



**Framework for Agreement on Trade
Preferential System Among Member States of
the Organization of Islamic Cooperation**

Preamble

The Governments of the Member States of the Organization of Islamic Cooperation (OIC) signatory to this Agreement;

In compliance with the objectives of the OIC's Charter;

In pursuance of the aims and provisions of the General Agreement on Economic, Technical and Commercial Cooperation among OIC Member States;

Taking into account the Plan of Action to strengthen Economic Cooperation among the Member States adopted by the Third Islamic Summit Conference;

Taking into consideration the Resolutions of the Standing Committee for Economic and Commercial Cooperation (COMCEC) which recommend the setting up a Trade Preferential System as a framework for the progressive exchange of trade preferences among the Member States.

Recalling the declaration of the Intent on the Establishment of a Trade preferential System among the OIC Member States adopted at the Fourth Session of the COMCEC;

Recognizing the pivotal role of the trade expansion among Member State as a driving force towards development, an effective tool for the optimal use of resources and a major instrument to improve the standard of living of their people;

Bearing in mind the special needs of the Least Developed Member States of OIC;

Noting that due to the geographical dispersion of Member States, and the difference in their development levels which hamper the establishment of a comprehensive regional system for trade liberalization, a Trade Preferential System would be the most appropriate instrument to increase trade exchanges among them;

Convinced of the essential role which may be played by intra-community trade expansion in the strengthening of cooperation and economic complementarity between Member States and in the improvement of self-sufficiency and the achievement of a higher level of solidarity among them;

Determined to unify in an effective and sustained manner the efforts exerted within the framework of OIC in different areas of economic cooperation, directly or indirectly related to trade;

Bearing in mind the need of Islamic Countries to expand their markets, in conjunction with their pace of development and to increase their absorption capacity, especially in view of the growing protectionist attitude of developed countries;

Giving due regard to trade regimes and bilateral and multilateral obligations of individual Member States;

Have approved this Agreement as a minimum basis for according preferential treatment to trade among themselves, expressing their will and readiness to achieve its objectives and give effect to its provisions through procedures, arrangements and timetables for negotiations.

CHAPTER 1
INTRODUCTION
Article I
Definitions

For the purpose of this Agreement and unless otherwise suggested by the context, the following words and terms shall mean:

- 1. OIC** Organization of Islamic Cooperation.
- 2. Agreement** The Agreement on Trade preferential System among the OIC Member States.
- 3. Member States** The OIC Member States
- 4. Contracting States** The OIC Member States parties to this Agreement
- 5. Participating States** Contracting States which presented lists of products to be negotiated within the framework of this Agreement, and which ratified the results of these negotiations;
- 6. Least Developed Member States** The OIC Member States designated as Least Developed Countries by the United Nations unless otherwise decided by the COMCEC
- 7. Tariffs** Custom duties stipulated in the national tariff schedules;
- 8. Para-tariffs** Border charges and fees, other than tariffs, on foreign trade transactions of a tariff-like effect which are levied solely on imports, but not those indirect taxes and charges, which are levied in the same manner on like domestic products. Import charges corresponding to specific services rendered are not considered as para-tariff measures;
- 9. Non-tariffs** Any measure, regulation, or practice, other than “tariffs” and “para-tariffs”, the effect of which is to restrict imports, or to significantly distort trade;
- 10. Sectoral agreements** Agreements regarding the removal or reduction of tariff, non-tariff, and para-tariff barriers as well as other trade promotion or cooperative measures for specified products or groups of products closely related in end use or in production;

11. Direct trade measures Measures conducive to promoting mutual trade such as long and medium-term contracts;

12. COMCEC The Standing Committee for Economic and Commercial Cooperation of OIC

13. Trade Negotiating Committee The Committee within the framework of which rounds of negotiations on trade preferences are held among Participating States.

