

CCO BRIEF ON TRADE

April 2018
COMCEC COORDINATION OFFICE

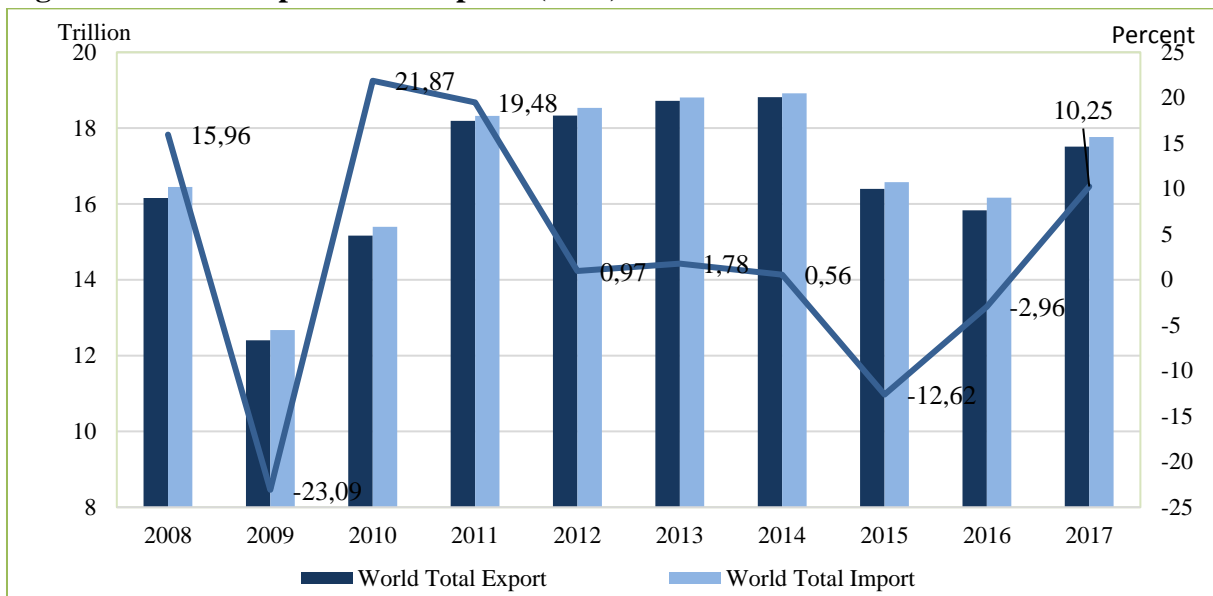
BRIEF ON TRADE COOPERATION

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 the living standards, investment and employment. Many countries perceive international trade to be 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.

World merchandise trade (in dollar terms) grew at an annual average rate of 12.2 per cent between 2000 and 2008 period. Although world trade rebounded rapidly following the global crisis, it has been weak since 2012. Moreover, world trade declined by 3 per cent in 2016 following the sharp decline of 12.6 percent in 2015. However, the trade volume in the world demonstrated about 10.2 percent increase in 2017.

Figure 1: Global Exports and Imports (2017)



Source: IMF Direction of Trade Statistics

Trade of the OIC Member Countries

As shown in the Figure 2, the total of the OIC exports increased slightly by 16.3 percent from USD 1.4 trillion in 2016 to USD 1.6 trillion in 2017. Furthermore, the total of the OIC imports, which continued to increase in the 2012 - 2014 period and decreased in 2015-2016 period, rose about 9 percent to USD 1.7 trillion in 2017.

