



**TRADE**

OIC/COMCEC/



# **CCO BRIEF**

## **ON**

# **TRADE**

**COMCEC COORDINATION OFFICE**

**May 2021**

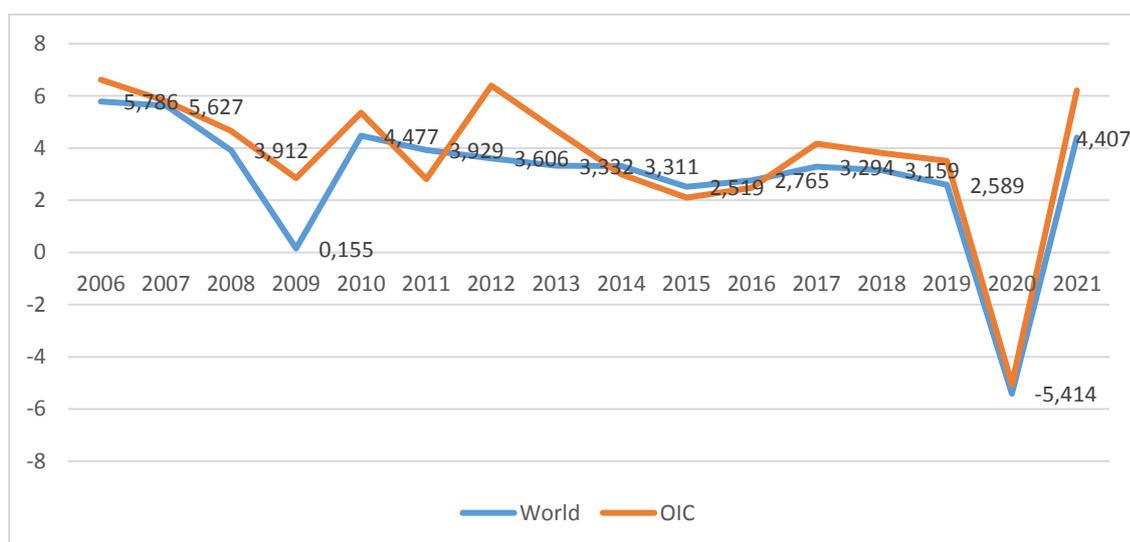
## BRIEF ON TRADE COOPERATION

### I. 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 present global pandemic has brought unprecedented crises across the world. More than one year into the pandemic, the total coronavirus cases reached 240 million, the total deaths reached almost 5 million lives<sup>1</sup>. Besides its devastating effects on every aspect of human life, the COVID-19 has significantly disrupted global economy and international trade. In 2020, the contraction in world economy is estimated as minimum 3.3 %<sup>2</sup>, and unfortunately the economic contraction in the OIC region is also as deep as the world economy where the contraction is estimated as almost 5 percent.<sup>3</sup>

**Figure 1 GDP growth rate estimations (annual, percentage change)**



Source: Final Draft Report of 17<sup>th</sup> COMCEC Trade Working Group.<sup>4</sup>

In the figure, the global economic growth seems as 2.6 % in 2019, whereas due to the unprecedented crises brought by COVID-19, World economy witnessed a sudden contraction estimated as - 5.4 % (which corresponds to - 3.3 % when calculated with weighted arithmetic). Similarly 3,5 % of economic growth in OIC region turned to -5,05 % contraction in 2020.

In 2020, the world experienced a very sharp decline in trade volume amounting to around -14 percent in exports and -10 percent in imports of goods and services. A similar contraction in trade volume was experienced by OIC member countries as almost -11 percent in exports and -8 percent in imports of goods and services.<sup>5</sup>

