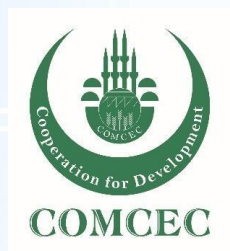




TRADE

OIC/COMCEC/



CCO BRIEF ON TRADE

COMCEC COORDINATION OFFICE
October 2019

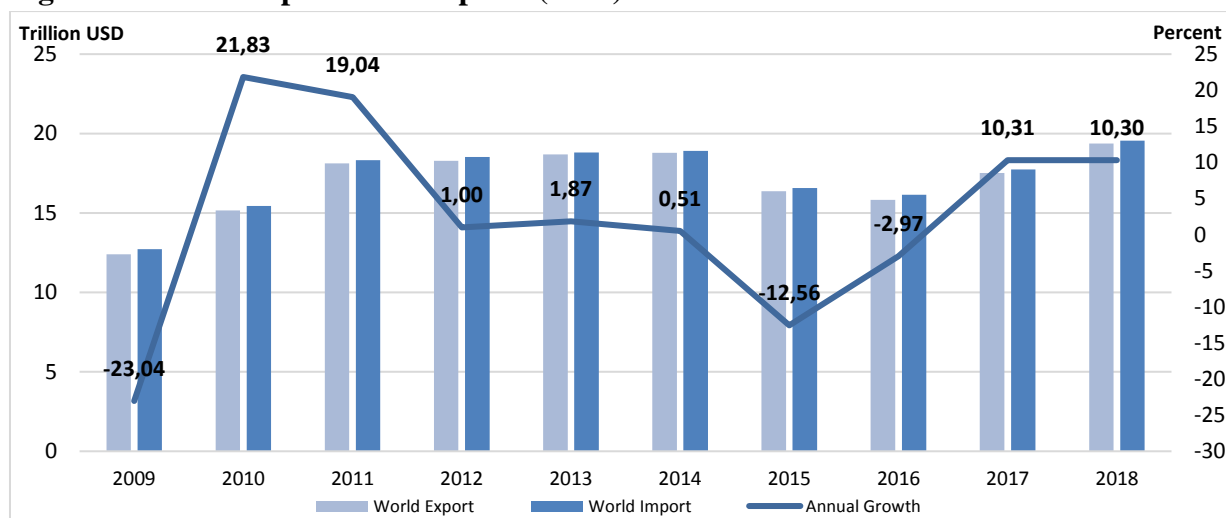
BRIEF ON TRADE COOPERATION

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 2.97 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.

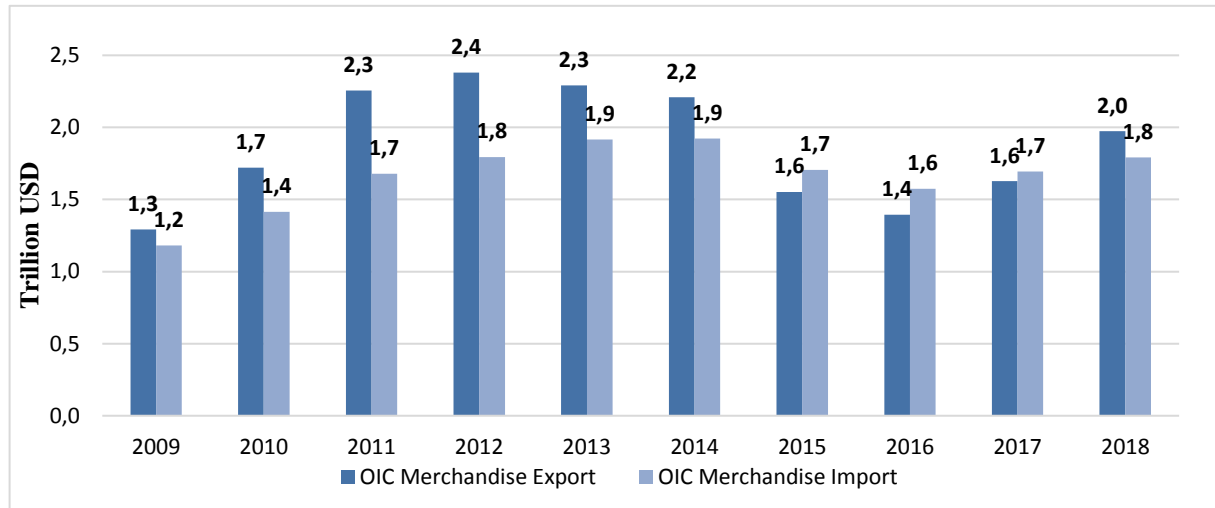
Figure 1: Global Exports and Imports (2018)