CHAPTER 11
AGREEMENT ON TRADE PREFERENTIAL SYSTEM
Article 2
Aims and Principles

This Agreement aims at the promotion of trade among OIC Member States through the exchange of trade preferences on the basis of the following principles;

1. Ensuring equal and non-discriminatory treatment among all Participating States;
2. Securing mutuality of advantages to all Participating States in such a way that all Participating States benefit equally from the trade preferential system;
3. Exchanging preferential treatment, taking into account the Most Favoured Nation (MFN) principle, in compliance with time tables and by adopting a step by step approach;
4. Enabling participation of groupings composed of Member States only, which may participate in trade negotiations by a unified representation;
5. Limiting Preferences exchanged by virtue of this Agreement to Participating States only;
6. The exchanged preferences are not to be limited to tariffs but are to be progressively extended to para-tariff and non-tariff concessions;
7. Extending trade preferences to all commodities including agricultural and animal products, manufactured or semi-manufactured products;
8. Taking into account the differences in the levels of economic development among Contracting States in granting special treatment;
9. Submitting to periodical reviews and sustained evaluation the Trade Preferential system, established by virtue of this Agreement, with a view to extending its implementation and improving its provisions in the light of the experience acquired and the results obtained.

10. Making use of the trade financing and export credit insurance facilities provided by OIC institutions, in conformity with their rules and regulations, for products exchanged under this Agreement;
11. This Agreement shall not prejudice any legal obligations any participating states vis-à-vis third parties;
12. This Agreement shall not be conceived as a substitute to any of the existing and future trade preferential arrangements involving the Participating States, but as a supplement to them;
13. Tariff, para-Tariff and non-tariff preferences applicable within existing and future sub-regional and intra-regional groupings to which OIC Member States belong shall retain their essential character, and there shall be no obligation on the members of such groupings to extend, nor the right of other Participating States to enjoy the benefits of such preferences.

CHAPTER 1II
NEGOTIATIONS
Article 3
Components

Negotiations are to cover, *inter alia*, the following areas:

1. Tariff, para-tariff and non-tariff concessions;
2. Arrangements compatible with the international obligations of the Participating States concerning direct trade measures including medium and long-term contracts for imports and exports of specific products or covering sectoral agreements may be considered in subsequent stages depending on developments and according to need.

Article 4
Negotiations

1. Rounds of Negotiations shall be held by the Trade Negotiating Committee in compliance with its work programme endorsed by COMCEC;
2. Negotiations are to be carried out in accordance with any or a combination of the following approaches and procedures:
 - (a) Product-by-product negotiations;
 - (b) Across-the-board tariff reductions
 - (c) Sectoral negotiations;

(d) Direct trade measures, including medium and long term contracts.

3. Contracting States participating in negotiations on the Exchange of trade preferences exclusively shall be entitled to formulate proposals for negotiations. Preference stemming from these negotiations shall exclusively accrue to Participating States having ratified documents relating to the results of these negotiations.

Article 5 **Schedule of Concessions**

1. Successive bilateral talks and rounds of multilateral negotiations may be held from time to time and according to need;
2. Preferences resulting from these negotiations shall be embodied in schedules of concessions which shall be annexed to and form an integral part of this Agreement.

CHAPTER IV **GROUND RULES** **Article 6** **Most Favored Nation Treatment**

1. The Exchange of negotiated concessions shall be implemented on a most favored nation (MFN) basis, and its benefits shall accrue to the Participating States;
2. Making exception to the rule prescribed in paragraph 1 of this Article, a Participating State may decide not to extend special concessions negotiated with one or several States and affecting their specific interests, to other Participating States.
3. The non-extension of special concessions provided for in paragraph 2 of this Article shall not have any detrimental impact on the trade interests of other Participating States. In case of prejudice, the concerned Participating States may after having specified the nature and importance of this prejudice and produced adequate evidence, submit this issue to the COMCEC which is entitled in this case to take appropriate measures for its removal including the possibility of compensation or extension of all or part of these special concessions to Participating States affected by this prejudice.

Article 7 **Maintenance of the Value of Concessions**

Participating States shall prevent impairing or nullifying concessions granted under this Agreement through the application of any tariff, para-tariff or non-tariff barriers or any other restrictive measures, except where such measures correspond to internal taxes on similar domestic products, anti-dumping or countervailing duties to subsidies, provided that these two cases are proved.