Figure 2: Total OIC Exports and Imports (2017)



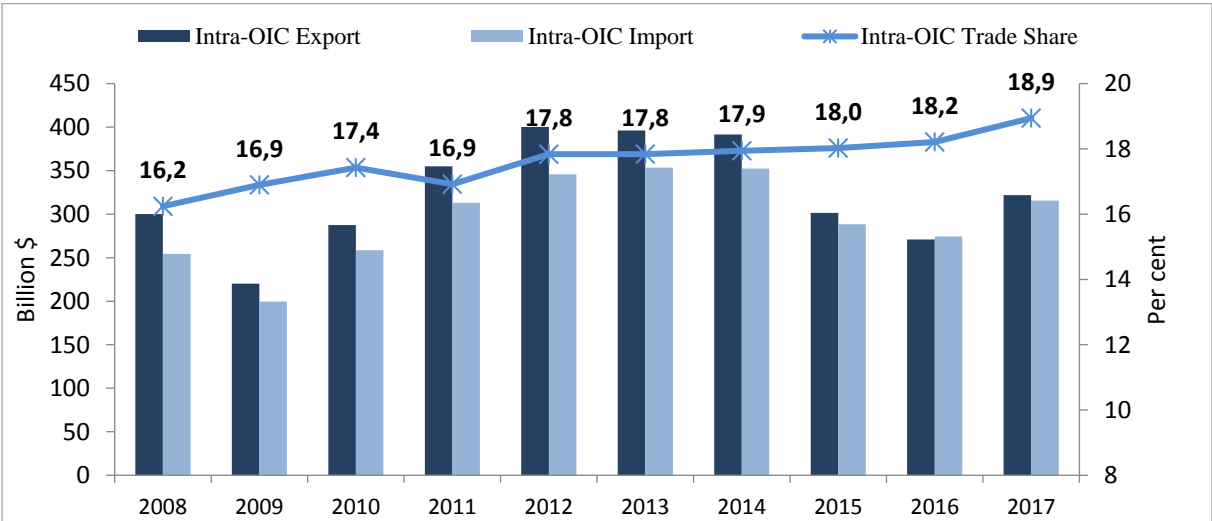
Source: IMF Direction of Trade Statistics

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 in the region. Moreover, many member countries do not have sufficient financial resources, or sound payment and banking systems. As Figure 3 demonstrates, despite these challenges, the share of intra-OIC trade increased to 18.9 percent in 2017, from 18.2 in 2016.

In 2017, intra-OIC exports accounted for 18.1 percent of the total of the OIC exports, while intra- OIC imports accounted for 19.8 percent of the total of OIC imports. Figure 3 shows the trends in intra-OIC trade since 2007.

Figure 3: Developments in Intra-OIC Trade 2007-2016 (Billion US Dollars)



Source: IMF Direction of Trade Statistics

2. Global Trends in Trade Facilitation

Since 2013, important developments have taken place with regard to enhancing global trade. 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 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 one of the most important components of the Package.

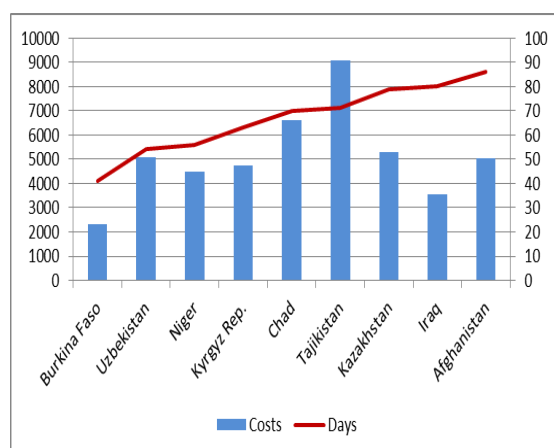
The Trade Facilitation Agreement (TFA) mainly specifies measures for eliminating barriers against international trade, through the streamlining and simplifying of customs procedures. According to the WTO, the agreement may increase global merchandise exports by up to \$1 trillion per annum. The TFA entered into force with the completion of the ratification by 134 WTO Members, as of March 2018.

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 in trade could be identified as: restricted logistic services, the lack of adequate infrastructure, inefficient legal frameworks, bureaucratic customs operations and the lack of well-functioning coordination mechanisms among the relevant government agencies and the private sector. When successfully eliminated, these challenges could also present promising opportunities for increasing the trade volumes of the Member Countries.