Source: IMF Direction of Trade Statistics

Trade of the OIC Member Countries

As shown in the Figure 2, the total OIC exports increased by 21.3 percent from USD 1.6 trillion in 2017 to USD 2 trillion in 2018. Furthermore, the total OIC imports rose about 5.8 percent from USD 1.7 trillion in 2017 to USD 1.8 trillion in 2018.

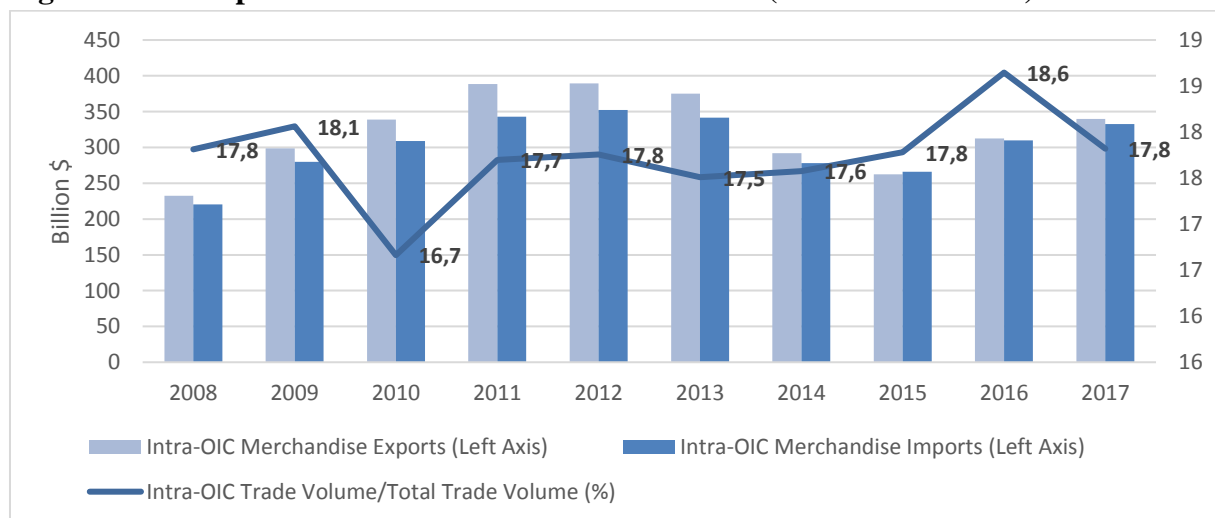
Figure 2: Total OIC Exports and Imports (2018)

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 declined from 18,6 percent in 2017 to 17,8 in 2018. (Aşağıdaki Tablodaki rakamlar kapsamında control edilmesi)

Figure 3: Developments in Intra-OIC Trade 2009-2018 (Billion US Dollars)

