



Agenda N°4

THE TRADE PREFERENTIAL SYSTEM AMONG THE MEMBER STATES OF THE ORGANISATION OF ISLAMIC COOPERATION (TPS/OIC)

SUBMITTED BY

THE ISLAMIC CENTRE FOR DEVELOPMENT
OF TRADE

TO

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THE STANDING COMMITTEE FOR ECONOMIC AND
COMMERCIAL CO-OPERATION OF THE OIC
(COMCEC)



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1. INTRODUCTION

The idea of establishing a Trade Preferential System specific to O.I.C Member States is based on the recommendations of the General Agreement on Economic and Technical Cooperation between the OIC Member States and more precisely of the MECCA Declaration and the Plan of Action to strengthen economic and commercial cooperation among the OIC Member States set up by the 3rd OIC Summit Conference in 1981.

In fact, paragraph II item 7 of the Plan of Action recommended:

"To make an inventory of the existing preferential schemes applied by groups of Member States with a view to strengthening and linking them in order to establish a system of trade preferences through a step-by-step approach by all interested Member States.

It should be based on the principles of mutuality of advantages yielding benefits to all participants and considering the respective levels of economic and industrial development, trade regimes and international obligations of individual Member States with the ultimate aim of establishing a free trade area...".

In implementation of these relevant resolutions of the third and the fourth summit of the OIC, which included trade among the priority sectors, the Standing Committee for Economic and Commercial Cooperation (COMCEC) and ICDT have strived jointly since 1984 for the working out of a draft Framework Agreement on TPS/OIC.

In fact, since the holding of its first session in 1984 in Istanbul, the COMCEC recommended the setting of a working group to define the principles and rules that are to rule negotiations; this group held its first session in Izmir (Turkey) and was followed by the presentation by ICDT of the first version of TPS/OIC.

In order to solemnly corroborate the necessity of setting up a trade preferential system specific to the OIC Member States, the COMCEC adopted at its fourth session held in Istanbul in September 1988, a declaration of intent on the establishment of Trade Preferential System among the OIC Member States specifying the basic principles and the orientations to be followed for the setting up of such a system.

During this period of time, ICDT finalised the draft agreement, in consultation with the GATT and the UNCTAD and submitted it to experts for appreciation, who met twice, in December 1989 in (Turkey) and in 1990 in (Casablanca) to put the finishing touches to the draft agreement.

Six years after its inclusion in the agenda items of the COMCEC's meetings, the Framework Agreement on TPS/OIC was endorsed by the sixth session of the COMCEC, which submitted it to the OIC General Secretariat for signature and ratification. Legally, TPS/OIC came into force in October 2003.

The tariff preferences of the TPS-OIC are summarized in the diagram below:

Diagram of tariff dismantling based on the 2003 MFN rate

7% of all HS lines in the country, with a reduction over 4 years (Developing Countries) and 6 years (LDCs):

- Rates above 25% to 25%;
- Tariffs between 15% and 25% to 15%;
- Rates in 10% and 15% to 10%;
- Tariffs below 10% are exempt from the tariff reduction.

Countries where more than 90% of tariff lines have customs duties less than or equal to 10%, must cover only 1% of their HS tariff lines.

Variable geometry: Countries willing to offer more concessions can do so on a "fast track" basis, on a reciprocal basis.

Rules of Origin

40% local value added for developing countries and 30% for LDCs

Fully obtained

Cumulation of origin

Trade defense measures must comply with WTO rules

2. ENTRY INTO FORCE OF THE AGREEMENT

The TPS/OIC agreement was deposited in 1990 in the OIC General Secretariat for signature and ratification, in compliance with article 18; it will enter into force three months after ten Member States have deposited their instruments of ratification.

In November 2017, **forty Two** Member States have signed the framework Agreement TPS/OIC: Kingdom of Bahrain, People's Republic of Bangladesh, Republic of Benin, Sultanate of Brunei Darussalam, Burkina Faso, Republic of Cameroon, Republic of Chad, Union of the Comoros, Republic of Côte d'Ivoire, Republic of Djibouti, Arab Republic of Egypt, Republic of Gabon, Republic of The Gambia, Republic of Guinea, Republic of Guinea Bissau, Republic of Indonesia, Islamic Republic of Iran, Republic of Iraq, Hashemite Kingdom of Jordan, State of Kuwait, Republic of Lebanon, Libya, Malaysia, Republic of Maldives, Islamic Republic of Mauritania, Kingdom of Morocco, Republic of Niger, Federal Republic of Nigeria, Sultanate of Oman, Islamic Republic of Pakistan, State of Palestine, State of Qatar, Kingdom of Saudi Arabia, Republic of Senegal, Republic of Sierra Leone, Republic of Somalia, Republic of Sudan, Syrian Arab Republic, Republic of Tunisia, Republic of Turkey, Republic of Uganda and State of United Arab Emirates.