Article 8

Modification and Withdrawal of Concessions

Any Participating State may, after a period of 3 years from the day concessions resulting from a negotiating round were extended, notify the COMCEC of its intention to modify or withdraw any concession included in its schedule. In this case, the participating State shall enter into negotiations with a view to reaching an appropriate settlement with Participating States with which such concessions were initially negotiated or with any other Participating States which may be prejudice by these measures.

Article 9

Rules of Origin

Products contained in the schedules of concessions shall be eligible for preferential treatment if they satisfy the rules of origin which are annexed to and form an integral part of this Agreement.

Article 10

Safeguard measures

1. A Participating State shall be able to take safeguard measures to ward off serious prejudice or threats of a serious prejudice, which may arise as a direct consequence of unforeseen substantial rise of imports enjoying preferences under this agreement.
2. Prejudices mentioned in paragraph 1 of this Article may be caused by one or several of the following factors.
 - a) Threats of prejudice to domestic products;
 - b) Serious deterioration in the balance of payments;
 - c) Dumping applied by the exporting country;
 - d) Export subsidies applied by the exporting country;
3. The provisions of this Agreement do not prevent each Participating State from implementing measures that it deems necessary as a safeguard for its basic interests relating to security and health.
4. Products prohibited by virtue of the Islamic Sharia shall not be covered by trade negotiations.

Article 11 **Special Treatment for Least Developed Member States**

Taking into account the special needs of the Least Developed Member States, the Participating States shall extend special concessions in their favour in the course of bilateral or multilateral negotiations.

Article 12 **Cooperation with other OIC Institutions**

1. The Islamic Development Bank and the other specialized institutions of the OIC shall be requested to consider, in conformity with their rules and procedures, giving priority within the framework of export financing and export credit guarantee schemes to trading transactions relating to lists of products eligible for preferential treatment in compliance with this Agreement, as well as to national products enjoying concessions in accordance with bilateral trade agreements or regional arrangements among Member States.
2. Contracting States shall derive maximum benefit from the existing tools, programmes and mechanisms including the programmes and activities of the Islamic Centre for Development of Trade (ICDT) and other relevant OIC Institutions with a view to promoting trade relations among them and benefit from the financial facilities and guarantees provided for this effect.

CHAPTER V **THE COMCEC AND THE TRADE NEGOTIATING COMMITTEE**

Article 13

The COMCEC and the Trade Negotiating Committee

The COMCEC shall supervise the implementation of this Agreement. The COMCEC, in conformity with the relevant provisions of this Agreement, shall:

1. Establish a Trade Negotiating Committee upon entry into force of this Agreement, consisting of the representatives of the governments of the Participating States. The Committee shall perform its functions in such a way as to facilitate the achievement of the objectives of this Agreement;
2. Adopt internal rules relating to the functioning of the Trade Negotiating Committee;
3. Decide the launching of new rounds of trade negotiations, receive proposals and requests from Contracting States for participation and circulate them to all Contracting States;
4. Adopt the outcome of trade negotiations together with their schedules of concessions to be annexed to and form an integral part of this Agreement;

5. Recommend the termination of this Agreement and the introduction of amendment to it;
6. Make appropriate arrangements for consultation and cooperation with OIC and its organs, in particular ICDT and the relevant institutions of the OIC as well as groupings for economic cooperation among Member States;
7. Provide interpretation of the provisions of this Agreement whenever necessary;
8. Delegate part or all of its functions under this Agreement to the Trade Negotiating Committee.