Source: IMF Direction of Trade Statistics

2. Global Trends in Trade Facilitation

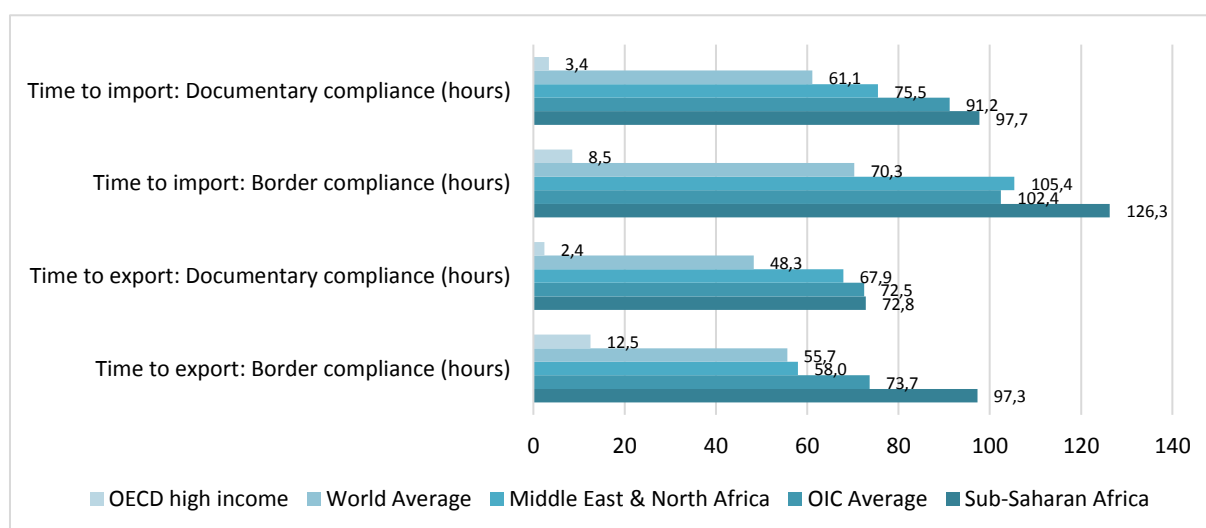
Important developments have taken place with regard to enhancing global trade since 2013. Trade negotiations reached a significant milestone in 2013 with the agreement on the “Bali Package,” which constituted a selection of issues from the broader Doha Round negotiations. The Package was agreed by the 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 2019, 141 WTO Members, have ratified the TFA, 37 of which are OIC Member Countries.

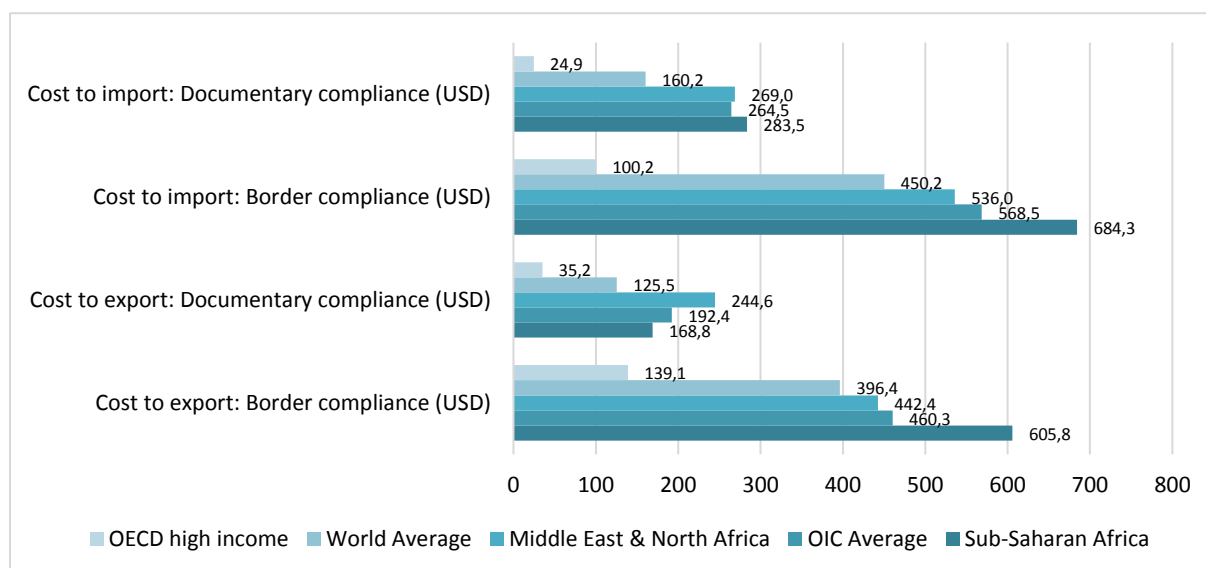
3. Trade Facilitation in the OIC Member Countries

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.

