



## Legal aspects of the Trade Preferential System among the Member States of the Organization of Islamic Cooperation

The Third Meeting of the Trade Negotiations Committee at the Ministerial Level,  
Istanbul, 10-11 June 2024

**Islamic Centre for Development of Trade**





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Operationalizing the  
Trade Preferential  
System of the  
Organization of Islamic  
Cooperation (TPS-OIC)  
In a crisis-affected  
international context

## Challenging market fluctuations due to international crises

- The importance of enhancing intra-OIC trade.
- Increasing need for investment and job creation
- Developing supply links and value chains
- Promoting regional integration
- **Deepening legal tools for business cooperation.**
- Revitalizing consultations among OIC Member States to reduce tariff and non-tariff barriers to trade.
- Adopting structural initiatives to develop and diversify intra-regional trade within the Organization of Islamic Cooperation
- Intensifying promotional activities



## The quantitatively positive impact of the TPS-OIC system on applying countries in a global context where economic growth needs to be strengthened

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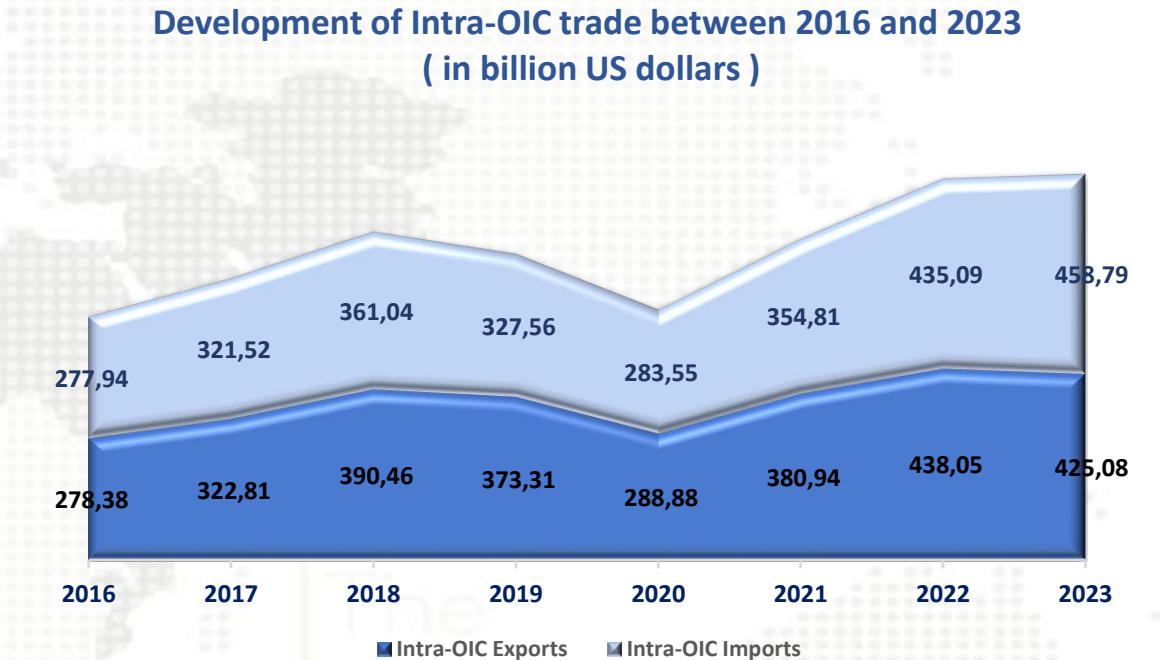
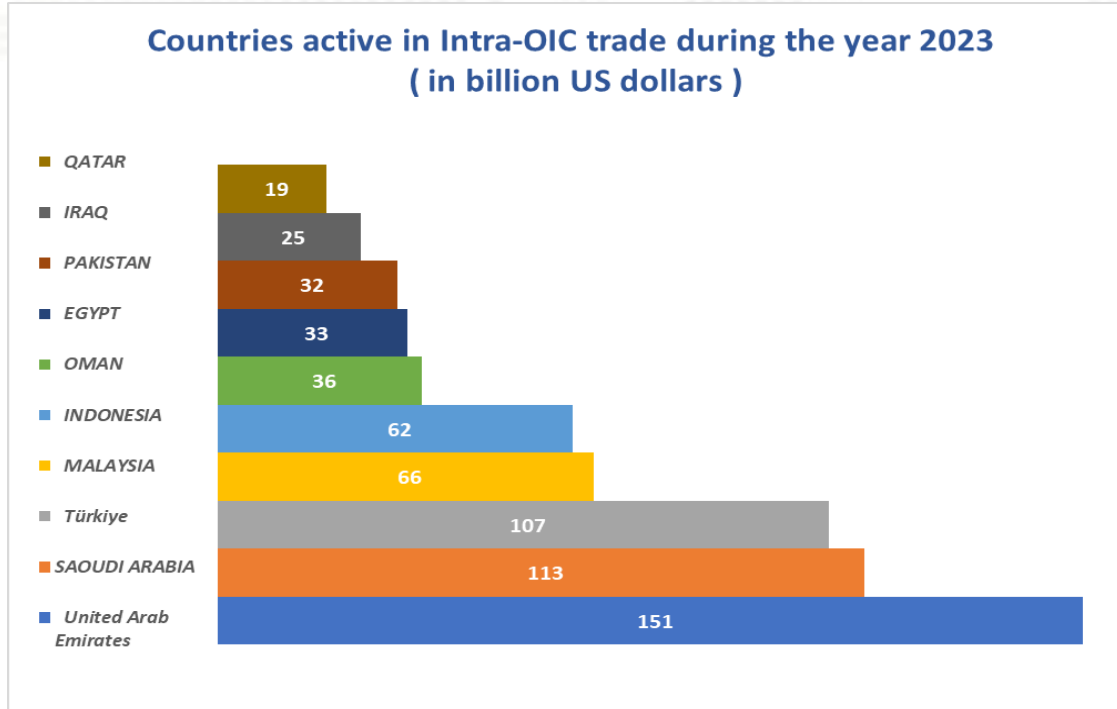
- Increase by 0.5% of GDP annually for each participating country.
- 0.6 % increase in foreign investments.
- The exports of the 13 participating countries increased by 0.3% annually, i.e. a value ranging between \$30 million and \$3 billion annually. .
- The value of imports, depending on the country, can reach between \$1 million and \$500 million.
- The implementation of TPS-OIC will increase intra-OIC trade by approximately \$1.8 billion annually..