CHAPTER VI
CONSULTATIONS AND SETTLEMENT OF DISPUTES
Article 14
Consultations

1. If any Participating State should consider that any benefit accruing to it directly or indirectly under this Agreement is being nullified or impaired as the result of the failure of another Participating State to carry out any of its obligations under this Agreement or as the result of any other circumstances relevant to the operation of this agreement, the former may with a view to reaching an appropriate settlement of the matter, make written representations to the other Participating State concerned. Such an approach shall incite the other Participating State to give sympathetic consideration to the representations or proposals made to it;
2. The Trade Negotiating Committee may, at the request of a Participating State, consult with any other Participating States with whom it was not possible to reach a satisfactory solution through the consultations mentioned in paragraph 1 above. The Trade Negotiating Committee shall submit in accordance with its international rules the results of consultations to the COMCEC;
3. If no satisfactory settlement is reached, the COMCEC shall, upon receipt of report from the Trade Negotiating Committee or of a submission by a prejudiced party, hold consultations among concerned Participating States to remove this prejudice. The COMCEC may decide the forming of a Panel composed of Participating States not parties to the dispute, which shall be entrusted with identifying the nature and importance of this prejudice and making recommendations with respect to measures to be taken.

Article 15 **Settlement of Disputes**

Any dispute that may arise among the Participating States regarding the interpretation and application of the provisions of this Agreement or any instrument adopted within its framework shall be amicably settled by agreement between the parties concerned. In the event of failure to settle a dispute. It may be referred to the Trade Negotiating Committee by a party to the dispute. The Committee shall review the matter and make a recommendation in accordance with the appropriate rules which it will set for this purpose.

CHAPTER VII **FINAL PROVISIONS** **Article 16** **Evaluation of Negotiations**

1. The COMCEC shall undertake the evaluation of negotiations, carried out in the Trade Negotiating Committee and assess the progress achieved in the implementation of this Agreement.
2. Schedules of concessions reflecting the outcome of different rounds of negotiations and amendments relating to them, shall be published by the COMCE.

Article 17 **Depositary**

1. This Agreement shall be deposited at the General Secretariat of OIC and opened for signatures by Member States. The General Secretariat is hereby designated as the depositary of the instruments of ratification of this Agreement.
2. The Secretary General of OIC shall keep Member States informed on the deposition of instruments of ratification of this Agreement, the date of its entry into force, requests of accession to and withdrawals from it, and the adoption of amendments.

Article 18

Entry into Force

1. This Agreement shall enter into force three months after ten Member States have deposited their instruments of ratification.
2. Entry into force for any Member State which accedes to the Agreement subsequently, shall be effective one month after the date on which it has deposited its instruments of ratification;
3. (i) Once the Agreement comes into force, contracting states, with a view to exchanging concessions, will hold the first round of negotiations amongst themselves to be completed within 12 months from the date the negotiations are initiated.

(ii) the results of the negotiations will have to be ratified by the Contracting States which have participated in these negotiations. The negotiated concessions will come into force 3 months after a minimum of 10 Contracting States have ratified them.

(iii) Other Contracting States who wish to become Participating States shall submit offer lists to participating States who may present a request list to the applicant. Once this procedure has been completed, the applicant shall enter into negotiations with the interested Participating States with a view to reaching an agreement. The applicant, thereafter, will have to ratify the negotiated concessions in order to become a Participating State.

Article 19 Withdrawal

Any Participating State may withdraw from this Agreement. Such withdrawal shall become effective six months from the day on which written notice is received by the Secretary General of OIC.

Article 20 Amendments

This Agreement is concluded for an undermined period and its articles cannot be amended before five years after the date of its entry into force. Amendments to the Agreement shall be made with the acceptance of two thirds of the Participating States. They shall become effective 3 months following the date on which five Participating States have deposited their instruments of ratification.

Article 21 Annexes

The annexes shall form an integral part of this Agreement. The annexes to this Agreement shall consist of the following:

- a) Annex I : Contracting States
- b) Annex II : Participating States
- c) Annex III : Rules of Origin
- d) Annex IV : Schedule of Concessions

This Agreement is done in the Arabic, English and French languages, each text being equally authentic.

Done on

In witness whereof the undersigned, being duly authorized thereto, have signed this Agreement on the dates indicated.

ANNEX I:
CONTRACTING STATES

1.
2.
3.

ANNEX II:
PARTICIPATING STATES

1.
2.
3.

