



CCO BRIEF

ON

TRADE

COMCEC COORDINATION OFFICE
November 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 challenges, 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

Small and Medium Enterprises (SMEs), which do not have a single definition globally and are differentiated in terms of the number of employees or annual turnover play a major role in most economies, particularly in developing countries. 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. Moreover, researchers acknowledge that supporting these enterprises is a “key strategy for national development and competitiveness” of developing countries (Kazem and van der Heijden, 2006; Mourougane, 2012)

According to World Bank, SMEs account for the majority of businesses worldwide and are important contributors to job creation and global economic development and represent about 90% of businesses and more than 50% of employment worldwide. However, in spite of their significant contribution to national economies today, SMEs tend to be underrepresented in international trade. They suffer from a lack of relevant skills and lack of knowledge about international markets, non-tariff barriers, complex customs procedures, other border control procedures and a number of national and international regulations as well as limited access to trade finance.

Even though there are a great number of efforts made and programs implemented to increase the SMEs internationalization at national, regional and international levels, their share in international trade, particularly in national export volume is not at the desired level yet. Governments in OIC Member States have also been actively promoting the participation of

their SMEs into not only international but also intra-regional trade. However, with respect to international trade, SMEs still represent a minor share of exports and face barriers to entry into international markets.

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”.

A. Increasing Internationalization of SMEs in the OIC Member Countries - 18th and 19th Meeting of the Trade Working Group

18th Meeting of the COMCEC Trade Working Group was held on May 11, 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.

As a sequel of the 18th Meeting, 19th Meeting of the COMCEC TWG was held on October 4, 2022 with the same theme. The final version of the report has been discussed during the 19th Meeting of the TWG. During these both Meetings, 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.

In light of the main findings of the report and the deliberations during the Meeting, the Working Group has come up with a Guide including road map and in detail policy recommendations on Internationalization of SMEs in OIC Member Countries. 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 cooperation among member counties and must be designed in accordance with the objectives and the expected outcomes defined by the Strategy in the trade section. Projects also play important roles in realization of the policy recommendations formulated by the member countries during the TWG meetings.

Under the 9th Call for Project Proposals under the CPF, 5 projects were selected for implementation in 2022. The projects being implemented under the CPF in 2022 are as follows;

Indonesia is implementing a project called “Upscaling exports strategy and market access assistance for SMEs”. The project aims to improve exports strategy and international marketing capacity of SMEs in Indonesia and three beneficiary countries. In this regard, a training and workshop activities will be organized within the project.

Lebanon is implementing a project named “Developing a Roadmap for Establishing National Trade Facilitation Body in Lebanon”. 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 is implementing the project called “Accelerating customs clearance of goods between OIC Member countries through the exchange of Electronic Certificate of Origin”. 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 conducted.

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

Palestine is implementing the project titled “Enhancing Palestinian Limestone-SMEs Internationalization”. 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 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. 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 2nd Call for Project Proposals of the COMCEC COVID Response, Senegal is implementing 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 meet 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 1 and 2, 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 July 1, 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 the TNC Meeting in virtual-only format on June 1-2, 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 the determination of July 1, 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.

Recalling the relevant decisions of the 37th Ministerial Session of the COMCEC and the Trade Negotiating Committee Meeting held in June 2021 on the determination of July 1, 2022 as the cut-off date for the effectuation of the System, the 38th Follow-up Committee requested the participating states to expedite the completion of their internal procedures and other preparations until that date.

Also recalling the relevant decision of the 37th Ministerial Session, 38th Follow-up Committee requested the TPS-OIC Participating States who have not done so yet to notify the TNC Secretariat of their relevant internal measures to be undertaken for the implementation of the TPS-OIC Rules of Origin.

Commending the efforts of TNC Secretariat for finalizing the completion of updated concession lists process, the 38th Follow-up Committee called upon the concerned Member States to expedite their efforts for the submission of the concession lists in the same format for the operationalization of the TPS-OIC at the earliest.

As the co-secretariat of the TNC, COMCEC Coordination Office (CCO), circulated relevant documents (the lists of authorized bodies, their sample of stamps and signs, and concession lists) of other participating states through diplomatic channels. Thus, with the completion of the aforementioned arrangements in accordance with the relevant provisions, full implementation of the preferential trade has been started and the System has become operational as of July 1, 2022.