

Comcec And Economic And Commercial Cooperation Among The Oic Member States

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Introduction

This year, 2009, marks the 40th Anniversary of the Organization of the Islamic Conference (OIC). It also coincides with the 25th Anniversary of the renowned ‘OIC Standing Committee for Economic and Commercial Cooperation’ (COMCEC), which is chaired by the President of Turkey. It is one of the most important and effective bodies of the Organization. Turkey is a founding member of the OIC. It hosts two main subsidiary organs of the Organization: **Statistical, Economic and Social Research and Training Centre for the Islamic Countries (SESRIC) in Ankara and the Research Center for Islamic History, Art and Culture (IRCICA) in Istanbul**. Turkey is also a permanent member of the Board of Executive Directors of the Islamic Development Bank (IDB).

Today, the OIC with its 57 member and 5 observer states spreading over four continents is the second largest inter-governmental organization after the United Nations (UN). 27 Member States are in Africa, 26 in Asia and two each in Europe and Latin America. Observer states are Bosnia and Herzegovina, Central African Republic, Kingdom of Thailand, the Russian Federation and the Turkish Republic of Northern Cyprus. It was established by twenty-four states upon a decision of the historical summit which was convened in Rabat, Morocco on 25 September 1969 in the wake of the arson of Al-Aqsa Mosque in Jerusalem.

The OIC basically aims to promote solidarity and cooperation among its Member States and to secure their common interests at the international arena. When it was established in 1969, it had started as a political forum. Yet, it was soon realized that for a joint political action to be effective, it had to be based upon and complemented by wide-ranging cooperation activities in various fields, including economic cooperation. This idea was put forward at the First Islamic Conference of Foreign Ministers (ICFM) held in Jeddah, March 1970. It declared that the participating governments should consult together with a view to promoting close cooperation and mutual assistance in

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the economic, technical, scientific, cultural and spiritual fields. The Second ICFM (Karachi, December 1970) furthered the idea agreeing on undertaking a study on the establishment of a Bank for trade development. The Third ICFM (Jeddah, 1972) adopted the OIC Charter which was underlining the necessity of cooperation for community-wide economic progress and the need to help individual member states develop their productive capacities. The same Conference also decided to set up within the OIC General Secretariat a department with tasks of serving the Muslim world in undertaking research and giving advice on economic matters and Islamic banks. This Department would be the nucleus of a specialized agency for financial and economic matters which are of interest to the member states.

In this way, the OIC member states commenced to set the ground to discover potential areas of economic and commercial cooperation among them. Within this framework, major economic topics were added onto the agenda of the annual ICFMs; and certain initiatives were started to acquire community-wide economic and commercial cooperation. In particular, the Second Islamic Summit Conference (Lahore, 1974) made clear and detailed references to the economic issues facing the OIC countries, and initiated action to enhance economic and commercial cooperation activities among the member countries.

In fact, after the Lahore Summit, the OIC made efforts to develop the necessary institutional and multilateral legal framework for promoting economic, commercial and financial cooperation among its members.

In this connection, the Islamic Solidarity Fund (ISF) was established in February 1974 as a subsidiary organ of the OIC to provide financial support to the cultural, educational, institutional, technical and economic activities in the Islamic world. This was soon followed by the establishment of a much stronger institution, the Islamic Development Bank (IDB), in August 1974, which became operational in October 1975, as a specialized organ to support financially socio-economic development efforts of, to extend foreign trade financing to, and to promote economic cooperation among its member countries.

The Statistical, Economic and Social Research and Training Centre (SESRIC-1977) in Ankara, Turkey, the Islamic University of Technology (IUT-1978) [initially, Islamic Centre for Technical and Vocational Training (ICTVTR)] in Dhaka, Bangladesh, and the Islamic Centre for Development of Trade (ICDT-1981) in Casablanca, Morocco were established as subsidiary organs. In addition, some affiliated institutions were also established to promote economic and commercial cooperation among the private sector,

including the Islamic Chamber of Commerce and Industry (ICCI-1977), the Organization of the Islamic Ship-owners Association (OISA-1981), and the Federation of Consultants of Islamic Countries (FCIC-1986).

The OIC has also worked out a number of multilateral agreements and statutes to form a necessary multilateral legal environment for promoting and facilitating economic and commercial cooperation among its members. Some of these agreements have become effective upon completion of the legal requirements provided in the text of the agreement, while some others are still waiting for the completion of the legal procedures on the part of the member states.

In the field of economic and commercial cooperation, the first agreement, ‘General Agreement on Economic, Technical and Commercial Cooperation’, was approved by the Eighth ICFM held in Tripoli, Libya in May 1977 and entered into force in April 1981. So far, this agreement was signed by 43 and ratified by 31 Member States. This Agreement aims at encouraging capital transfer and investment, exchange of data, experience, technical and technological skills among Member States. It also aims at facilitating the implementation of a fair and non-discriminatory treatment among the OIC countries while giving special attention to the least developed member countries.