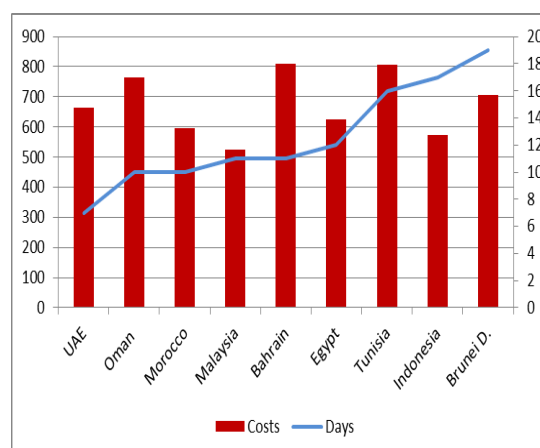
The performance of the OIC Member Countries varies in terms of trade operations. Several indices or reports have been developed by international institutions to identify the bottlenecks hindering international trade in countries. The World Bank Doing Business Report is one of these reports; it calculates 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 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 4: Days for and Cost of Exports in the lowest ranked Member States



Source: World Bank

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



Nevertheless, the Trade Facilitation Agreement could be an important leverage for the Member Countries to improve the present figures. As of April 2018, 29 OIC Member Countries have ratified the Agreement.

4. Trade Facilitation in the OIC Member Countries

Due to the importance of this matter for the Member Countries, the COMCEC Trade Working Group has been elaborating on different aspects of Trade Facilitation in its recent meetings. In this regard, in 2016, the 7th and 8th Meetings of the COMCEC Trade Working Group (TWG) focused on various aspects of trade facilitation, as strengthening compliance to international standards and improving border agency cooperation. Moreover, last year, the 9th Meeting of the TWG elaborated on the current state of the Member Countries on the implementation of the Single Window System, which is an important instrument for facilitating international trade in the member countries.

This year, the COMCEC TWG continues to touch upon the different aspects of the trade facilitation. In this regard, the 11th Meeting of the TWG was held on 7-8 March 2018 in Ankara, with the theme of “Facilitating Trade: Improving Customs Risk Management Systems in the OIC Member States.” This meeting was also served as the preparatory meeting for the Ministerial Exchange of Views Session of the 34th Meeting of the COMCEC to be held in November 2018.

Customs Administrations are at the core of the supply chain process and have a very crucial role for its efficiency and effectiveness. Nonetheless, ensuring an optimum balance between control and facilitation is a main challenge for Customs Administrations. In this regard, Customs Risk Management (CRM) systems are a key policy instrument to cope with this significant challenge. The research report, which was specifically prepared for this meeting, highlighted that risk management capabilities of the OIC Member States’ Customs Risk

Management (CRM) systems are below the desired level. Accordingly, the OIC member states are positioned at different stages on the timeline of CRM progression ranging from 17 (29.8%) having fully implemented CRM, 4 (7%) at an advanced stage, 25 (43.9%) at medium performance, 2 (3.5%) at the basic level, and 9 (15.8%) OIC Member States have no CRM¹.

The major challenges in the implementation of the effective CRM Systems in the member countries are as follows:

- Limited coordination among the relevant stakeholders with respect to customs risk management;
- Need for a sound risk management strategy for improving the CRM performances and modernization efforts;
- Inadequate IT infrastructure required for customs risk management;
- Insufficient use of audit-based controls and risk assessment techniques;
- Lack of integrated customs risk management system;

In this regard, the TWG has come up with the following policy recommendations for improving customs risk management in the OIC Member Countries

- Developing/upgrading customs risk management (CRM) systems used by customs authorities to identify high risk areas while facilitating the legitimate trade;
- Establishing a risk management committee and developing an efficient and effective risk management strategy for improving the CRM performances and modernization efforts;
- Exchange of information in real-time with national and international agencies;
- Maintaining adequate IT support for the electronic submission of pre-arrival/pre-departure information for risk assessment;
- Using advanced techniques and tools for risk assessment; such as usage of appropriate statistical models etc.
- Utilizing Integrated CRM system including Data Warehouse, Business Intelligence, and Data Mining;
- Enhancing customs audit based controls; including post-clearance
- Developing integrated customs risk management system
- Promoting authorized economic operators program to facilitate the cross border movement of goods treated by low-risk operators;
- Implementing joint or coordinated controls at border posts where appropriate, in consultation with other Customs administrations to facilitate trade (e.g. one stop shop);

¹ COMCEC Coordination Office, Facilitating Trade: Improving Customs Risk Management Systems in the OIC Member States, 2018.

Moreover, the TWG has also considered the other aspects of the trade facilitation and discussed the possible challenges faced by the Member Countries in this regard. These are, among others:

- Cumbersome trade procedures and documentation;
- Harmonization challenges in trade procedures and documentation;
- Lack of strategic framework which will enable concerting efforts between public and private stakeholders for the national trade facilitation reform;
- Need for better national coordination
- Limited physical infrastructure
- Need for the alignment of product standards with international standards;
- Limited cooperation between agencies of countries involved in transit trade
- Need for an information exchange mechanism which allows electronic exchange of data between and among OIC customs administrations

In this regard, the 11th Meeting of Trade Working Group has come up with a set of policy recommendations, some of which are presented below:

- Streamlining customs law, regulations and procedures in line with the international standards to facilitate trade;
- Developing a strategic planning framework and preparing a National Strategic Plan with a view to ensure coordination and collaboration among public and private stakeholders
- Establishing well-functioning national trade facilitation bodies for enhancing coordination among the relevant stakeholders through effective communication systems
- Encouraging Public-Private Partnerships for improving customs infrastructure as well as enhancing customs modernization
- Strengthening harmonization, alignment of standards and conformity assessment procedures with international standards.
- Strengthening cooperation between agencies of countries involved in transit trade
- Enhancing information exchange among the border agencies of the Member Countries with a view to facilitating trade

Furthermore, the 12th Meeting of the Trade WG will be held in November 1st, 2018 with the theme of “Authorized Economic Operators Programs in the OIC Member Countries.”

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

5. 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. As of December 2014, the required number of countries having met the necessary requirements of the System has been reached. 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 some 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 2018, Turkey, Malaysia, Pakistan, Jordan, Bangladesh, Iran and Morocco have submitted their updated concession lists.

In this regard, the 33rd COMCEC Ministerial Session held last year called upon the Member States which have not yet signed or ratified TPS-OIC Agreements, namely the Framework Agreement, PRETAS and Rules of Origin, to do so at their earliest convenience and invited the concerned participating Member Countries to convey their updated concession lists at their earliest convenience to the TNC Secretariat with a view to operationalize the TPS-OIC.

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.

6. COMCEC Project Funding Mechanism

Through its Project Funding Mechanism, the CCO provides grants to the selected projects proposed by the relevant OIC institutions and Member States that have already registered with the Trade Working Group.

In 2017, the project titled ‘Strengthening SME Support Services in Suriname and Guyana to Enhance Participation in Global Value Chains’ was implemented by the Ministry of Trade and Industry of Suriname. At the outset, the project owner focused on the comparison of the SME environment in Guyana, Turkey with the one in Suriname. This comparison facilitated the exploration of the needs of Surinamese SMEs in terms of their development, and thereby enrichment of the training material through lessons learned from partner countries. Project Expert then studied on the development of a virtual one stop shop based on the identified needs of the Surinamese SMEs. After the procurement of necessary equipment, the virtual one stop shop was tested within a closed group of people and relevant adjustments/corrections were made accordingly. This online mechanism was launched in public within the life time of the project and it is now actively used by the SMEs in Suriname. As the last activity of the project, a training was conducted in two components. The first component was business mentoring in which participation in global value chains was the main theme (4 days). The second component consisted of the use and management of the respective virtual one stop shop (1 day). The training was designed as the training of trainers to inform the staff of the SME support unit in the Ministry to later coach the SME owners in Suriname.