The long-term positive implications of the system are: Sustainable and inclusive industrialization, increased value-added, trade stimulation, export diversification, and job creation, especially for women and youth.





## The share of intra-OIC trade in foreign trade of OIC member countries reached 19.16% during 2023

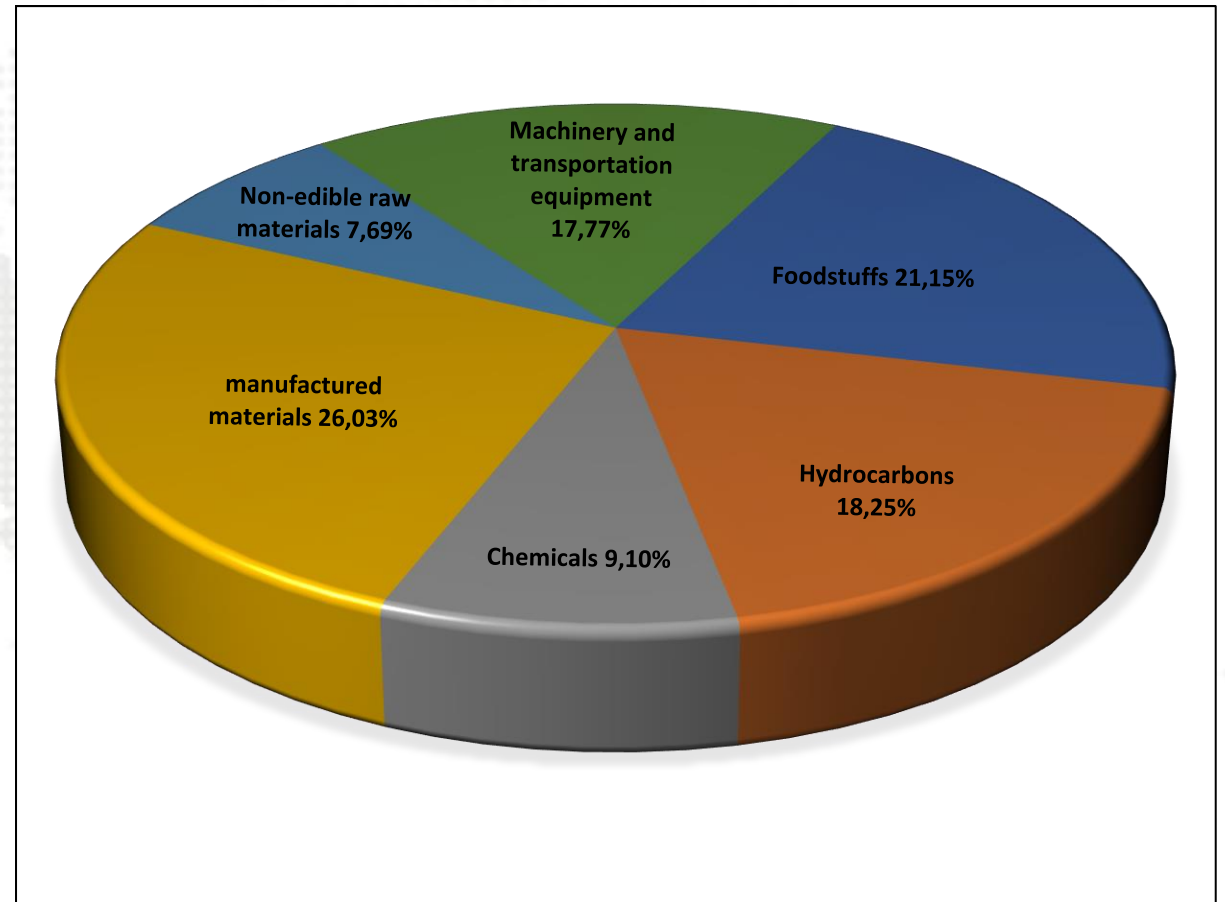


- 10 countries accounted for 72.80% (i.e. \$643 billion) of intra-OIC trade during 2023.
- The need to work on strengthening and diversifying regional value chains and adopting initiatives to develop and diversify intra-OIC trade..



## Trade exchanges by commodity

- ✓ **Top commodities traded :**  
manufactured products, food products and fuel
- ✓ **Trade exchanges towards greater diversification**
- ✓ **Encouraging signs for the development of value chains within the OIC region**



Introduction: The Relevance of the Trade Preferential System in the Global Context

