agencies and private sector. When successfully eliminated, these challenges could also present promising opportunities for increasing the trade volumes of Member Countries.

The performance of 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 money and time consumed during inland transportation and handling, ports and terminal handling and customs clearance and technical control for imports in over 150 countries. The following figures show the average number of days and the average cost of the highest and lowest ranked Member Countries.

Figure 5: Days for and Cost of Exports in the lowest ranked Member States

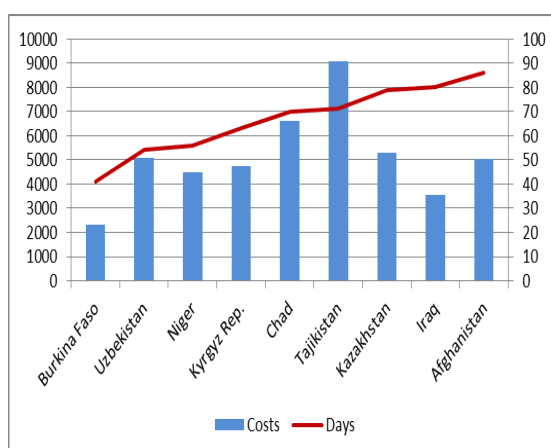
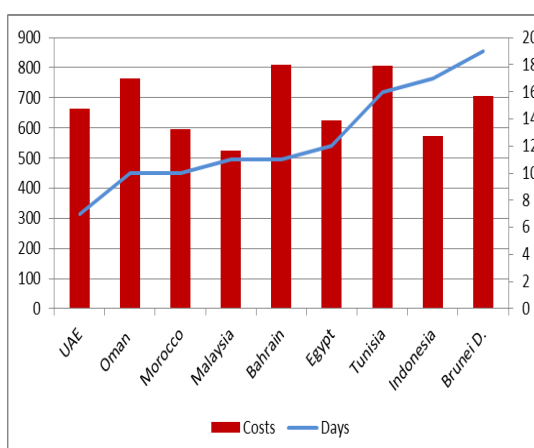


Figure 6: Days for and Cost of Exports in the highest ranked Member States



Source: World Bank

However, the Trade Facilitation Agreement could be an important leverage for the Member Countries to improve present figures. In this respect, until October 2016, only 15 OIC Member Countries have ratified the Agreement.

Due to the importance of the matter for the Member Countries, the COMCEC Trade Working Group has been elaborating on different aspects of Trade Facilitation in its recent meetings. More details could be found under the relevant heading below.

4. Cooperation in the area of trade under the COMCEC

Since the establishment of the COMCEC, trade has been one of the most important cooperation areas. In order to enhance trade among OIC Member Countries, the COMCEC has initiated many programs and projects towards reaching this objective. Trade Preferential System among the Member States of the OIC (TPS-OIC) is one of the most important projects of the COMCEC to foster 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. As of December 2014, required number of countries having met necessary requirements of the System has been reached. In the 31st Session of the COMCEC, the Ministers agreed to undertake necessary measures to finalize the procedures of TPS-OIC. In this regard, 31st COMCEC Session invited the participating states to update the previously submitted concession lists by March 1st, 2016 for the full implementation of the TPS-OIC. So far, Turkey, Malaysia, Pakistan, Jordan, Bangladesh and Iran have submitted the updated concession lists to the TNC Secretariat.

On the other hand, for successful implementation of the System, some measures are required to be undertaken by the Member Countries such as; printing 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 completion of the mentioned measures, the System is expected to be operational in the near future.

A list showing signing/ratifying TPS-OIC Member Countries could be found in Annex 1 of this document.

Moreover, being one of the instruments of the COMCEC Strategy, the Trade Working Group has convened eight times until now.

Recent Meetings of the COMCEC Trade Working Group

The 7th Meeting of the COMCEC Trade Working Group was held on February 25th, 2016 with the theme of “Strengthening the Compliance of OIC Member Countries to International Standards”. In this meeting, the trade working group elaborated on the current state of the Member Countries, in terms of standards and quality infrastructure, effects of standards on their external trade, and the ways and means to improve it to enhance both their overall trade and intra-OIC trade.

The presentations and deliberations made during the meeting highlighted the importance of harmonization with the international standards by the Member Countries for especially reaching higher levels of export competitiveness and intra-OIC trade figures.

During the meeting, the participants cited lack of quality infrastructure, weak participation to the work of the relevant international organizations, and lack of awareness on the importance of compliance to international standards as some of the main challenges they face in this field. The Working Group has come up with the following policy recommendations:

- Developing/Strengthening a National Quality Infrastructure.
- Supporting the Member States' Efforts for their Active Participation in the work of International Standardization Bodies.
- Strengthening SMIIC for the Adoption of Harmonized Standards for the development of Quality Infrastructure in the OIC for Enhancing Intra-OIC Trade.

Moreover, the 8th Meeting of the COMCEC Trade Working Group was held on October 6th, 2016 with the theme of "Improving the Cross Border Agency Cooperation among the OIC Member States for Facilitating Trade". The Representatives of the Member States have shared their experiences, achievements and challenges in enhancing border agency cooperation among their respective countries. The Meeting has considered the Studies "Improving The Border Agency Cooperation Among the OIC Member States for Facilitating Trade" commissioned by the COMCEC Coordination Office and the "COMCEC Trade Outlook 2016" prepared by the COMCEC Coordination Office.

During the meeting, the following challenges were highlighted as faced by the member countries in enhancing cross border cooperation among the Member Countries:

- Lack of coordination and cooperation among border agencies
- Long, costly and inefficient custom procedures
- Lack of harmonized working hours among the countries
- Inadequate information exchange among the border agencies

In conclusion, the 8th Meeting of Trade Working Group has come up with the following policy recommendations:

- Promoting the adoption of international standards in customs and other relevant cross border trade and logistics matters as well as accession to the relevant international conventions for harmonizing and simplifying rules and procedures related to the cross border trade and logistics operations
- Promoting mutual recognition arrangements/agreements for border controls and trusted traders
- Enhancing information exchange among the border agencies of the Member Countries through enhancing connectivity of information and communication technology systems, providing regular knowledge exchange platforms and participating in relevant international networks

- Improving the infrastructure of land border crossing points and transport connectivity through the joint efforts of the neighboring countries e.g. through establishing joint technical/working committees, which include relevant stakeholders to identify the factors which cause bottlenecks.

The 9th Meeting of the COMCEC Trade Working Group will be held on March 2nd, 2017 in Ankara with the theme of “Single Window Systems in the OIC Member States for Facilitating Trade.”

COMCEC Project Funding Mechanism

The member countries, having registered to the Trade Working Group, have the chance to propose multilateral cooperation projects within the framework of the COMCEC Project Funding, which is another important implementation instrument of the Strategy. The projects to be financed under the COMCEC Project Funding need to serve multilateral cooperation and be designed in accordance with the objectives and the expected outcomes defined by the Strategy in its trade section. In this regard, two projects were implemented successfully within the scope of the 2nd Project Call.

The project titled “*Access to Finance for SMEs and entrepreneurs in the OIC region; Opportunities and Challenges for the Entrepreneurs*” was implemented by Qatar with five partner countries: Saudi Arabia, Kuwait, United Arab Emirates, Oman and Bahrain.

The project titled “*Capacity-building and Institutional Strengthening of The Gambia Standards Bureau for the Adoption and Implementation of OIC/SMIIC Halal Standards and related Conformity Assessment*” was implemented by the Gambia with two partner countries: Turkey and Senegal

Moreover, The Third Project Call was made in September 2015. In this framework, the project of Uganda titled “*Improving Delivery of Trade Facilitation Services (IDFTS) / Partner Countries*” is being implemented with Turkey and Egypt.

ANNEX 1

MEMBER STATES THAT SIGNED / RATIFIED THE TPS-OIC AGREEMENTS (Until September 2016)

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	Burkina Faso	✓	---	✓	---	✓	---	
5	Cameroon	✓	✓	✓	---	✓	---	
6	Chad	✓	---	---	---	---	---	
7	Comoros	✓	---	✓	---	✓	---	
8	Cot d'Ivoire	✓	---	✓	---	✓	---	
9	Djibouti	✓	✓	✓	---	✓	---	
10	Egypt	✓	✓	✓	---	---	---	
11	Gabon	✓	✓	---	---	---	---	
12	Gambia	✓	✓	✓	✓	✓	✓	
13	Guinea	✓	✓	✓	---	✓	---	
14	Guinea-Bissau	✓	---	✓	---	✓	---	
15	Indonesia	✓	✓	✓	---	✓	---	
16	Iran	✓	✓	✓	✓	✓	✓	✓
17	Iraq	✓	✓	---	---	---	---	
18	Jordan	✓	✓	✓	✓	✓	✓	✓
19	Kuwait	✓	✓	✓	✓	✓	✓	✓
20	Lebanon	✓	✓	---	---	---	---	
21	Libya	✓	✓	---	---	---	---	
22	Malaysia	✓	✓	✓	✓	✓	✓	✓
23	Maldives	✓	✓	---	---	---	---	
24	Mauritania	✓	---	✓	---	✓	---	
25	Morocco	✓	✓	✓	✓	✓	✓	✓
26	Niger	---	---	✓	---	✓	---	
27	Nigeria	✓	---	✓	---	✓	---	
28	Oman	✓	✓	✓	✓	✓	✓	✓
29	Pakistan	✓	✓	✓	✓	✓	✓	✓
30	Palestine	✓	✓	✓	✓	✓	✓	
31	Qatar	✓	✓	✓	✓	✓	✓	✓
32	Saudi Arabia	✓	✓	✓	✓	✓	✓	✓
33	Senegal	✓	✓	---	---	---	---	
34	Sierra Leone	✓	---	✓	---	✓	---	
35	Somalia	✓	✓	✓	✓	✓	✓	
36	Sudan	✓	---	✓	---	✓	---	
37	Syria	✓	✓	✓	✓	✓	✓	✓*
38	Tunisia	✓	✓	✓	---	✓	---	
39	Turkey	✓	✓	✓	✓	✓	✓	✓
40	UAE	✓	✓	✓	✓	✓	✓	✓
41	Uganda	✓	✓	---	---	---	---	
		40	30	33	17	32	17	14

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