ANNEX III:
RULES OF ORIGIN

For determining the origin of products eligible for preferential concessions under the TPS/OIC, the following rules shall be applied:

Rule 1 / Originating Products:

Products covered by preferential trading arrangement within the framework of the TPS/OIC imported into the territory of a participant from another participating state which are consigned directly within the meaning of Rule 5 hereof, shall be eligible for preferential concessions if they conform to the origin requirement under any one of the following conditions:

- (a) Products wholly produced or obtained in the exporting participating State as defined in Rule 2; or
- (b) Products not wholly produced or obtained in the exporting participating State, provided that the said products are eligible under Rule 3 or Rule 4.

Rule 2 / wholly produced or obtained:

Within the meaning of Rule 1 (a), the following shall be considered as wholly produced or obtained in the exporting participating State:

- (a) Raw or mineral products extracted from its soil, its water or its seabeds; (1)¹
- (b) Agricultural products harvested there; (2)²
- (c) Animals born and raised there;
- (d) Products obtained from animals referred to in paragraph (c) above;
- (e) Products; obtained by hunting or fishing conducted there;
- (f) Products of sea fishing and other marine products taken from the high seas by its vessels; (3)³ (4)⁴
- (g) Products processed and/or made on board its factory ships (4) (5)⁵ exclusively from products referred to in paragraph (f) above;
- (h) Used articles collected there, fit only for the recovery of raw material;
- (i) Waste and scrap resulting from manufacturing operations conducted there;
- (j) Goods produced there exclusively from the products referred to in paragraph (a) to (i) above

Rule 3 / not wholly produced or obtained:

- (a) Within the meaning of Rule 1(b), products worked on or processed as a result of which the total value of the materials, parts of produce originating from non-participating States or undermined origin used does not exceed 60 percent of the FOB value of the products produced or obtained and the final process of manufacture is performed within the territory of the exporting participating State shall be eligible for preferential concessions subject to the provisions of Rule 3(c) and Rule 4.

¹ Include mineral fuels, lubricants and related materials as well as mineral or metal ores.

² Include forestry products.

³ "Vessels" – shall refer to fishing vessels engaged in commercial fishing, requested in a participating country and operated by a citizen or citizens or governments or participants or partnership, corporation or association, duly registered in such participating country, at least 60 percent of equity of which is owned by a citizen or citizens and or government of such participating country or 75 percent by citizens and/ or governments of the participating States. However, the products taken from vessels engaged in commercial fishing under bilateral agreements which provide for chartering/leasing of such vessels and/or sharing of catch between participating states will also be eligible for preferential concessions.

⁴ In respect of vessels or factor ships operated by government agencies, the requirements of flying the flag of a participating State does not apply.

⁵ For the purpose of this Agreement, the term "factory ship" means any vessel, as defined, used for processing and/or making on board products exclusively from those products referred to in paragraph (f) above.

- (b) Sectoral agreements (6)⁶ as defined in para. 10, article 1, chapter 1 of the Framework Agreement on TPS/OIC.
- (c) The value of the non-originating materials, parts or produce shall be:
 - (i) The CIF value at the time of importation of the materials, parts or produce where this can be proven; or
 - (ii) The earliest ascertainable price paid for the materials, parts or produce of undermined origin in the territory of the participating State where the working or processing takes place.

Rule 4 / Cumulating rules of origin:

Products which comply with origin requirements provided in Rule 1 and which are used by a participating State as input for a finished product eligible for preferential treatment by another participating State shall be considered as a product originating in the territory of the participating State where working or processing of the finished product has taken place provided that the aggregate content originating in the territory of the participating State is not less than 60 percent of its FOB value (7)⁷.

Rule 5 / Direct Consignment:

The following shall be considered as directly consigned from the exporting participating state to the importing participating state:

- (a) If the products are transported without passing through the territory of any non-participating State;
- (b) The products whose transport involves transit through one or more intermediate non-participating State with or without trans-shipment or temporary storage in such countries, provided that:
 - (i) The transit is justified for geographical reason or by considerations related exclusively to transport requirements;
 - (ii) The products have not entered into trade or consumption there; and
 - (iii) The products have not undergone any operation there other than unloading and reloading or any operation required to keep them in good condition.