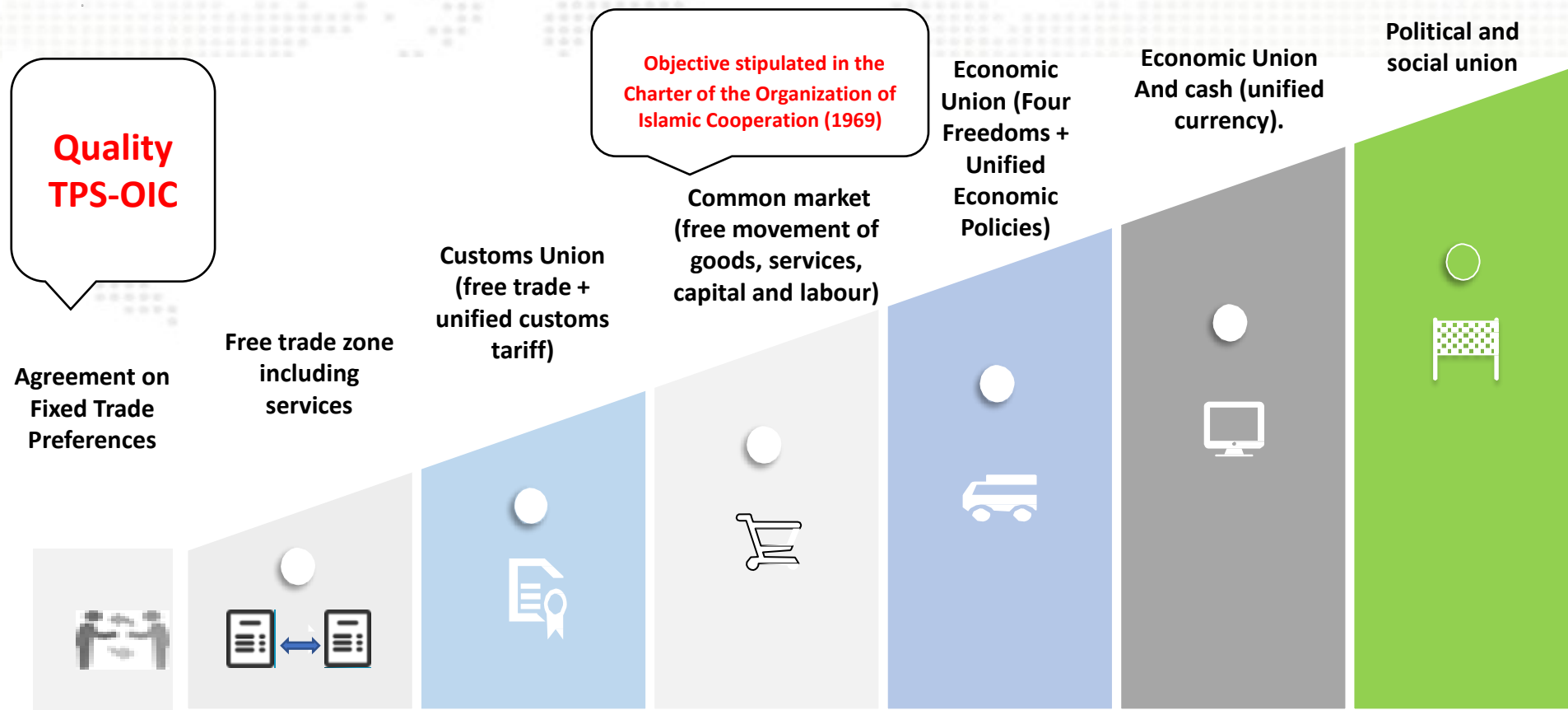
Current status of intra-OIC trade

Requirements of the trade preferential system of the Organization of Islamic Cooperation

Proposals regarding national procedures for accession

Recommendations

## Trade Preferential System of the Organization of Islamic Cooperation ( TPS-OIC): **The first step towards developing intra-regional trade and achieving true regional integration**



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## Diverse legal instruments for economic integration in the OIC region, with 33 free trade agreements including 15 regional preferential agreements and 3 continental free trade zones

### Arab region

- Arab Free Trade Zone (22 countries in the Organization of Islamic Cooperation)
- Agadir Agreement (4 countries)
- Customs Union of the Gulf Cooperation Council countries
- Arab Customs Union Project (22 countries in the Organization of Islamic Cooperation)

### Asian region

- Economic Cooperation Organization ECO (9 countries in Central Asia)
- Comprehensive Regional Economic Pact (RCEP) entered into force in January 2022 (3 OIC countries)
- ASEAN (10 Southeast Asian countries)

### African region

- African Continental Free Trade Area
- Economic and Monetary Community of Central Africa ( COMESA)
- Economic Community of West African States ( ECOWAS)
- Common Market for Eastern and Southern Africa ( CEMAC)

**TPS-OIC: A promising bridge between the markets of the three regions of the Organization of Islamic Cooperation**





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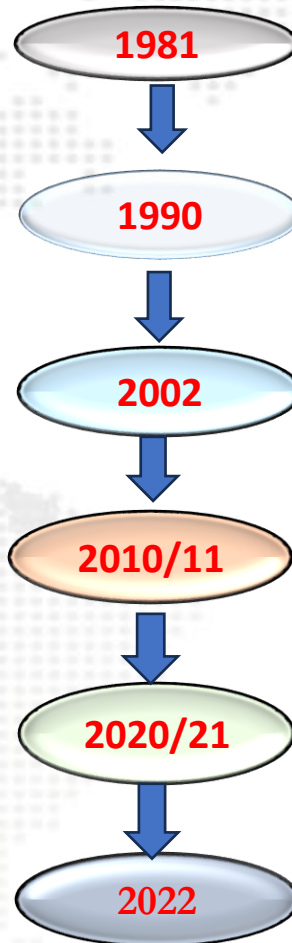
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Recommendations

## TPS-OIC Negotiation Process

### Legal Instruments of the OIC Trade Preferential Systems

1. The framework agreement defines the main principles of intra-OIC trade exchanges .
2. Protocol of the preferential tariff plan for the trade preferential system of the Organization of Islamic Cooperation.
3. Rules of Origin Protocol.
4. The internal regulations of the Negotiating Committee COMCEC in 2003 session.