Thirty Two Member States have ratified it: Kingdom of Saudi Arabia, Kingdom of Bahrain, People's Republic of Bangladesh, Sultanate of Brunei Darussalam, Cameroon, Republic of Djibouti, Arab Republic of Egypt, State of the United Arab Emirates, Republic of Gabon, Republic of the Gambia, Republic of Guinea, Republic of Indonesia, Republic of Iraq, Islamic Republic of Iran, Hashemite Kingdom of Jordan, Kuwait, Republic of Lebanon, Libya, Malaysia, Maldives, Morocco, Islamic Republic of Mauritania, Oman, Republic of Uganda, Islamic Republic of Pakistan, State of Palestine, State of Qatar, Republic of Senegal, Republic of Somalia, Syrian Arab Republic, Republic of Tunisia and the Republic of Turkey.

The legal quorum (10 states) required for the entry into force of the Framework Agreement on Trade Preferences among Islamic Countries has therefore been exceeded recently, following the ratification of the Republic of Cameroon in September 2002.

19 Member States of the OIC have ratified the Protocol on Preferential Tariff Scheme for TPS-OIC (PRETAS), these are: Kingdom of Saudi Arabia, Kingdom of Bahrain, People's Republic of Bangladesh, Republic of Cameroon, State of the United Arab Emirates, Republic of The Gambia, State of Kuwait, the Hashemite Kingdom of Jordan, Islamic

Republic of Iran, Malaysia, Kingdom of Morocco, Islamic Republic of Mauritania, Sultanate Oman, State of Palestine, Islamic Republic of Pakistan, State of Qatar, Republic of Somalia, Syrian Arab Republic and the Republic of Turkey. The PRETAS became effective on February 5th 2010.

32 countries have signed the Rules of Origin of the TPS/OIC, namely Saudi Arabia, Bahrain, Bangladesh, Benin, Burkina Faso, Cameroon, Comoros, Côte d'Ivoire, Djibouti, United Arab Emirates, The Gambia, Guinea, Guinea Bissau, Indonesia, Iran, Jordan, Kuwait, Malaysia, Morocco, Mauritania, Niger, Nigeria, Oman, Pakistan, Palestine, Qatar, Sierra Leone, Somalia, Sudan, Syria, Tunisia and Turkey. In addition, 18 countries have ratified: Bahrain, Bangladesh, UAE, Gambia, Indonesia, Iran, Jordan, Kuwait, Malaysia, Morocco, Oman, Pakistan, Palestine, Qatar, Saudi Arabia, Somalia, Syria and Turkey. The Rules of Origin came into force on August 9th 2011.

To date, the following 14 OIC Member States: Saudi Arabia, Bahrain, United Arab Emirates, Kuwait, Morocco, Oman, Qatar, Turkey, Malaysia, Syria, Bangladesh, **Iran**, Pakistan and Jordan have sent to the TNC Secretariat the List of Products for tariff concessions under the TPS/OIC.

Besides, during the seminar on the rules of origin of the TPS/OIC Agreement organized by the COMCEC Office and Turkey's TOBB in January 2015 in Ankara, it was recommended to the participating countries to update their products' list of concession into an Harmonized System with 8 digits, 2015 Version in order to facilitate the launching of a new round of trade negotiations among the OIC Member Countries.

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.

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 in annex. 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.

The Committee requested the ICDT, COMCEC Coordination Office, and other relevant OIC Institutions to continue organizing awareness raising and capacity building activities regarding TPS-OIC.

The 37th Ministerial Session of the COMCEC held in Istanbul, Republic of Turkey from November 24-25, 2021, decided, in Resolution 40, that July 1, 2022, is the deadline for the entry into force of the System. The Member States concerned were invited to complete

the necessary internal procedures and other preparations until that date.

The Committee requests ICDT, the COMCEC Coordination Office, and other relevant OIC institutions to continue to organize awareness-raising and capacity-building activities regarding the TPS-OIC.