<sup>1</sup> <https://covid19.who.int/>

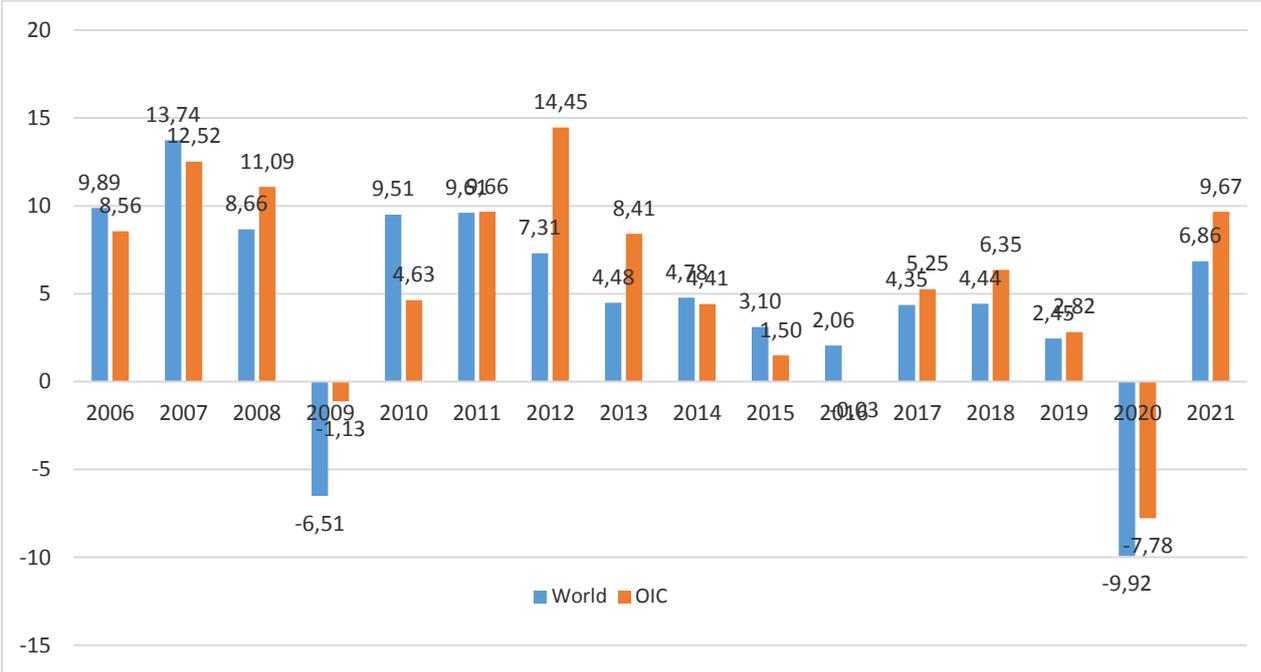
<sup>2</sup> IMF, World Outlook, April 2021.

<sup>3</sup> Calculated from IMF Database of April 2021 by using simple arithmetic average on Real GDP.

<sup>4</sup> Calculated from IMF Database of April 2021 by using simple arithmetic average on Real GDP.

<sup>5</sup> IMF, World Outlook, April 2021.

**Figure 2 Imports of goods and services (percent change)**



Source: Final Draft Report of 17<sup>th</sup> COMCEC Trade Working Group.<sup>6</sup>

**Figure 3 Exports of goods and services (percent change)**



<sup>6</sup> Calculated from IMF Database of April 2021 by using simple arithmetic average.

Source: Final Draft Report of 17<sup>th</sup> COMCEC Trade Working Group.<sup>7</sup>

International trade has been one of the core economic areas affected by COVID-19 pandemic due to the strict measures on mobility which were taken to control the spread of the disease. Maintaining international supply chain of goods has a crucial role in the successful management of pandemic since it is essential to sustain and save lives and livelihoods. Therefore the policies for combating the pandemic need to be balanced with innovative and effective counter-policies in order to sustain trade facilitation and to prevent the strict measures turning into protective trade policies which may in turn deepen the overall crisis. Therefore, endeavors to sustain trade facilitation gains more importance especially during and after pandemic periods.

Within this framework, the COMCEC Trade Working Group (TWG) has devoted its 16<sup>th</sup> and 17<sup>th</sup> meetings to “Counter-Measures to Sustain Trade Facilitation During and After Covid-19 Pandemic in the OIC Member Countries”.