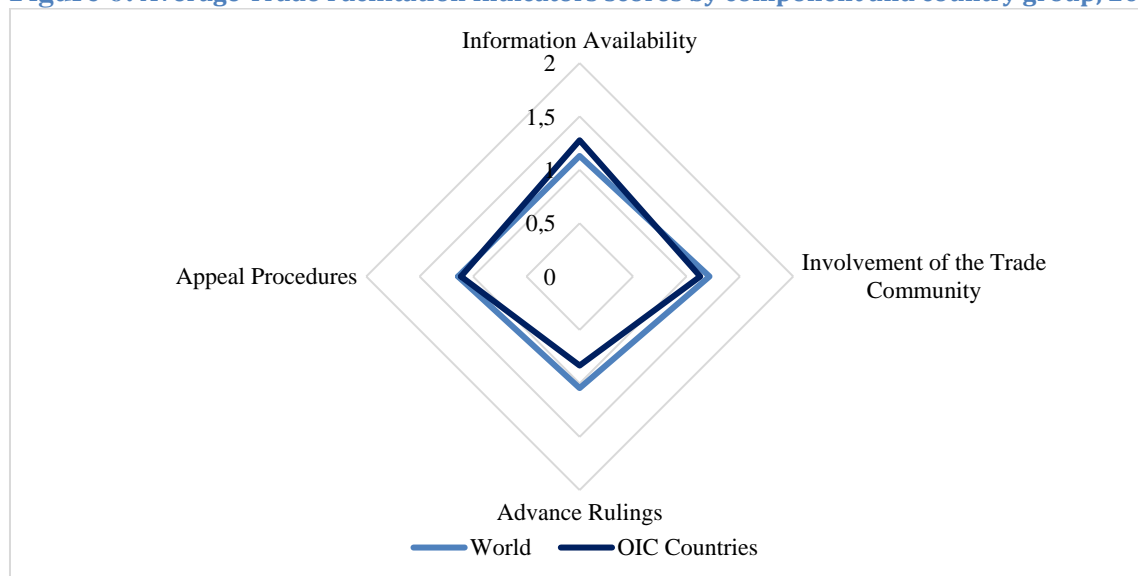
In this framework, the 13th Meeting of the COMCEC Trade Working Group was held on March 7th, 2019 in Ankara, Turkey with the theme of “*Enhancing Public Availability of Customs Information in the OIC Member States*”. Accessing the information regarding the customs regulations, formalities and procedures timely and properly is vital for traders. Lack of well-timed and accurate information brings about higher costs on commercial operations. Therefore, public availability of information on trade-related laws, regulations and procedures enables traders to take their decisions accordingly and operate in a more predictable and transparent trading environment.

Considering the importance of public availability of customs information, in the first four articles of the TFA, publication and availability of information, consultations with the relevant stakeholders, advance ruling systems, and appeal procedures are highlighted as the important necessities of trade facilitation.

The research report on the subject considered by the 13th Meeting of the TWG highlights that OIC member countries display varying levels of performance in terms of public information availability. The report underlines that according to the OECD Trade Facilitation Indicators, OIC average score is above the world average with respect to information availability.

However, regarding the involvement of the trade community and advance rulings, the OIC average scores are below the world average (1,2 ; 1,0) as shown in Figure 6.¹

Figure 6: Average Trade Facilitation Indicators scores by component and country group, 2017.



Source: COMCEC Report and OECD TFIs.