The second one, ‘Agreement on Promotion, Protection and Guarantee of Investments among Member States’ was adopted by the Twelfth ICFM held in Baghdad in June 1981 and came into force in February 1988. So far, it was signed by 31 and ratified by 25 Member States. The Agreement lays down the basic principles for the promotion of capital movements among Member States and protects these investments against commercial risks while guaranteeing the transfer of capital and its returns abroad.

These agreements were followed by the preparation and drafting of three statutory agreements. The first one on the establishment of an Islamic Civil Aviation Council was adopted by the Thirteenth ICFM held in Niamey, Niger in 1982 and now, is in effect. So far, it was signed by 17 and ratified by 13 Member States. The second one, the ‘Statute of the Islamic States Telecommunications Union’ was approved by the Fifteenth ICFM held in Sana’a, Yemen in December 1984. So far, it was signed by 16 and ratified by 14 Member States. One additional ratification is needed for its entry into force. The third one, the ‘Statute of Standards and Metrology Institute for the Islamic Countries’, was prepared under the auspices of the Standing Committee for Economic and Commercial Cooperation (COMCEC) and approved by its Fourteenth Session held in Istanbul in November 1998. So far, 13 Member States signed and 9 ratified it. One more ratification is also needed for entry into force.

In addition to the basic, general-nature agreements of 1980s, another one, the ‘Framework Agreement on Trade Preferential System’, was initially prepared by the ICDT under the auspices of COMCEC and approved by its Sixth Session in October 1990. Upon its entry into force in Autumn 2002, the Trade Negotiating Committee (TNC) was set up; and trade negotiations among the participating countries have been conducted with the result of concluding further legal documents such as the ‘Protocol on Preferential Tariff Scheme for TPS-OIC’ (PRETAS) and the ‘Rules of Origin’. Due to the importance of these developments, the establishment of a preferential trade system among the member countries and the Framework Agreement will be taken up in detail in a separate section.

Creation of COMCEC

The Third Islamic Summit Conference set up the ‘Standing Committee for Economic and Commercial Cooperation’ (COMCEC) to coordinate all the endeavors in economic and trade fields, to study all possible means, and to draw up programs to strengthen cooperation among its members in these fields, in addition to similar committees established in the fields of science and technology (COMSTECH) and information and cultural affairs (COMIAC) which will not be evaluated here since they go beyond the scope of this study.

COMCEC became operational following the decision of the Fourth Islamic Summit held in Casablanca in January 1984, which entrusted the President of Turkey to its chairmanship. Although the initial decision had designed these committees consisting only ten states, Turkey broadened the membership of the COMCEC so as to include all the OIC member states. COMCEC held its First Session in November 1984 in Istanbul and formed a Follow-up Committee which held its first meeting in September 1985. Later, its annual ministerial level sessions and Follow-up Committee meetings were regularized to be held in autumn and spring every year, respectively.

The Fifth Islamic Summit held in Kuwait in January 1987 adopted a set of resolutions concerning the organization of the work of COMCEC. The Fifth Summit also recognized the overall supervisory role of the COMCEC in the implementation of the OIC Plan of Action. The Sixth Islamic Summit endorsed the Statute and the Rules of Procedure of COMCEC which included the clause expanding its membership comprising all the OIC Member States.

Achievements of COMCEC

As mentioned above, after becoming operational in 1984 under the chairmanship of the President of Turkey, COMCEC has become the engine of economic and commercial

cooperation efforts and activities of the OIC. It has initiated and conducted programs for enhancing economic and commercial cooperation; started and concluded discussions on ideas about a number of financial mechanisms which were taken up and implemented by the IDB; and prepared various legal agreements and statutes like ‘Framework Agreement on Trade Preferential System’, aiming to set the legal environment to enable the economic agents to increase intra-OIC trade flows and transactions, and the ‘Statute of Standards and Metrology Institute for the Islamic Countries’, to bring a solution to the problem of lack of common standards among the Member States.

In addition to the regular COMCEC agenda relating to economic and commercial cooperation, sectoral ministerial level meetings were also held concurrently with its annual sessions on Industry, Food Security and Agricultural Development, Transport, Communications, Energy, Infrastructure and Public Works, and Technical Cooperation.

OIC Plan of Action to Strengthen Economic and Commercial Cooperation

The OIC Plan of Action to Strengthen Economic and Commercial Cooperation was first adopted by the Third Islamic Summit Conference held in Mecca-Taif in 1981, which constituted a turning point in the efforts of the OIC Member States to strengthen economic and commercial cooperation among them. This 1981 ‘Plan of Action’ included modalities of cooperation in ten sectors: Food and Agriculture, Trade, Industry, Transport, Communication and Tourism, Financial and Monetary Issues, Energy, Science and Technology, Manpower and Social Affairs, Population and Health, and Technical Cooperation.