## **II. Trade Cooperation under the COMCEC**

### **1. Mitigation Strategies for Trade Facilitation during and after COVID-19**

#### **(16<sup>th</sup> and 17<sup>th</sup> Meetings of the Trade Working Group)**

Considering the importance of developing sound Counter-Measures to Sustain Trade Facilitation During and After Covid-19 Pandemic and to contribute to the debate from the Islamic countries' point of view, the 16<sup>th</sup> and 17<sup>th</sup> Meetings of the COMCEC Trade Working Group was held on May 20<sup>th</sup> 2021 and September 30<sup>th</sup> 2021 respectively in virtual-only format with the theme of “*Counter-Measures to Sustain Trade Facilitation During and After Covid-19 Pandemic in the OIC Member Countries*”.

During the Meetings, TWG elaborated on the topic by giving emphasis to the OIC Member Countries. During the Meetings, the research report was discussed as well as the experiences and perspectives of the Member Countries, international organizations and the private sector with regard to counter-measures taken to sustain trade facilitation during pandemic.

As an outcome, a research report with the theme of “*Counter-measures to Sustain Trade Facilitation During and After COVID-19 Pandemic in the OIC Member Countries*” has been prepared. After an extensive research through literature, survey and current experiences of all relevant stakeholders, the report reached a comprehensive model of recommendations. These recommendations can be classified under 3 headings as (1) Recommendations for structural transformation, (2) Recommendations for effective coordination, communication and partnership and (3) Recommendations for greater economic resilience through trade facilitation.

All the documents prepared for the Working Group Meetings are available on the COMCEC website ([www.comcec.org](http://www.comcec.org)).

The COMCEC Trade Working Group will focus on the theme of “Enhancing the Internationalization of SMEs in the OIC Member Countries.” in its efforts next year. Main objective of this study will be to identify the barriers hindering effective internationalization of SMEs in the OIC member states along with policy options which enable increased SME participation to international trade.

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<sup>7</sup> Calculated from IMF Database of April 2021 by using simple arithmetic average.

## **2. COMCEC Project Funding**

COMCEC Project Funding (CPF) is the other important instrument of the Strategy. Projects financed under the CPF need to serve multilateral cooperation and must be designed in accordance with the objectives and the expected outcomes defined by the Strategy in its trade section. Projects also play important roles in realization of the policy recommendations formulated by the member countries during the TWG meetings.

Under the 7th Call for Project Proposals, 3 trade projects were selected to be financed by the CCO in 2020. These projects, however, are yet to be completed due to delays arising from international travel restrictions imposed by the COVID 19 pandemic. Hence, these projects are expected to be finalized in 2021. Moreover, within the framework of the 8th Call for Project Proposals, 1 trade project were also selected to be implemented in 2021. The selected projects to be completed under the CPF in 2021 are as follows:

The project titled “Digital Transformation for Enhancing Trade Facilitation” is being implemented by ICCIA. The project intends to create a vision among OIC chambers and set a digital transformation agenda to establish a strategic plan to guide the chambers in contributing to private sector development. A workshop will be organized on digital transformation for enhancing trade facilitation.

The second project titled “Improve Food Import-Export Control System” is being implemented by Maldives in a partnership with Turkey and Malaysia. The project aims to harmonize food quality infrastructure with international systems and increase related human capacity to improve trade with other countries. In this respect, a study visit to Turkey will be organized to gain information about food safety control mechanism along with a training program on harmonization the food import-export control system to international standards.

Moreover, SMIIC is implementing the project titled “OIC/SMIIC Halal Foundation Training for Africa Region” in 2021. This project aims to train relevant experts in the Halal market, OIC/SMIIC Standards and Halal certification, adoption and implementation of standards and the use of OIC/SMIIC Halal Food standards.

Turkey is also implementing a project on “Developing Human Capital in OIC Countries for Technical Halal Auditing based on SMIIC Halal Certification System and Halal Quality Infrastructure.” This project is being implemented with the partner countries namely Pakistan, Kazakhstan, Kyrgyzstan and Nigeria with a view to building a harmonized certification system via wide-spread usage of the SMIIC Halal Certification approach, avoiding high certification costs and delays for trade in halal goods and services, and transforming the role of halal certification from a technical barrier to a trade facilitator.

### **COMCEC COVID Response**

Within the framework of the COMCEC COVID Response, 2 trade projects were selected during the 1st Call for Project Proposals to be implemented by Lebanon and Palestine.