The major challenges faced by Member Countries concerning the public availability of customs information in the Member Countries are as follows:

- Need for effective coordination among the border agencies involved in export/import processes.
- Lack of the required capacities and human resources for implementation of custom information system.
- Weak consultation of stakeholders on new draft regulations prior to finalization.
- Insufficient advance publication/notification of new regulations prior to implementation.
- Lack of an effective advance ruling mechanism.

The TWG has come up with the following policy recommendations for improving public availability of customs information in the OIC Member Countries:

- Encouraging the establishment of a formal consultation mechanism between regulatory authorities and trade community towards ensuring an efficient trade environment for the interest of various stakeholders at the national level.
- Utilizing Information and Communications Technologies (ICT) effectively for the dissemination of trade, especially customs related information.
- Encouraging the development of an effective Advance Ruling System in order to enhance the certainty and predictability of customs operations

¹ COMCEC Coordination Office, Enhancing Public Availability of Customs Information in the Islamic Countries, 2019

- Promoting integrated Single Windows (SW) Systems and Trade Information Portals for combining the transaction processing functions of SW Systems with a comprehensive repository of trade-related laws, regulations, rules and procedures.
- Leveraging international and regional cooperation and making use of successful country experiences for promoting trade information availability.

Furthermore, the TWG, in its 14th meeting, has considered an important component of trade facilitation namely Customs Transit Systems with a special emphasis on the member countries. Customs transit is defined as the Customs procedure under which goods are transported under Customs control from one Customs office to another. Lack of an efficient transit system increases trade costs significantly and constitutes a major hurdle for international trade especially for landlocked countries which depend on transit countries to access international markets. Customs transit regimes and procedures helps to facilitate the movement of goods that cross one or more customs of countries.

Main challenges in improving and designing effective customs transit systems in the member countries are as follows:

- Need for effective coordination among the border agencies involved in export/import processes.
- Lack of an inclusive and adequate legal framework which is aligned with international standards
- Lack of a well-functioning guarantee management and monitoring system for customs transit
- Lack of the required capacities and human resources for implementation of custom transit system.
- Lack of an efficient risk management systems for customs transit.
- Weak ICT and transit information management systems.

The TWG has come up with the following policy recommendations for improving public availability of customs information in the OIC Member Countries:

- Designing an appropriate legal and procedural framework for national customs administrations through, among others, utilizing international conventions on customs transit regimes
- Establishing/Developing an efficient electronic exchange of information system among all relevant agencies, particularly among neighboring countries
- Developing an efficient guarantee management and monitoring system for Customs Transit Regimes
- Simplifying the formalities and documentary requirements for facilitating transit operations.
- Developing integrated risk management systems to manage and facilitate transit customs procedures
- Ensuring a well-coordinated border management through enhancing cooperation among different border control agencies and with the neighboring countries as well as assigning a national transit coordinator.
- Developing necessary mechanisms (i.e. a Customs-Business Partnership programme) for promoting partnership with private sector while designing policies and procedures related to transit.

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

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. As of September 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. In this regard, ICDT organized the “Regional Workshop on TPS-OIC and the Multilateral Trading System” in collaboration with the COMCEC Coordination Office on 17-18 December 2018 in Khartoum/Sudan.

5. COMCEC Project Funding Mechanism

Through its Project Funding Mechanism, the CCO provides grants to the selected projects of the Member States and the OIC institutions in order to realize the Ministerial Policy Recommendations adopted in trade domain.

For the 2018 implementation period, four projects were implemented under the COMCEC Project Funding. The first project ‘The Feasibility Study on the Interoperability of Selected

Single Window Systems in the OIC Region’ carried out by the Ministry of Foreign Trade of Morocco. This project aimed to facilitate the single window systems in Morocco, Tunisia and Cameroon to enable communication of these countries with each other without depending on a particular actor. At the beginning of the research, surveys were conducted and questionnaires were distributed to various actors to better frame the perimeter of the study. Study visit to Indonesia was organized to allow the establishment of a diagnosis of single window systems and thus determined the levels of interoperability. In the preliminary focus, the levels and issues of interoperability were analyzed 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 was published on how to proceed for interoperability of single windows in the OIC. The project was concluded with a research report analyzing and discussing these concepts and findings.