The OIC General Secretariat was mandated to take all necessary steps to follow up the implementation of the Plan of Action, and to arrange meetings on periodic basis at ministerial level on subjects covered by the Plan of Action, especially to: i) review progress on work done, ii) set out guidelines, iii) to solve problems, and iv) to formulate policies and plans for future action. However, mainly due to the lack of enough financial sources, and rapidly changing world agenda and environment hindered its implementation.

In fact, at the end of 1980s and the beginning of 1990s, the world was witnessing major historical events, like the fall of Berlin wall, the German re-unification, the collapse of the Socialist Bloc, the disintegration of the Soviet Union, the creation of the Single European Market, etc. These rapid developments being observed at the world’s political and economical environment caused the OIC Member States to consider and

study their possible effects on their economies and the world economy; and also necessitated the review of the OIC economic cooperation and the evaluation of the 1981 Plan of Action and its implementation. The idea evolved at the Sixth Session of COMCEC in 1990 and the Sixth Islamic Summit held in Dakar in December 1991 requested COMCEC to formulate new strategies for the OIC Plan of Action.

In line with this decision, an initial draft was prepared by the Statistical, Economic and Social Research and Training Centre for Islamic Countries in Ankara and finalized through a series of EGM meetings. Subsequently, the new strategy and the plan were adopted by the Tenth Session of the COMCEC in October 1994 and endorsed by the Seventh Islamic Summit held in Casablanca in December 1994.

Based on the past experiences of the OIC and the new global changes and agenda, the new Strategy set the overall objectives and basic principles, and modalities and mechanisms, while the new Plan identified, in each sector, problems and issues as well as sectoral objectives and defined programs of action in the following fields: Food, Agriculture and Rural Development; Industry; Energy and Mining; Foreign Trade; Transport and Communications; Tourism; Money, Banking and Capital Flows; Technology and Technical Cooperation; Human Resource Development; and Environment.

Nevertheless, despite the various efforts made, the experience has shown a slow pace in the implementation of the OIC Plan of Action. Indeed, the success of the Plan remained rather limited in terms of both tangible end-results and follow-up at technical and political levels. The slow progress in the implementation of the OIC Plan of Action remains a continuing concern for the COMCEC as well as the OIC.

In fact, several and varied reasons have impeded or slowed down the follow-up and successful implementation of the OIC Plan of Action. They range from organizational and technical to financial and political reasons, related to the nature, structure and actual context of the Plan document, as well as to the complex set-up of the OIC countries as a group. The OIC Plan of Action suffers from three fundamental shortcomings, which make it more of a declaration of intention than a plan. These three shortcomings are: the absence of a time frame; the absence of specific quantitative targets; and the absence of priority setting.

In this connection, it will be stated that these shortcomings were addressed by setting specific targets -like raising the intra-OIC trade to the level of 20 percent of the overall trade in 10 years-, priorities and a time span in the OIC Ten-Year Program of Action (TYPOA), approved by the leaders of the Muslim world in December 2005 which I will deal with in detail in another section.

Financial Mechanisms to Promote Trade

The first Session of COMCEC held in November 1984 in Istanbul had very significant results. It adopted a resolution on the “Implementation of the Short Term Program for the Promotion of Trade among OIC Member States”, which included, inter alia, the following priority topics to enhance commercial cooperation: a) Trade information network, b) Harmonization of standards, c) Trade promotion activities, d) Financial measures to promote trade, e) Trade preferential measures and f) a program for technical cooperation. Among them, the proposed financial measures to promote intra-OIC trade were important, because it included proposals to initiate the feasibility studies for establishment of longer term trade financing facilities, export credit guarantee scheme and multilateral clearing union among the OIC Member States.

Concurrently with the first Session of COMCEC, the Second Ministerial Consultation on Industrial Cooperation was also held. This meeting also adopted a resolution on “Implementation of the Program on Industrial Cooperation among the Member States” which included recommendations on a) Promotion of joint ventures, b) Incentive system for joint ventures, c) joint investment companies, and d) a technical cooperation in the field of industry.

As for the three multilateral financial mechanisms to promote intra-OIC trade initiated by the First COMCEC, the first one ‘Longer Term Trade Financing Scheme’, better known as the Export Financing Scheme (EFS) under IDB, became operational as a special fund in 1987 after approved by the Tenth IDB Annual Meeting, held in Amman, Jordan, in March 1986. It aims to promote exports of non-conventional goods among the Member States as well as to non-member countries by providing the necessary funds to exporters from the OIC member countries participating in the Scheme. OIC Member States are encouraged by COMCEC to adhere to this scheme in order to benefit from its financing and ensure more earnings from their exports.

However, after launching in January 2008 of the operations of the International Islamic Trade Finance Corporation (ITFC) under the IDB group, these export financing operations were taken over, and are, now, being conducted by the ITFC; and the EFS fund was liquidated in 2008. The ITFC’s Articles of Agreement stipulates that all trade finance activities within the IDB Group shall be consolidated under the Corporation. The ITFC has completed its first year (2008) with 70 trade finance operations valued at over US\$ 2.5 billion in 24 member countries. The share of intra-OIC trade finance approvals reached 83 percent of the total trade finance approvals in 2008. ITFC provided 43 percent of the total trade finance to the least developed member countries,

representing a positive deviation in favour of them which, I believe, is a must to accelerate their economic development. The number of trade finance operations in Turkey totaled 10 and amounted to US\$102.75 million representing 4 percent of the total.

This Corporation will be instrumental in achieving the target of increasing intra-OIC trade to the 20 percent level of the total, which was aimed by the OIC Ten-Year Program of Action (TYPOA). Nevertheless, it will always be remembered that the foundations of the idea of establishing a ‘Longer Term Trade Financing Scheme’ amongst the OIC Member States were initiated at the First Session of the COMCEC in 1984.

The second financial mechanism considered at the First COMCEC was the idea of establishing an Export Credit Insurance and Investment Guarantee Scheme. After tedious discussions on the preparatory work undertaken by the IDB, the Seventh Session of the COMCEC adopted the Articles of Agreement in 1991; and the ‘Islamic Corporation for the Insurance of Investment and Export Credit’ (ICIEC) was established, as a subsidiary of the IDB, in August 1994 with an authorized capital of 100 million Islamic Dinar (ID) and commenced operations in 1995. ICIEC membership is open to the OIC Member States and the IDB. At the end of June 2008, there were 38 shareholders, comprising 37 countries and the IDB which subscribed to 50 per cent of its capital.

The objective of the ICIEC is to encourage exports from member countries and to facilitate the flow of foreign direct investment (FDI) among member countries by providing insurance and reinsurance for export credit and foreign investment. During the 30th Annual Meeting of the Board of Governors of the IDB Group in Putrajaya, Malaysia, in June 2005, a resolution was adopted concerning amendment of the Articles of Agreement of the ICIEC to enable the ICIEC to insure investment flows originating from non-member countries to the member countries.

The third mechanism was the idea of establishing a Multilateral Clearing Union among the OIC Member States. This idea was first discussed at the meetings of the Central Banks’ Governors. The ‘Agreement on the Multilateral Islamic Clearing Union’ was prepared by the IDB upon request by the First COMCEC and approved, in principle, by the Eighth COMCEC in 1992. It aims to create a system for facilitating the settlement of the monetary transactions among the members of the union through providing an opportunity for them to pay in their national currency units while trading with other member countries. The Tenth COMCEC in 1994 invited the OIC members to consider working out clearing arrangements among themselves which could be, in

principle, flexible in goods covered and based on the voluntary participation in terms of the membership. However, such arrangements could not be materialized. This mechanism still appears to be dormant. But, having felt drastic effects of the current global economic and financial crisis on their economies, the OIC Member States may, once again, like to re-consider this mechanism, because it tends to boost trade flows amongst its members by decreasing the need for hard currency in commercial transactions.

Trade Preferential System and Efforts to Promote Intra-OIC Trade

One of the most important achievements of COMCEC was the drawing up of the 'Framework Agreement on Trade Preferential System', which was approved by the Sixth COMCEC in October 1990. The TPS-OIC entered into force in October 2002 upon ratification by 10 Member States. So far, 31 Member States signed the Agreement and 22 ratified it.

Earlier, in line with the decisions of the First and Second Sessions of COMCEC in 1984 and 1986, respectively, ICDT had conducted studies on the possibility of establishing a preferential trade system among the OIC Member States. It had also prepared the initial draft of the agreement, namely the 'Framework Agreement for the Establishment of a Trade Preferential System among the Member States of the OIC' (TPS-OIC). After long and tedious discussions, the Sixth COMCEC Session in 1990 had adopted the Framework Agreement and invited the Member States to join the Agreement.

The Framework Agreement on TPS-OIC is the basic legal document, which sets up the general principles towards establishing a preferential trade system among the Member States, such as the general rules of the negotiations, the scope of the goods coverage, etc. The main features of the Agreement include the Most Favored Nation (MFN) principle, the equal treatment of Member States, the special treatment for the Least Developed member states, and the possibility of participation, in the TPS-OIC trade negotiations with a unified representation, of already-established or to-be established sub-regional and/or regional economic groupings, which consist only OIC Member States. It aims at promoting trade among them through exchanging of trade preferences on the basis of an equal and non-discriminatory treatment among all participating Member States, taking into account the Most Favoured Nation (MFN) principle. These preferences include tariff; para-tariff and non-tariff concessions, and other trade preferential treatments to all commodities, including agricultural and animal products, and manufactured and semi-manufactured products.

The Agreement stipulates that a Trade Negotiating Committee (TNC), consisting of the representatives of the governments of the Participating Member States, is to be established upon entry into force of this Agreement. The TNC would perform trade negotiations under the supervision of COMCEC.

After its entry into force in autumn 2002, the Nineteenth COMCEC Session in 2003, in its capacity as the responsible body for supervising the implementation of the Agreement, established the TNC and launched the first round of trade negotiations.

The first round of trade negotiations commenced in Turkey in 2004. During the talks held in the period between April 2004 and April 2005, the participating countries focused on setting up a modality for the trade negotiation within a specific time-frame and product coverage. The first round was concluded with the drawing-up of the 'Draft Protocol on the Preferential Tariff Scheme for TPS-OIC' (PRETAS). This Protocol was adopted by the Twenty-first Session of COMCEC held in Istanbul on 22-25 November 2005. Sixteen Member States have so far signed and seven of them have ratified it. Ratification by 10 Participating States is required for entry into force of this Protocol. It mainly deals with reducing the tariffs of the products covered under the scheme as well as para-tariff and non-tariff barriers, and sets specific targets and a timetable for tariff reductions.

The Second Round of Trade Negotiations (TNC), launched in November 2006 in Istanbul, concluded in 2007 with adoption of the 'Rules of Origin' for governing the TPS-OIC. So far, 11 Member States signed the TPS-OIC Rules of Origin and 4 of them ratified it. 10 ratifications are required for this agreement to become effective. The Rules of Origin shall be applied for determining the origin of products eligible for preferential concessions under the TPS-OIC and PRETAS.

When this Framework Agreement on Trade Preferential System and its supporting agreements like PRETAS and the 'Rules of Origin' are effectively implemented, a positive leap can easily be expected at the level of intra-OIC trade and, in turn, it will help us realize the target set by the Third Extraordinary Summit Conference.

The Third Extraordinary Summit Conference held in Mecca in December 2005, had assigned, under the heading of 'Economic Cooperation' in its 'Ten-Year Program of Action', a priority to the expansion of intra-OIC trade and set a target of raising it to the level of 20 percent of the total. In compliance of this decision, the 23rd Session of the COMCEC established a Task Force to help reach this target set out by the OIC TYPOA. Actually, this is a very significant target because it aims, first, to divert the direction of trade of the member countries towards the other members and second, to

raise it to 20 percent from its 15 percent level in 2005. In other words, it necessitates not only strong shifts in main trade customer structures of the member countries but also creation of new trade amongst them. We observe an improvement of 0.9 percentage point from 15.2 percent to 16.1 in 2007 according to the calculations of the Statistical, Economic and Social Research and Training Center for Islamic Countries (SESRIC), a subsidiary organ of the OIC¹.

The successful conclusions of the First and Second Rounds of trade negotiations in 2005 and 2007 with adoption of PRETAS and the ‘Rules of Origin’ have been a significant landmarks in the efforts of the OIC Member States to establish a preferential trade scheme with a view to promoting trade exchanges amongst them. The OIC countries are still required to exert a lot of effort to materialize and maintain successfully the preferential trade system which is, in fact, the loosest form of any such schemes.

On the other hand, its actual realization will signal the commencement of another long and thorny journey towards creation of a free trade area, which is an aim set by the Mecca Extraordinary Summit.

It is not at all easy for 57 developing countries, spread over four continents, to embark upon a long-term process of establishing such a trade scheme. Establishment of such a cooperation framework is a time and energy-consuming, long and difficult process. The road needs to be paved very tediously and carefully. Many constraints, like lack of effective means of transport and telecommunications, lack of direct trade routes between the member countries, infrastructural inadequacies, restrictions of access for businesspersons, lack of standardization, market access problems, etc. should be removed. Amongst them, infrastructural inadequacies, in particular the lack of effective means of transport and telecommunications, constitute the most central and crucial factor because of its very highly effective inter-industrial linkages.

In addition to these concerted efforts, the OIC community also supports the interactions among the business communities through private sector meetings, and by organizing trade and tourism fairs.

Role of the Private Sector

The role of the private sector in furthering economic and trade cooperation activities in the Islamic world was emphasized at the Ninth Session of the COMCEC held in

1 SESRIC, *OIC Member Countries: Economic Performance and Human Development 2000-2007*, Ankara, Nov. 2008.

Istanbul in September 1993. Since then, the results of the private sector meetings organized regularly by the Islamic Chamber of Commerce and Industry (ICCI) are considered by the COMCEC sessions. These meetings provide a common platform for the entrepreneurs and businessmen from the Islamic counties to foster direct contacts and new partnerships among them, discuss areas of mutual cooperation and identify new joint projects, business opportunities and investment areas. So far twelve private sector meetings have been organized successfully, the last of which was held in Kampala, Uganda on 16-18 June 2008.

The idea of organizing Islamic Trade Fairs was first introduced by Turkey and the 10th ICFM held in Fez, Morocco in May 1979 accepted the offer of Turkey to host it in November 1979 in Istanbul and to hold simultaneously a symposium on trade. Then, following the inception of COMCEC under the Chairmanship of the President of Turkey, the task of organizing Islamic Trade Fairs, regularly, was assigned to the Islamic Centre for Development of Trade (ICDT). Since then, with few exceptions, Islamic Trade Fairs are being organized biannually with the close cooperation of the ICDT and the host countries. So far eleven Islamic Trade Fairs have been organized successfully with the participation of various companies and enterprises from the member countries. The Twelfth fair was scheduled to be held in Cairo, Egypt in October 2009. The following table 1 shows the list of the Islamic Trade Fairs.

Table 1: Islamic Trade Fairs

	Venue	Date
First Islamic Trade Fair	Istanbul, Turkey	November 18-30, 1979
Second Islamic Trade Fair	Casablanca, Morocco	April 5-14, 1986
Third Islamic Trade Fair	Cairo, Egypt	October 11-19, 1988
Fourth Islamic Trade Fair	Tunis, Tunisia	October 5-14, 1990
Fifth Islamic Trade Fair	Tehran, Iran	July 16-21, 1994
Sixth Islamic Trade Fair	Jakarta, Indonesia	October 22-27, 1996
Seventh Islamic Trade Fair	Tripoli, Lebanon	October 12-18, 1998
Eighth Islamic Trade Fair	Doha, Qatar	October 15-20, 2000
Ninth Islamic Trade Fair	Sharjah, UAE	December 21-26, 2002
Tenth Islamic Trade Fair	Manama, Bahrain	February 5-9, 2005
Eleventh Islamic Trade Fair	Dakar, Senegal	November 21-25, 2007

The COMCEC also deals with the idea of enhancing cooperation among the stock exchanges of the OIC countries. In this connection, a round-table meeting on the “Promotion of Cooperation among the Stock Exchanges of OIC Countries” was hosted by Istanbul Stock Exchange in Istanbul on March 28-29, 2005; this meeting decided to create a forum of stock exchanges of the OIC countries. At the last COMCEC Follow-up Meeting held in Izmir, in May 2009, Istanbul Stock Exchange offered to convene the third Forum which is expected to discuss the means to further the cooperation among them. I hope this cooperation among the stock exchanges will result in increasing capital flows among the OIC countries.

The OIC efforts in economic field being conducted under the aegis of COMCEC are mostly concentrated on the goal of increasing intra-OIC trade flows and transactions. But I believe, without losing this momentum and in addition to these efforts, similar efforts should also be encouraged in various other fields, particularly, in the domain of intra-OIC direct investment activities, through supporting joint ventures. Short- and medium-term capital movements and more-integrated cooperation approaches among the stock exchanges are also important, but now efforts must be focused on enhancing intra-OIC direct investment flows. Establishment of joint ventures and increased foreign direct investment (FDI) flows among the OIC Member States will, in turn, contribute further to increase intra-OIC trade flows, business transactions and capital movements.

In this regard, COMCEC agenda will be enriched by adding items to discuss the idea of increasing intra-OIC FDI flows and encouraging the establishment of joint ventures among the OIC countries.

Cotton Program

Short after I took the office in January 2005, I undertook a tour to six least developed OIC Member States in Africa in March 2005. I visited Burkina Faso, Chad, Gambia, Mali, Niger and Senegal to obtain first hand information on the prevailing socio-economic conditions in these countries with a view to supporting socio-economic well-being and development of these countries, in particular, and the African OIC countries, in general. The state of the cotton sector has always been placed at the top of our agenda items during this tour; and I agreed with the leaders of these countries, inter alia, to energize the development of cotton sector in this region.

Cotton production is very important economic activity in most of the West and Central Africa countries (WCA)². Cotton production amounts to 5-10 percent of the

2 WCA countries are Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Ivory Coast, Mali, Senegal, and Togo.

gross domestic product (GDP) in WCA countries and cotton exports around 30 percent of their total export earnings. Cotton farming in these countries also provides employment for the majority of the rural population.

However, against such a significant role of cotton production and exports in the West and Central African countries, price of cotton tends to decline over the long run.³ The declining price of cotton constitutes a very big threat to the sustainable growth and development in cotton producing and exporting developing countries, in particular, the African ones. The main reason behind this phenomenon is the distortive effect of the domestic subsidies in agriculture practiced by the US and the EU. These subsidies, encouraging higher production and exports, create pressure to decrease cotton prices in international markets. This penalizes the poor cotton producing countries by drastically reducing their export revenues and causing greater vulnerability in their economies.

