



**Protocol on the Preferential Tariff Scheme for
TPS-OIC**

(PRETAS)

PREAMBLE

The members of the Trade Negotiating Committee for establishing the Trade Preferential system Among the member states of OIC (TPS-OIC); People's Republic of Bangladesh, Republic of Cameroon, Arab Republic of Egypt, Republic of Guinea, Islamic Republic of Iran, Hashemite Kingdom of Jordan, Republic of Lebanon, the Great Socialist People's Libyan Arab Jamahiriya, Malaysia, Islamic Republic of Pakistan, Republic of Senegal, Syrian Arab Republic, Republic of Tunisia, Republic of Turkey, Republic of Uganda, State of United Arab Emirates.

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

Taking into consideration the Resolutions of the Standing Committee for Economic and Commercial Cooperation (COMCEC) which recommend the setting up of a trade preferential system among the member states of OIC, and the Plan of Action adopted by the Third and Seventh Islamic Summit for enhanced economic cooperation among the member states;

In pursuance of the aims and principles of the Framework Agreement on Trade Preferential System Among the Member States of the Organization of Islamic Cooperation ;

Recalling the Ministerial Declaration of COMCEC on launching the first round of trade negotiations at its 19th Session;

Convinced of the essential role of trade in achieving a higher degree of economic cooperation, expansion of production and investment opportunities as well as promoting welfare among the OIC member states;

Recognizing the special needs of the Least Developed Member States of OIC;

Giving due regard to the bilateral and multilateral commitments of individual member states;

Noting the desire of some of the Participating States to pursue the optional fast track tariff reduction schedule;

Emphasizing the necessity of holding successive rounds of trade negotiations in order to expand, improve, and strengthen the Trade Preferential System among the OIC member states;

Reaffirming their commitment to attain the objectives of this Protocol by giving due to attention to the procedures and timetables for implementation;

Have agreed on the following:

Article 1

Definitions

For the purpose of this Protocol, the following terms and references shall mean:

1. OIC: Organization of Islamic Cooperation;
2. COMCEC: The Standing Committee for Economic and Commercial Cooperation among the member states of OIC;
3. TNC Negotiating Committee: The Committee within the framework of which rounds of negotiations on trade preferences are held among Participating States;
4. TPS-OIC: The Trade Preferential System Among the Member States of the Organization of Islamic Cooperation ;
5. Framework Agreement: The Framework Agreement on the Trade Preferential System Among the Member States of OIC;
6. Protocol: The Protocol on the Preferential Tariff Scheme for TPS-OIC;
7. PRETAS: Preferential Tariff Scheme to be applied among the Participating States in accordance with this Protocol;
8. Member States: The Member States of OIC;
9. Contracting States: The OIC Member States parties to the Framework Agreement;
10. Participating States: The Contracting States which have signed, ratified, and implemented the Protocol;
11. Least Developed Countries: the OIC Member States designated as Least Developed Countries by the United Nations, unless otherwise decided by the COMCEC;
12. Tariffs: Customs duties as stipulated in the national tariff schedules;

It is agreed that for some participating countries, tariffs may also refer to import duties stipulated in their national schedule.
13. Para-tariffs: Board 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 levied in the same manner on like domestic products. Import charges corresponding to specific services rendered are not considered as para-tariff measures;

It is agreed upon that border chargers refer to all charges and fees, other than tariffs, imposed on import.

14. Non-tariff barriers: Any measure, regulations, or practice, other than “tariffs” and ‘para-tariffs’, the effect of which is to restrict imports, or to significantly distort trade;
15. Negative List: The list of products, identified at HS level of the National Tariff Codes of the Participating States, that shall not be subject to tariff reduction under the PRETAS.

Article 2

General Provisions

1. Products to be included in the PRETAS shall be identified at HS level of the National Tariff Codes of the Participating States.
2. The base rate of the tariffs to be used for reduction shall be the MFN applied rate applicable on October 1st, 2003.

Upon entry into force of the PRETAS, no new tariffs on imports shall be introduced on products which are subject to tariff reduction nor shall those already applied be increased in face of Participating States in this Protocol in trade among the participating states.

The least developed countries shall be given a three-year grace period for the tariff reduction on products covered by the PRETAS, as of the date of implementation.

Other participating states, facing unusual situations, may be allowed upon request of the State and approval of COMCEC, to benefit from the same grace period of the date of implementation.

Article 3

Tariff Reduction Programme

1. For the purpose of tariff reduction each Participating State shall cover 7% of its total HS lines identified at HS level of National Tariff Codes. Any Participating State, whose 90% and above of its total tariff lines estimated at the base rate are between 0% and 10% shall only cover 1% of the same total HS lines.
2. The 7% of total HS lines referred to in Paragraph 1 shall only include line with tariff above 10%.
3. Tariffs on the 7% of total HS lines referred to in paragraph 1 and having tariffs:

- a) Above 25% shall be reduced to 25%
- b) Above 15% and up to 25% shall be reduced to 15%
- c) Above 10% and up to 15% shall be reduced to 10%

In six annual instalments by the Least Developed Countries and in four annual instalments by the other countries, beginning from the date of coming into force of the PRETAS.

