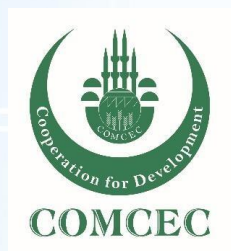




TRADE

OIC/COMCEC/



CCO BRIEF ON TRADE

COMCEC COORDINATION OFFICE

May 2022

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. Almost all countries also perceive international trade as an important tool for strengthening their integration with other countries. In line with this perspective, they have taken important steps towards increasing trade and improving trading environment through multilateral, regional, or bilateral initiatives.

In its previous meetings so far, the Working Group devoted respectively on very specific thematic areas such as SMEs, Trade Financing, Risk Management, Single Window, Authorized Economic Operators, Export Credit Agencies, Transit Regime, National Trade Facilitation Bodies, and Trade Facilitation.

One of the most relevant thematic research papers published by COMCEC in 2013 titled as “Promoting the SMEs Exports in the OIC Member Countries”. This study basically addressed policy challenge, by focusing on the main and common barriers for SMEs to compete in export markets and on the international policy experience to overcome these obstacles. The study investigated evidence in a sample of OIC Member countries, commented on knowledge gap and defined a detailed work plan for the full-fledged assessment of SME export promotion policies in OIC Member countries. The year 2022 of the research report titled “Increasing Internationalization of SMEs in the OIC Member Countries” is expected to have a complementary side to the above study.

II. Trade Cooperation under the COMCEC

As we are all aware that Small and Medium-Sized Enterprises (SMEs) have great importance, impacts and functions on national and international social, financial, economic environment including investment, productivity, employment, income distribution and intra-region and international trade. According to World Bank¹, they represent about 90% of businesses and more than 50% of employment worldwide. Formal SMEs contribute up to 40% of national income (GDP) in emerging economies. These numbers are significantly higher when informal SMEs are included.

In spite of their significant contribution to national economies today, SMEs tend to be underrepresented in international trade. In particular, they account for a small proportion of exports relative to their share of overall activity and employment. There has also been a great efforts and programs to increase the SMEs internationalization at national, regional and international levels and their share in international trade, particularly in national export volume is not at the desired level yet.

Many researches also indicate that the share or the participation of SMEs in international trade still remain limited for numerous reasons as lack of relevant skills and lack of knowledge about international markets, non-tariff barriers, complex customs and other border control procedures, number of national and international regulations as well as limited access to trade finance.

Supporting the internationalization of SMEs will also remain a priority in SME competitiveness policies in many countries, particularly in the OIC Member Countries, which have been facing difficulties in enabling the participation of their SMEs into international trade.

¹ <https://www.worldbank.org/en/topic/sme/finance>

Within this framework, the COMCEC Trade Working Group (TWG) has devoted its 18th and 19th Meetings to “Increasing Internationalization of SMEs in the OIC Member Countries”.

Main objective of aforementioned study is to guide the OIC and, where applicable, to non-OIC countries in the form of guidelines via advised standards and recommendations on specific areas of SMS internationalization.

A. Increasing Internationalization of SMEs in the OIC Member Countries

18th Meeting of the Trade Working Group

18th Meeting of the COMCEC Trade Working Group was held on May 11th, 2022 with the theme of “Increasing Internationalization of SMEs in the OIC Member Countries”.

During the Meeting, the first draft of the research report on this subject towards the preparation of a guide that will contribute the Member Countries’ endeavors for enhancing internationalization of SMEs in their respective countries have been discussed. Furthermore, the experiences and perspectives of the Member Countries, international organizations and the private sector with regard to increasing internationalization of SMEs were shared with the participants. The final version of the report will be submitted to the 19th Meeting of the AWG to be held in October 2022.

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

B. COMCEC Financial Support Instruments

The COMCEC Project Funding Mechanism

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 COMCEC Strategy. Projects also play important roles in realization of the policy recommendations formulated by the member countries during the TWG meetings.