Lebanon’s Sharing Expertise Project titled “Digital Transformation of the Ministry of Economy And Trade Lebanon” aims at increasing institutional capacity of the respective ministry on simplification and automation of trade procedures through the best practices. In this regard, a study visit was conducted to the relevant institutions in Turkey to transfer the knowhow and best practices from Turkey with respect to the automation of administrative procedures in trade.

Palestine is implementing a Direct Grant Project titled “Modernizing the Electronic Infrastructure of the Ministry of National Economy” to keep providing services locally to the public all times without any delay during the pandemic by equipping the sub-directorates of the

Ministry of National Economy with necessary equipment. Through the procurement of necessary high quality equipment, the sub-directorates of the Ministry will be able to provide all the services without any need to send any documents to the Headquarter.

### **3. 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.

The TPSOIC is based on three agreements, namely the Framework Agreement, the Protocol on Preferential Tariff Scheme (PRETAS), and the Rules of Origin. The legal basis of the TPS-OIC has been completed in 2011 and the required number of the member countries for the operationalization of the System has been reached by the end of 2014. These countries are Bangladesh, Iran, Jordan, Malaysia, Morocco, Pakistan, Turkey, Bahrain, Saudi Arabia, United Arab Emirates, Kuwait, Qatar and Oman.

In order to make the TPS-OIC system operational, participating 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.

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.

Within this framework, a Consultative Meeting for discussing issues regarding the Implementation of the TPS-OIC has been held virtually on October 27<sup>th</sup>, 2020 with the attendance of the Participating States which have ratified the TPS-OIC Agreements and submitted their concession lists. The current state of the System in terms of the completion of the necessary steps to be taken for its effectuation has been discussed and a future road map has been identified by the Participating States.

In line with the above mentioned roadmap, upon request of participating states, a special training meeting on Trade Preferential System among the Organization of Islamic Countries (TPS-OIC) was held in a virtual-only format on the 12<sup>th</sup> April, 2021. Thirty-five (35) representatives from Iran, Jordan, Saudi Arabia, Turkey, Qatar, the Islamic Centre for Development of Trade (ICDT), and the COMCEC Coordination Office (CCO) attended the Meeting.

The 36<sup>th</sup> of the COMCEC Meeting welcomed the submission of updated concession lists to the TNC Secretariat by Turkey, Malaysia, Bangladesh, Pakistan, Jordan, the Islamic Republic of Iran, and Morocco. And also at the meeting Saudi Arabia informed the Committee that the Gulf Cooperation Council will communicate its most updated concession lists to the TNC Secretariat at the earliest convenience on behalf of its six member countries namely; Bahrain, Saudi Arabia, United Arab Emirates, Kuwait, Qatar and Oman.

Furthermore the 36<sup>th</sup> of the COMCEC Meeting welcomed the offer of the Republic of Turkey, as the chair of the 1<sup>st</sup> and 2<sup>nd</sup> round of the Trade Negotiating Committee (TNC), to convene a TNC Meeting in 2021 as soon as possible for discussing the issues pertaining the implementation of the System and setting a date for its effectuation.

In line with this resolution, TPS-OIC Trade Negotiating Committee (TNC) Meeting was held virtually on June 1<sup>st</sup> and 2<sup>nd</sup> 2021 with the Participation of eleven member countries (Bahrain, Bangladesh, Iran, Jordan, Malaysia, Morocco, Saudi Arabia, Oman, Pakistan, Turkey and United Arab Emirates). In the meeting the COMCEC Coordination Office (CCO) made a presentation on the historical background of and the recent developments regarding the TPS-OIC. Also Islamic Center for Development of Trade (ICDT), as the co-secretariat of the TNC, made a presentation on the potential economic impacts of TPS-OIC on the concerned Participating States. The TNC has taken important decisions regarding the Roadmap for the Implementation of TPS-OIC with the valuable contribution of participating states. The Committee agreed upon 1<sup>st</sup> of July 2022 as the cut-off date for the effectuation of the system and requested the concerned member states to expedite the completion of their internal procedures and other preparations until that date.