Adoption of the General Agreement on Technical Economic Cooperation and trade between the countries of the Organization of Islamic Cooperation / Makkah Al-Mukarramah Declaration

Submitting the initial framework agreement, TPS-OIC, to the General Secretariat of the Organization of Islamic Cooperation for signing and ratification.

Entering the framework agreement TPS-OIC into force

Entry into force of the PRETAS Agreement and the Annex of the Rules of Origin

Executive technical meetings /15 countries ratified and deposited the lists (13 countries)

COMCEC decision for effective implementation as of July 1, 2022.



### Protocol Preferential tariff plan (PRETAS )

- It was adopted during the twenty-first session of the COMCEC in 2005
- Entry into force in 2010 after gathering 10 ratifications from member states.
- It aims to encourage intra-trade through the exchange of preferences between member states according to a specific program for the gradual dismantling of customs tariffs.
- Addresses other topics related to trade transactions such as non-tariff barriers , anti-dumping, safeguard measures ...

### Rules of Origin

- It was adopted by the COMCEC at its twenty-third session in 2007 .
- Put General rules for determining the origin of products eligible to benefit from preferential privileges .

## Trade Preferential System (TPS-OIC)

### The Framework Agreement

- It was adopted during the sixth session of the COMCEC in 1990
- It entered into force in 2002 after it was ratified by 10 member countries of the organization
- Establishes the general principles of this system
- Article 6 establishes the principle of reciprocal concessions between participating countries on an MFN basis with some more flexible exceptions. Establishes a committee Business negotiations And its specializations
- Establishes requirements for consultations and conflict resolution
- Article 2 provides for the periodic evaluation of the TPS-OIC system and the study of possibilities for reviewing preferences , in order to expand the scope of its application and improve its performance.



## Legal references

1

- **The Trade Preferential System responds to the objectives set out in the Charter of the Organization of Islamic Cooperation (1969)** , which specifies in Article 1-9 that “...member states undertake to work towards economic integration leading to the establishment of a common Islamic market.”
- The Organization of Islamic Cooperation’s ten-year action plan aimed at raising the share of intra-regional trade to 25% by 2025

2

### **Trade preferential system compatibility With World Trade Organization agreements**

- The “ enabling clause” resulting from the Tokyo Round agreements of 28 November 1979 retains “special and differential treatment for developing countries.”
- Article 24 of the GATT also enables for the establishment of Customs unions and free trade areas among all members of the World Trade Organization.
- Preventive and anti-dumping and subsidy measures provided for in the World Trade Organization agreements,

3

### **Compatibility with regional and bilateral commitments of member states**

- Article 2 of the Framework Agreement states that this system is without prejudice to the legal obligations that participating states have undertaken towards third parties.
- The trade preferences system is not considered an alternative , however Complementary A For current and future preferential trade legal frameworks binding on Member States



## **General proposals for a balanced win-win system under the new generation of economic integration agreements**

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### **General principles for an effective negotiation p rocess**

- Rationalizing imports in the context of developing production
- Developing exports and increasing bilateral exchanges
- Ensuring adequate protection for the national product, especially emerging economic activities
- Taking into account the strategic dimension in relation to the general direction of the Organization of Islamic Cooperation
- Determine goals regarding investment and partnership





## Recommendations

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- The importance of participating in this system, which is a preliminary step to implement the objectives of the Organization of Islamic Cooperation (OIC) Charter.
- Accelerate the ratification of the legal instruments of the system and the submission of commodity lists in accordance with the requirements of the TPS-OIC in order to participate as a "full member" in future negotiations.
- Provide technical support to member countries while encouraging the exchange of experiences.
- Working to make TPS-OIC a factor in the development of value chains in the OIC space by encouraging countries to include medium and high value-added products in the lists of customs concessions.
- The Centre is willing to prepare studies and technical papers to frame any future negotiations.







For more information:

