

**THE TRADE PREFERENTIAL SYSTEM AMONG  
THE MEMBER STATES OF OIC (TPSOIC)**

FREQUENTLY ASKED QUESTIONS

COMCEC COORDINATION OFFICE  
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## **Abbreviations**

- COMCEC*** : The Standing Committee for Economic and Commercial Cooperation of the Organization of the Islamic Conference
- LDC*** : Least Developed Country
- OIC*** : Organization of the Islamic Conference
- PRETAS*** : The Protocol on the Preferential Tariff Scheme for TPSOIC
- TNC*** : Trade Negotiating Committee
- TPSOIC*** : The Trade Preferential System Among the Member States of Organization of the Islamic Conference

## Frequently Asked Questions

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**Note:** For the texts of the Framework Agreement on TPSOIC and the PRETAS please refer to the website of the OIC, <http://www.oic-oci.org/>, and ICDT, [www.icdt.org](http://www.icdt.org)

## *Frequently Asked Questions*

### ***1-What is TPSOIC?***

TPSOIC is one of the projects of COMCEC. The objective of the TPSOIC is to promote the intra-OIC trade through exchange of trade preferences among the Member States of OIC.

### ***2-What is the Framework Agreement on TPSOIC?***

The Framework Agreement on TPSOIC is the basic legal document of the TPSOIC, which sets up the general principles towards establishing a preferential system, such as the general rules of the negotiations, the scope of the goods coverage etc. The Agreement entered into force in the autumn 2002, after 10 OIC Member States ratified it.

Among the main features of the Agreement are the Most Favored Nation principle, equal treatment of member states, special treatment for Least Developed member states, and that it allows the regional economic groups, which consist of only OIC Member States, to participate in TPSOIC trade negotiations with a unified representation.

### ***3-What is the scope of the preferential system envisaged by the Framework Agreement?***

The preferential system outlined in the Agreement, covers all commodity groups, including agricultural products. It extends its limits, besides tariffs, to para-tariff and non-tariff barriers. The preferential system would be revised and further developed in time in the light of the needs and experience, gained.

### ***4-What is the difference between signing and ratifying the Framework Agreement?***

Signing is the first step for a country in the way of adopting the Agreement. An official of a member country, specifically authorized for signing the Agreement, could sign the Agreement, the original copy of which is placed at the OIC General Secretariat, Jeddah. It could be signed either in Jeddah or during the annual meetings of the COMCEC.

After signing the Agreement comes the ratification process, which is more complex and time-consuming than the first step and depends on the internal procedure of each country for the ratification, such as approval by the parliament, by the cabinet etc. The ratifying country is to send its instrument of ratification, i.e. the document proving the ratification, to the General Secretariat of the OIC.

### ***5-What is the TNC?***

Following the entry into force of the Framework Agreement, the COMCEC established the TNC in 2003. The members of the TNC are the OIC Member States that have signed and ratified the Framework Agreement. The main function of the TNC is to undertake

negotiations for achieving the objectives of the Framework Agreement, i.e. an operating trade preferential system among its members.

***6-What kind of institutional structure do the TPSOIC trade negotiations have?***

The COMCEC is the supervisory body for the implementation of the Framework Agreement, which equips it with the final decision-making power in this regard. It is responsible, inter alia, for establishing the TNC and constituting the TNC's internal rules (already done), adopting the outcome of the negotiations, and launching rounds of trade negotiations. The TNC, on behalf of the COMEC, works to implement the objectives of the Agreement and reports to the COMCEC.

***7-When did the TPSOIC trade negotiations begin?***

After ratification of the Framework Agreement by the required number of the Member States, the 19<sup>th</sup> Session of the COMCEC decided to launch the First Round of the Trade Negotiations in the late 2003, and gave the task of undertaking the negotiations to the TNC. The TNC completed the first round by holding four meetings devoted to designing a tariff reduction modality, between April 2004 and April 2005.

***8- What is the PRETAS, the result of the first round?***

At the end of the first round, the TNC agreed on the PRETAS. The PRETAS mainly deals with reducing the tariffs of the covered products under the Scheme as well as para-tariff and non-tariff barriers. It, furthermore, entails some provisions regarding the future dealings of the TNC.

Tariff reduction part of the PRETAS consists of normal and fast track reductions. Shortly, **normal track** approach exposes 7% of total HS lines to tariff reduction leading to maximum tariff slabs between 25% and 10%, in 4 years (6 years in the case of LDCs). The said 7% of total HS lines shall only include lines with tariff above 10%;

**Fast track**, which is voluntary, has a much broader product coverage between 85% and 70% (LDCs 70%) for tariff reduction, which is to be attained by increasing the margin of preference by 50% on current MFN applied rate at HS level of National Tariff Codes, in 5 years (7 years for LDCs). Furthermore, the LDCs would get the said marginal preferences from the developing countries in 3 years instead of 5.

As for the para-tariff and non-tariff barriers, upon entry into force of the PRETAS they will be eliminated (in the case of the LDCs in 3 years).

***9-Who can join the TPSOIC trade negotiations?***

Any OIC Member Country wishing to join the negotiations, first, has to sign and ratify the Framework Agreement and submit the instrument of ratification to the General Secretariat of the OIC, the depositary institution for submission of such documents. In so doing, it becomes a member country of the TNC. Second, it must sign the PRETAS, which shall constitute the theme of the negotiations in the second round, due to annexes and other issues related to its implementation.

**10- Is there going to be a second round of trade negotiations under TPSOIC?**

Yes, the 21<sup>st</sup> Session of the COMCEC, in November 2005, approved the PRETAS, and welcomed the decision of the TNC to launch the second round of trade negotiations in 2006. In fact, both the Framework Agreement and the PRETAS envisage successive rounds of trade negotiations in order to deepen and expand the trade system among the OIC members.

**11-Which countries have signed/ratified the Framework Agreement and the PRETAS so far?**

*The countries that signed/ratified the Framework Agreement on TPSOIC and the PRETAS (as of August 2006)*

	TPSOIC		PRETAS
	Sign	Ratify	Sign
1	Burkina Faso	Bangladesh	
2	Chad	Guinea	
3	Indonesia	Iran	
4	Morocco	Cameroon	
5	Palestine	Libya	
6	Gambia	Egypt	Egypt
7	Iraq	Pakistan	
8	Nigeria	Senegal	
9	Sudan	Tunisia	Tunisia
10	Saudi Arabia	Turkey	Turkey
11	Kuwait	Uganda	
12	Qatar	Jordan	Jordan
13	Bahrain	Lebanon	
14		Malaysia	Malaysia
15		Syria	Syria
16		UAE	
17		Maldives	

*Source: COMCEC Coordination Office*