ICDT will continue these awareness-raising activities. In fact, the year 2022 will witness Seminars and Webinars which will primarily target: the CEMAC region, the Arab region, South-East Asia, and Central Asia.

3. THE ROLE OF ICDT AS A MEMBER OF THE TNC SECRETARIAT

As a reminder, the 19th Session of the Standing Committee for Economic and Commercial Cooperation has entrusted the ICDT and the COMCEC Coordination Office, the Secretariat of the Trade Negotiating Committee.

Within this framework, the Islamic Centre for Development of Trade provides Member the States with the technical assistance in the form of training sessions intended for the executive staff operating in the field of foreign trade or by submitting explanatory notes on the framework agreement on the Trade Preferential System among the OIC Member States and on the Protocol on the Preferential Tariff Scheme for TPS/OIC (PRETAS) and the protocol on the Rules of Origin.

The Islamic Centre for Development of Trade provides comprehensive explanatory notes related to issues debated within the framework of negotiations on the Trade Preferential System (TPS/OIC), the Protocol on the Preferential Tariff Scheme (PRETAS and the Protocol on the Rules of Origin.

In this regard, the Islamic Centre for Development of Trade has recently prepared explanatory notes on “the Framework Agreement on the Trade Preferential System among the OIC Member States, the PRETAS Protocol, intended for the Countries of the Gulf Cooperation Council and Indonesia.

Upon the successful conclusion of the 1st and 2nd Rounds, the Trade Negotiating Committee will carry on its work that will focus on two main actions: on the one hand, the implementation of the PRETAS, notably by applying the fast track and the consideration of issue relating to the removal of para- and non-tariff measures on the other.

Within the framework of the operationalization of the TPS/OIC Agreement and its protocols, ICDT sent circular letters to participating Member States relating to checklist of the implementation process of the Rules Origin, the conversion of tariff lines from 2003 to 2015 version of applied tariffs in order to facilitate trade negotiations between these countries.

Since 2016, several outreach seminars have been organized to raise awareness and popularize the implementation of the TPS-OIC system.

The proceedings of these meetings, which involved negotiators and stakeholders in charge of the implementation of this system, focused on the following topics

- ✓ OIC and ICDT Ten-Year Program of Action to Strengthen Intra-OIC Trade (2016-2025);
- ✓ Regional Trade Cooperation Programs customized for each regional grouping (in Africa, Arab, and Asia);
- ✓ Presentation of the legal instruments of this system: the Framework Agreement of the TPS/OIC, the Protocol on the Preferential Tariff Scheme for TPS/OIC (PRETAS); the Protocol on the Rules of Origin of TPS/OIC, the negotiations process;
- ✓ The conformity of the TPS-OIC with the WTO
- ✓ Impact of TPS/OIC and its protocols on the economies of member countries, by region;
- ✓ Accession procedures to the TPS/OIC and practical implementation modalities.

These awareness-raising activities targeted the following regions and member countries:

- Africa region including North Africa, during the Training Seminar held in Casablanca in May 2016 with the participation of 20 countries.
- Palestine and Jordan, during the workshop held in Amman, Hashemite Kingdom of Jordan in April 2016, with the participation of more than 40 public and private sector executives from two countries.
- The Asian region and Gulf countries, in a training workshop organized, in Jakarta - Republic of Indonesia, in September 2017. It was attended by 80 participants from 10 countries.
- Sudan, with a training workshop in Khartoum, in December 2018, with the participation of 60 executives from the public and private sectors.

These workshops identified the opportunities offered by this system as well as the technical concerns and challenges of its implementation, in light of the regional commitments of OIC member countries.

3.1 Virtual meeting of the Trade Negotiations Committee

The ICDT and the COMCEC Secretariat organized three consultative meetings of the Trade Negotiations Committee, on the operationalization of the TPS/OIC, the last virtual meeting took place on 6 and 7 June 2023.

During these three meetings, the practical aspects of the operationalization of the TPS-OIC were discussed, as well as the state of progress of the effective implementation of the system since 1st July 2022. At the same time, the ICDT presented the results of the study on the potential impact of the TPS-OIC Agreement on 13 participating countries. The results of the study revealed that the Agreement and its protocols have a positive impact on the GDP, production, consumption, exports, imports, and investments of these countries.

In the same vein, the Committee stressed the importance of encouraging the participation

of other OIC member countries in the TPS-OIC to improve the System in view of its positive trade impact.

3.2 Report on the Operationalization of the TPS-OIC

Considering the need to activate the operationalization of the TPS-OIC Agreement for the development of trade among OIC countries and to face the challenges of the post-COVID period, the ICDT has prepared an analytical report of ways and means to successfully implement the TPS-OIC system.

This report presents the different provisions of the Agreement and their compatibility with the Agreements of the World Trade Organization (WTO) as well as the scope of the tariff concessions of this system in comparison with the other preferential regional arrangements in force in the OIC zone.

The report analyzes the strengths and imperfections of this Agreement and suggests the possibilities for revising or updating its provisions, emphasizing the approaches and mechanisms for inter-state negotiations.

3.3 Continuation of Awareness for the Operationalization of the TPS-OIC

To facilitate the operationalization of the TPS-OIC, the ICDT will organize in cooperation with the COMEC secretariat, regional webinars to explain the provisions of the Agreement and the practical aspects of its implementation.

The primary concerned regions are the CEMAC region, Arab region, Southeast Asia, and Central Asia.

4. IMPLEMENTATION OF TPS-OIC

To facilitate the operationalization of the TPS-OIC, ICDT organized, in cooperation with the COMCEC Secretariat, awareness-raising roundtables on the TPS/OIC for the benefit of the OIC member countries in collaboration with the COMCEC Coordination Office. These roundtables were organized in:

- A round table, organized for the benefit of the members of the Trade Facilitation Council of Guinea, on 8 June 2023, in Conakry, Republic of Guinea.
- A Consultative Meeting of the Arab Member States of the Gulf Cooperation Council (GCC) on the practical arrangements for the implementation of the TPS-OIC system, held on 1st November 2023 in Riyadh, Kingdom of Saudi Arabia. In addition to the 6 GCC countries, this meeting involved Türkiye and Bangladesh as well as the ICDT and the COMCEC Bureau. On this occasion, the provisions of the legal texts of this system were explained, along with an exchange of experience on the procedures for its application.
- An awareness-raising round table on the importance of the TPS-OIC, held for the benefit of OIC member countries of the CEMAC, during the second half of 2024 in N'Djamena, Republic of Chad.
- Other meetings are planned, notably with OIC Member States of the Economic Community of West African States (ECOWAS) and with those of the Arab region, virtually or on-site during the 1st half of 2024.

LIST OF THE MEMBER STATES WHICH HAVE SIGNED AND RATIFIED THE AGREEMENTS UNDER THE AUSPICES OF ICDT AND COMCEC (Until 15th May 2022)

AGREEMENTS	TPS/OIC		PRETAS		RULES OF ORIGIN		Submission of documents
	Signed	Ratified	Signed	Ratified	Signed	Ratified	
Bahrain	*	*	*	*	*	*	*
Bangladesh	*	*	*	*	*	*	*
Brunei Darussalam	*	*					
Burkina Faso	*		*		*		
Benin	*		*		*		
Cameroon	*	*	*	*	*		
Comoros	*		*		*		
Côte d'Ivoire	*		*		*		
Djibouti	*	*	*		*		
Egypt	*	*	*				
United Arab	*	*	*	*	*	*	*
Gabon	*	*					
The Gambia	*	*	*	*	*	*	
Guinea	*	*	*		*		
Guinea Bissau	*		*		*		
Indonesia	*	*	*		*		
Iraq	*	*					
Iran	*	*	*	*	*	*	*
Jordan	*	*	*	*	*	*	*
Kuwait	*	*	*	*	*	*	*
Lebanon	*	*					
Libya	*	*					
Malaysia	*	*	*	*	*	*	*
Maldives	*	*					
Morocco	*	*	*	*	*	*	*
Mauritania	*	*	*		*	*	
Niger	*		*		*		
Nigeria	*		*		*		
Oman	*	*	*	*	*	*	*
Uganda	*	*					
Pakistan	*	*	*	*	*	*	*
Palestine	*	*	*	*	*	*	
Qatar	*	*	*	*	*	*	*
Saudi Arabia	*	*	*	*	*	*	*
Senegal	*	*					
Sierra Leone	*		*		*		
Somalia	*	*	*	*	*	*	*
Sudan	*		*		*		
Syria	*	*	*	*	*	*	*
Chad	*						
Tunisia	*	*	*		*		
Türkiye	*	*	*	*	*	*	*
TOTAL	42	32	33	18	32	18	14

Source: COMCEC, OIC GS, ICDT.