Moreover, cotton production, particularly in Sub-Saharan Africa, faces other impediments such as the lack of inputs and agricultural equipments, inadequate rural infrastructure and marketing systems, the lack of agricultural credits, the low level of agricultural productivity due to the traditional production methods, the limited irrigation areas, the absence of local processing plants, and the trade of cheap synthetic fibers, textile products and ready-made clothing, imported mainly from China.

Therefore, due to the vital importance of this sector and undeferable nature of problems posed by it, I have decided to take up the matter urgently during my tour of six African OIC countries.

In this connection, the OIC General Secretariat organized in cooperation with the Government of Burkina Faso, the Islamic Development Bank (IDB) and the Islamic Centre for Development of Trade (ICDT), a Forum on “Energizing Trade and Investment in the Cotton Sector of OIC Member States” which was held in Ouagadougou, Burkina Faso on 18-19 April 2005. The main objective was to discuss the ways and means of increasing the value-added in cotton sector in Africa and of activating its development, including the mechanisms and facilities for financing the cotton industries.

At the end of 2005, the leaders of the OIC Member States met in Makkah emphasized in the introductory part of the OIC Ten-Year Program of Action that special attention needs to be given to Africa, which was the most affected region, due to poverty,

3 International Cotton Advisory Committee (ICAC), *Trends in World Cotton Prices* seen in January 2009 at http://www.icac.org/cotton_info/speeches/Townsend/2007/wto_june_2007.pdf

diseases, illiteracy, famine, and debt burden. They also devoted a special chapter and adopted specific measures to support the development of Africa, including supporting industrialization, energizing trade and investment, transferring technology, alleviating their debt burden and poverty, and eradicating diseases.

Implementation of the measures under this chapter will help the development of the African OIC countries, in particular, the least developed cotton-producing OIC Member States in the region and transform their cotton sector to a more productive and competitive one; and, in this manner, better integrate them into the world economy and increase the revenues of farmers. This will also contribute to poverty alleviation most importantly in the least developed OIC Member States.

In this connection, I would like to underscore that some member countries have also assumed responsibility and taken initiative in various fields to enhance solidarity and further economic cooperation with the African OIC Member States, like Iran, Kuwait, Malaysia, Qatar, Saudi Arabia, the United Arab Emirates, etc. Regarding cotton sector, I will name Turkey.

Turkey as an experienced cotton producing and manufacturing country assumed a leading role in enhancing economic cooperation in this sector, and hosted several expert group meetings and substantially contributed, in cooperation with the IDB, to the preparation of an Action Plan for developing a cooperation strategy for the cotton producing countries of the OIC for the period from 2007 to 2011. This Plan aimed at strengthening trade, investment and technology transfer among the cotton producing member countries, particularly, in favor of Africa. The Action Plan assigned priority to i) enhancing productivity and production techniques; ii) strengthening member countries' structural capacities and institutions; iii) developing cooperation in the field of processing and marketing; iv) promoting trade and international competitiveness; and v) arranging finances for the activities.

The OIC cotton program was included in the Agenda of the COMCEC Follow-up Committee meeting in May 2006; and the Cotton Action Plan was adopted by the 22nd Session of the COMCEC held in Istanbul in November 2006.

For the implementation of the Five-Year Plan of Action on Cotton, Turkey also organized the 'Forum on Enhancement and Promotion of Trade and Investment in Cotton Sector among the OIC Member States' in Istanbul, on 12-13 November 2007. The Forum identified some research institutions in the following countries as Centers of Excellence in the area of Research in Cotton and Textile to represent the groups of African, Asian and Arab countries: i) in Africa: Nigeria and Senegal; ii) in Asia: Pakistan and Turkey; and iii) for the Arab group: Egypt and Syria.

The Forum formed a steering committee to finalize the implementation program of the said Plan of Action. A Project Committee was also formed under the authority of the Steering Committee, with the task of reviewing the programs and projects to be submitted by Member States, research centers, the OIC organs and institutions, and regional organizations in the field of cotton, textile and related activities. The 23rd Session of the COMCEC, held in Istanbul, in November 2007, approved the results of the said Forum.

The Project and the Steering Committees on Cotton commenced their work, the Second Steering Committee Meeting held in Izmir on 4 February 2009 approved two project proposals and these projects were submitted to the IDB, ITFC and Arab Bank for Economic Development in Africa (BADEA) for financing. With the establishment of necessary institutional framework and the commencement of the appraisal of project proposals, we will, soon I hope, start reaping the fruits of cooperation among the cotton producing and manufacturing OIC countries.