The second and last project in 2017 was implemented by the ICDT. The project purpose was the simplification and the facilitation of trade procedures in the OIC Member States, by establishing an OIC Observatory on non-trade barriers (NTBs), in order to gather the complaints of the OIC's Member States' exporters and consider the ways and means of enhancing trade flows between Member Countries. The project created a separate web module for member countries to report on NTBs, based on the OIC member countries' feedback. This feedback was collected during a seminar organized as the last activity of the project.

For the 2018 implementation period, four projects are selected for the financing under the COMCEC Project Funding. The first project is 'The Feasibility Study on the Interoperability of Selected Single Window Systems in the OIC Region' which is being carried out by the Ministry of Foreign Trade of Morocco. This project will facilitate the single window systems in Morocco, Tunisia and Cameroon to communicate with each other without depending on a particular actor. At the beginning of the research, surveys will be conducted and questionnaires will be distributed to the various actors of the trade to better frame the perimeter of the study. Study visits to the countries concerned by the pilot project will be organized and prepared in advance. These visits will allow the establishment of a diagnosis of each single window and thus determine the levels of interoperability. In the preliminary focus, the levels and issues of interoperability will be analysed based on the case study of interoperability scenarios as well as the comparative simulations. After these steps, a draft of the approach and the implementation plan will be published on how to proceed for interoperability of single windows in the OIC.

The second project will be implemented by the Federal Ministry of Industry, Trade and Investment of Nigeria is called 'Boosting Intra-OIC Trade through Improvement of Trade Facilitation Measures in the OIC Region'. The project involves a study visit to Indonesia, and a workshop which would develop specific, measurable, achievable, reliable and target oriented plans as well as the strategies to the identified thematic areas aimed at boosting Nigeria's intra OIC trade. The study visit to Indonesia will precede the workshop to broaden the knowledge on those thematic areas and serve as insight towards preparing action plan for boosting intra OIC Trade. The proposed workshop on boosting intra OIC trade is aimed at constituting and inaugurating four Sub-Committees that will develop action plan & strategies for boosting intra OIC trade. The workshop shall be for five days and the Action Plan developed accordingly will be validated on the last day of the Workshop.

Ministry of Trade of Sudan will be implementing the third project under the 2018 implementation period of the COMCEC Project Funding. The project which is titled 'Strengthening Institutional Capacity for Single Window Systems in the OIC Member States', aims at sharing experiences and best practices among the project stakeholders to promote the development and implementation of electronic single window systems in the OIC Member states. The project includes a training program in collaboration with four project partner countries namely; Jordan, Morocco, Turkey and Uganda and a study visit to Turkey.

The last project to be implemented in 2018 is owned by the SMIIC. The project is titled 'Harmonization of National Halal Standards with the OIC/SMIIC Halal Standards'. Purpose of the project is to increase the know-how and knowledge of the use and implementation of the

OIC/SMIIC Halal Standards, which will in turn aid the use of the standards as national standards and in the harmonization of the Halal standards across the OIC. The project will include a training on (i) the implementation and use of the Series of 3 OIC/SMIIC Halal Food Standards; (ii) OIC/SMIIC 1 Halal Food Auditors; (iii) on-site audit training. Each sections of the training will be completed together with an evaluation test and issuing of a certificate. The trainings will be preceded with a pre-training monitor questionnaire to assess the eligibility of candidates for the training and followed by a post-training monitor questionnaire to track the use of the knowledge and skills acquired and the effect of the trainings.

ANNEX 1
MEMBER STATES THAT SIGNED / RATIFIED THE TPS-OIC AGREEMENTS (Until April 2018)

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	✓	✓	---	---	---	---	
		41	31	33	17	32	17	14

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