- 4. Participating States shall notify the TNC Secretariat of their specific annual instalments of reduction along with the list of products within three months, from the date of entry into force of this Protocol.

Article 4

Voluntary Fast Track Tariff Reduction Schedule

- 1. Notwithstanding relevant articles of this Protocol and in accordance with Article 6(2) of the Framework Agreement on TPS-OIC, Participating States desiring to further deepen the concessions, may do so on voluntary basis among themselves. The Participating States willing to join the Fast Track Tariff Reduction will notify the TNC Secretariat within three months after coming into force of the PRETAS.
- 2. The Schedule of Tariff reduction shall involve all products other than those under the negative list. The negative list shall not exceed:
 - a) 25% of all HS tariff lines plus lines with tariffs 10% and below for developing countries whose average tariff rate is 20% and above;
 - b) 20% of all HS tariff lines plus lines with tariffs 10% and below for developing countries whose average tariff rate is 15% and 20%;
 - c) 15% of all HS tariff lines for developing countries whose average tariff rate is below 15%;
 - d) 30% of all HS tariff lines for LDCs.
- 3. Tariff shall be reduced by applying margin of preference on current MFN applied rate at HS level of National Tariff Codes.
- 4. Margin of preference shall be increased to 50% in five instalments beginning from the ninetieth day of entry into force of this Protocol while the LDCs shall implement the program in seven instalments.
- 5. The developing countries shall increase the margin of preference to 50% for the products of LDCs in 3 instalments.

6. At the beginning of the fifth year of the date of implementation of this voluntary fast track schedule or earlier, Participating States may enter into negotiations with a view to expanding the product coverage and deepening the concessions.

Article 5

Rules of Origin

Products traded among the participating states shall be eligible for preferential treatment if they meet the rules of origin, annexed to the Framework Agreement (Annex III), until new rules of origin are adopted by the Trade Negotiating Committee.

Article 6

Removal of Para-tariffs

1. Participating States shall eliminate upon entry into force of this Protocol, and in the case of LDCs with three years, their Para-Tariffs on the products which are subject to reduction. This period for LDCs may be extended if a request is made to and approved by TNC.
2. Upon entry into force of this Protocol no new Para-Tariffs shall be introduced, nor shall those already applied be increased, on the products which are subject to tariff reduction.

Article 7

Elimination of Non-Tariff Barriers

1. Participating States shall eliminate upon entry into force of this Protocol, and in the case of LDCs with three years, their non-tariffs barriers on the products which are subject to tariff reduction. This period for LDCs may be extended if a request is made to and approved by TNC.
2. Upon entry into force of this Protocol no new Non-Tariffs Barriers shall be introduced, nor shall those already applied be increased, on the products which are subject to tariff reduction.

Article 8

Anti-dumping, Subsidies and Countervailing Measures

1. If a party finds that subsidies granted significantly distort trade with another party, or that dumping is taking place in trade with that party, the party concerned may take appropriate measures consistent with relevant WTO rules.

Article 9

Safeguard Measures

Before applying safeguard measures, the Party intending to apply such measures shall supply the Trade Negotiating Committee with all relevant information required for a thorough examination of the situation with a view to seeking a solution acceptable to the parties. In order to find such a solution, the Parties shall immediately hold consultations within the Trade Negotiating Committee. If, as a result of the consultations, the parties do not reach an agreement within thirty days, the Party may apply safeguard measures consistent with relevant WTO rules.

Article 10

Review of the Protocol

In pursuance of the purposes and principles laid out in Article 2 (6,9) of the Framework Agreement and guided by experience for the activation of TPS-OIC, the Protocol shall be reviewed periodically.

Article 11

Institutional Structure

1. COMCEC shall supervise the overall implementation of the PRETAS Protocol in accordance with the provisions set forth in Article 13 of the Framework Agreement.
2. The Trade Negotiating Committee shall be responsible for the implementation of the PRETAS Protocol and the smooth functioning of the TPS-OIC. The Trade Negotiating Committee shall carry out its functions in accordance with Article 13 of the Framework Agreement and its Rules of Procedure adopted at the 19th COMCEC Session.
3. The Trade Negotiating Committee shall hold regular meetings with a view to fulfilling its mandate stemming from the Protocol and the Framework Agreement, to clarify and incorporate trade-related issues, and to help develop and expand the TPS-OIC.

Article 12

Final Provisions

1. The Framework Agreement shall be a reference document in terms of issues not included in the PRETAS Protocol.
2. The Protocol shall enter into force on the ninetieth day of the date of receipt by the depositary of instruments of ratification, acceptance or approval by at least 10 governments of the Participating States. Subsequent accession to this

protocol by any Contracting State shall be effective one month after the date on which it has deposited its instrument of ratification.

3. The General Secretariat of the OIC shall be depository of the Protocol. The General Secretariat shall notify all Participating or Contracting States that have signed the Protocol of the deposit of any instrument of ratification, acceptance, or approval, the entry into force of the Protocol, any other act or notification relating to the Protocol or to its validity.

This Agreement is done in the Arabic, English and French languages each text being equally authentic. In case of discrepancy in interpretation, the English version shall prevail.