The second project implemented by the Federal Ministry of Industry, Trade and Investment of Nigeria is titled ‘Boosting Intra-OIC Trade through Improvement of Trade Facilitation Measures in the OIC Region’. The project involved a study visit to Indonesia to 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.

Ministry of Trade of Sudan implemented the third project under the 2018 implementation period of the COMCEC Project Funding. The project titled ‘Strengthening Institutional Capacity for Single Window Systems in the OIC Member States’ aimed 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 included a training program in collaboration with four project partner countries namely; Jordan, Morocco, Turkey and Uganda and a study visit to Turkey.

The fourth project in 2018 was owned by the SMIIC with 21 project partner countries. The project is titled ‘Harmonization of National Halal Standards with the OIC/SMIIC Halal Standards’. The purpose of the project was to increase the know-how and knowledge of the use and implementation of the OIC/SMIIC Halal Standards. The project included 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 was completed together with an evaluation test and issuing of a certificate. The trainings were 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.

For the 2019 implementation period, four projects are being implemented under the COMCEC Project Funding. The first project is ‘Empowering Halal Industry to Boost Intra-OIC Trade’ implemented by the Ministry of Trade of Indonesia. This project intends to increase the awareness and compliance of industry to Halal concept, essential rules, and regulations applied by the OIC Member Countries. The project consists of a training, workshop and a study visit to Turkey. While the study visit was about learning the Turkish experience, the workshop and training focused on understanding and knowledge in Halal Product Concept and essential rules

and regulations applied by the OIC Member Countries. Project is concluded as of October 2019.

The second project implemented by the Ministry of Economy and Trade of Lebanon is titled 'Supporting Cooperatives to Enhance Their Access to OIC Markets'. The project involves a study visit to Turkey, training and a workshop with a view to expand economic opportunities for Lebanese, Jordanian and Turkish producers through the support to income-generating activities. The project aims at acting as a basis to build up infrastructure pillars for the beneficiaries' resilience and most importantly, promoting quality infrastructure as a tool helping to reduce trade barriers.

Ministry of National Economy of Palestine carries out the third project under the 2019 implementation period of the COMCEC Project Funding. The project is titled 'Introduction of Palestinian Export Products to Selected OIC Countries'. The activities consist of two study visits to Indonesia and Iraq with a view to discuss all tariff and non-tariff barriers in each target country. There has been various stakeholder meetings in order to seek ways to facilitate the movement of goods between Palestine, Iraq and Indonesia. In the end, detailed plans of actions will be developed jointly with the counterparts to be implemented in the following year.

The fourth project in 2019 is owned by the SMIIC with the partnership of Turkey and Malaysia. The project is titled 'Increasing Public Halal Awareness in OIC countries'. The purpose of the project is to increase Halal awareness and knowledge among public and specialists by producing high quality, and knowledgeable multimedia materials. The project includes production of ten short films, one illustrated halal training manual and one comics and coloring book to that end.

6. Activities of the OIC Institutions in Trade Domain

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

- ✓ In this framework, World Halal Summit 2018 was held in 29 November- 2 December 2018 in İstanbul, Turkey by SMIIC under the auspices of the Presidency of the Republic of Turkey with the theme of "Halal and Healthy Life: Awareness and Sustainability". The Summit is one of the most prestigious halal events in the world gathering prominent speakers and important stakeholders of the halal industry. On the sidelines of the Summit, 6th the OIC Halal Expo was organized by ICDT in cooperation with SMIIC.
- ✓ ICCIA has co-organized the 4th Egypt Investment Forum with the Federation of Egyptian Chambers of Commerce, in Cairo, on 2-4 March 2019 with the aim of promoting trilateral cooperation in trade and investment through linking technology providers, with investors and development banks.
- ✓ Moreover, 16th OIC Trade Fair will be held by the ICDT on 7-13 April 2019 in Baghdad, Iraq with the participation of the companies and businesspeople from the Member Countries seeking for business opportunities and partnership.

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.