⁶ In respect of products traded within the framework of sectoral agreements negotiated under TPS/OIC provision may need to be made for special criteria to apply. Consideration may be given to these criteria as and when the sectoral agreement are negotiated.

⁷ “Partial” cumulation as implied by Rule 4 above, means that only products which have acquired originating status in the territory of one participating State may be taken into account when used as inputs for a finished product eligible for preferential treatment in the territory of another participating State.

- (iv) Appropriate certificate issued by customs authorities of the transit country is obtained as evidence of the conformity with the above clauses (ii) and (iii)

Rule 6 / Treatment of Packing:

When determining the origin of products, packing should be considered as forming a whole with the product it contains. However, packing may be treated separately if the national legislation so requires.

Rule 7 / Certificate of origin:

Products eligible for preferential concessions shall be supported by the certificate of origin (8)⁸ issued by an authority designated by the Government of the exporting participating State and notified to other participating States in accordance with the certification procedures to be developed and approved by the participating States.

Participating States shall do their best to cooperate in order to specify origin of inputs in certificate of origin.

Rule 8 / Prohibition:

Any participating State may prohibit importation of products containing any inputs originating from States with which it does not want to have economic and commercial relations.

Rule 9 / Review:

These rules may be reviewed as and when necessary upon request of one third of the participating States and may be open to such modifications as may be agreed upon.

Rule 10 / Special criteria percentage:

Products originating in participating least developed countries can be allowed a favourable 10 percentage points applied to the percentages established in Rules 3 and 4. Thus, for Rule 3, the percentage would not exceed 70 percent, and for Rule 4, the percentage would not be less than 50 percent.

⁸ A standard certificate of origin to be used by all participating states is annexed.

CERTIFICATE OF ORIGIN

1. Goods Consigned from (Exporter's business name, address, country)			Reference No. TPS/OIC (Combined declaration and Certificate) Issued in Country (see notes overleaf)		
2. Goods consigned to (Consignee's name, address, country)					
3. Means of transport and route (as far as known)			4. For Official use		
5. Tariff items number	6. Marks and numbers of packages;	7. Marks and kind of packages; description of goods	8. Origin criterion (see notes over leaf)	9. Gross weight or other quantity	10. Number and date of invoices
11. Declaration by the exporter The undersigned hereby declares that the above details and statements are correct; that the goods were produced in Country And that they comply with the origin requirements specified in the TPS/OIC for goods exported to:			12. Certificate It is hereby certified, on the basis of control carried out, that the declaration by the exporter is correct		

..... (importing country Place and date, signature of authorized signatory Place and date, signature and stamp of certifying authority
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General Conditions:

To qualify for preference, products must:

- (a) Fall within a description of products eligible for preference in the schedule of concessions of the TPS/OIC country of destination;
- (b) Comply with the TPS/OIC rules of origin. Each article in a consignment must qualify separately in its own rights; and
- (c) Comply with the consignment conditions specified by the TPS/OIC rules of origin. In general, products must be consigned directly within the meaning of Rule 5 hereof from the country of exportation to the country of destination.

I. Entries to be made in box 8

Preferences products must be wholly produced or obtained in the exporting participating state in accordance with Rule 2 of the TPS/OIC Rules of origin, or where not wholly produced or obtained in the exporting participating states must be eligible under Rule 3 or Rule 4.

- (a) Products wholly produced or obtained: enter the letter “A” in box 8.
- (b) Products not wholly produced or obtained: the entry in box 8 should be as follows:
 - (1) Enter letter “B” in box 8, for products which meet the origin criteria according to Rule 3. Entry of letter “B” would be followed by the sum of the value of materials, parts or produce originating from non-participating states, or undetermined origin used, expressed as a percentage of the FOB value of the exported products;
 - (2) Enter letter “C” in box 8 for products which meet the origin criteria according to Rule 4. Entry of letter “C” would be followed by the sum of the aggregate content originating in the territory of the exporting participating state expressed as a percentage of the FOB value of the exported products;
 - (3) Enter letter “D” in box 8 for products which meet the special origin criteria according to Rule 10.