Under the 7th and 8th Calls for Project Proposals, 3 projects were selected to be financed by the CCO. The completed projects under the CPF in 2021 are as follows;

The project titled “Digital Transformation for Enhancing Trade Facilitation” was implemented by ICCIA. The project aimed 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 was organized on digital transformation for enhancing trade facilitation.

Moreover, SMIIC implemented the project titled “OIC/SMIIC Halal Foundation Training for Africa Region”. This project aimed 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.

Türkiye implemented 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 was 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.

Furthermore, under the 9th Call for Project Proposals under the CPF, 5 projects have been selected to be implemented in 2022.

Indonesia will implement the project called “Upscaling exports strategy and market access assistance for SMEs” with three partner countries namely Pakistan, Saudi Arabia and Palestine. The project aims at improving exports strategy and international marketing capacity of SMEs in Indonesia and partner countries. In this regard, a training and workshop activities will be organized within the project.

Lebanon will implement the project named “Developing a Roadmap for Establishing National Trade Facilitation Body in Lebanon” with Türkiye, Morocco and Malaysia. The project aims to develop a roadmap for establishing a national trade facilitation body in Lebanon. 3 activities, namely a training, workshop and study visit will be organized within the framework of the project.

Morocco will implement the project called “Accelerating customs clearance of goods between OIC Member countries through the exchange of Electronic Certificate of Origin” with Türkiye and Indonesia. The objective of this project is to establish a clear and precise plan for ensuring electronic exchange of certificate of origin documents between countries. A study visit to United Arab Emirates as well as a training activity will be implemented.

SMIIC will implement the project called “Promotion of OIC/SMIIC Halal Standards use in the Asian and Arab Region” with 17 partner countries. Within the project, two training activities will be organized about OIC/SMIIC Standards.

Palestine will implement the project titled “Enhancing Palestinian Limestone-SMEs Internationalization” with the partnership of Kuwait and Qatar. This project aims to internationalize SMEs in order to reducing the risk of dependency by increasing exports from Palestine to OIC markets. A workshop will be conducted in Kuwait in order to bring together potential producers and buyers. In addition, a handbook about Palestinian limestone will be produced.

COMCEC COVID Response

The COMCEC COVID Response (CCR) is mainly about alleviating the negative impacts of the pandemic on member country economies with a particular focus on agriculture, trade, tourism, financial cooperation, poverty alleviation and transport & communications sectors. The program is based on financing certain types of projects, which would focus on needs assessment, sharing expertise, providing direct grants to final beneficiaries.

Within the framework of the 1st Call for Project Proposals under the CCR, 2 trade projects were implemented by Lebanon and Palestine in 2021.

Lebanon’s Sharing Expertise project titled “Digital Transformation of the Ministry of Economy And Trade Lebanon” aimed 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 Türkiye to transfer the knowhow and best practices from Türkiye with respect to the automation of administrative procedures in trade.

Palestine implemented 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 are able to provide all the services without any need to send any documents to the Headquarter.

Furthermore, under the 2nd Call for Project Proposals of the COMCEC COVID Response, Senegal will implement a direct grant project on “Resilience Program Against Covid-19 for the Digital Management of Agricultural Markets”. Through the project, a national digital platform will be established for ensuring efficient and sustainable management of agricultural storage infrastructures.

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 TPS-OIC mainly 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.

Furthermore the 36th of the COMCEC Meeting welcomed the offer of the Republic of Turkey, as the chair of the 1st and 2nd 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 1st and 2nd 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 1st 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.

The 37th Session of the COMCEC expressed its appreciation to the Republic of Turkey for hosting and COMCEC Coordination Office and ICDT for organizing TNC Meeting in virtual-

only format on 1-2 June, 2021, with the participation of 11 Participating States having ratified the TPS-OIC Agreements and submitted their concession lists. The Session also endorsed the decisions of the Trade Negotiating Committee Meeting, in particular determination of July 1st, 2022 as the cut-off date for the effectuation of the system, and requested the concerned member states to complete the necessary internal procedures and other preparations until that date.