Cooperation in Tourism Development

Ideas to develop cooperation in the field of tourism had been formulated long ago. For example, the 1981 Plan of Action to Strengthen Economic Cooperation among the Member States, adopted at the Third Islamic Summit Conference held in Makkah/Taif, aimed to harmonize the activities of the Member States in the fields of transport, communications and tourism under the heading of ‘Transport, Communication and Tourism’. The 1994 Plan of Action prepared by COMCEC also devoted a full-fledged chapter for tourism. However, after long years of silence, due to developments observed in the international tourism, OIC Member States’ attention focused on this sector starting from 2000; and it has become one of the priority areas of cooperation being discussed among the OIC Member States.

In fact, in line with the technological developments in transport and telecommunications, tourism has become one of the most significant growth industries today, and became an important contributor to the national income, and the balance of payments in many countries.

It has definitely other aspects such as contributing to cultural developments, enhancing cultural cooperation, promoting social and cultural interactions amongst nations, and serving as a tool for peace, security and dialogue among civilizations. But, here, I will take it up from the standpoint of economic cooperation under the OIC umbrella.

A number of socio-economic benefits of tourism make it one of the most significant sectors of the economy of a country, especially as it is closely linked with the other economic sectors, such as transport, telecommunications and handicrafts. Apart from being the largest foreign exchange earner in many countries, it is an important job creator as it is a heavily labor intensive sector. The vast majority of tourism jobs are in small and medium-sized enterprises.

Also, tourism stimulates investments in new infrastructures as well as investment in restoration of natural environment and historical and cultural monuments. In a significantly large number of cases, tourism jobs and businesses are usually created in the most underdeveloped regions of a country, thus it helps balance economic opportunities throughout the country. In this respect, it is also an important instrument for increasing income of the population, improving the living conditions of the people and combating poverty. Therefore, it has tremendous potential to contribute to sustainable development, particularly in developing countries.

This listing easily explains why the OIC Member States has shown great interest in recent years to reinforce tourism development and cooperation among themselves. Since the convening of the First Islamic Conference of the Tourism Ministers (ICTM) in Isfahan, Iran in October 2000, the OIC tourism ministers met six-fold, the last being held in Damascus, Syria in July 2008.

The year 2005 witnessed a number of activities under the OIC umbrella: 4th ICTM was held in Dakar, Senegal in March 2005; an experts group met to discuss the implementation of 1994 Plan of Action in the area of tourism in Tehran in July 2005; another expert group was convened in Casablanca in June 2005 to prepare the ground for the exchange of views session of the 21st COMCEC. In November 2005, the 21st Session of the COMCEC discussed in detail and elaborated tediously the issues relating to the role of tourism in the promotion of economic cooperation among the Member States. COMCEC endorsed the recommendations of the expert group meeting regarding the implementation of the 1994 Plan of Action.

On the sidelines of the 21st COMCEC, the participants also visited the First Tourism Fair in Istanbul, organized jointly by the ICDT and the concerned institutions of Turkey, the Turkish Association of Travel Agencies (TURSAB) and the Exhibition Centre of Istanbul (CNR). The Second one will be organized in Beirut, Lebanon. Tourism fair is one of the most significant tools for the promotion and marketing of various tourism products and related services. The 2nd ICTM held in Malaysia in October 2001 asked ICDT to organize tourism fairs for the OIC member countries. The 18th Session of the

COMCEC, held in Istanbul in November 2002, had welcomed the offer of Turkey to organize the first tourism fair in Istanbul.

The sixth ICTM held in Damascus, in July 2008, adopted a document titled “Framework for Development and Cooperation in the Domain of Tourism between the OIC Member States”, which was initially drafted and titled as “the Strategic Plan for Development of Tourism in the OIC Member States” by the Second Experts Group Meeting on Tourism Development, held in May 2007 in Istanbul, Turkey. This document was later endorsed by the 24th Session of the COMCEC, met in Istanbul in October 2008.

The Tourism Framework aimed, *inter alia*, to substantially develop tourism flows to the Member States from non-members, identify ways and means to reinforce tourism cooperation among Member States, create an appropriate environment for implementing and establishing investment projects in the OIC Member States and support the efforts to promote regional development projects in the field of tourism.

In this context, the OIC member countries expressed their full support to a regional project which is being undertaken by nine West African countries as a good example of such regional projects. The said project, ‘Sustainable Tourism Development in a Network of Cross-Border Parks and Protected Areas in West Africa’ is a joint tourism development project of West African OIC Member States: Benin, Gambia, Guinea, Guinea-Bissau, Mali, Mauritania, Niger, Senegal and Sierra Leone. The World Tourism Organization (UNWTO) and the Korean International Cooperation Agency (KOICA) supported this project; and agreed to finance the feasibility study of this project at the total cost of US \$ 425,000. The said project was also endorsed by the 24th Session of the COMCEC in October 2008. The project is being followed by a special project committee and the COMCEC.

The COMCEC is regularly reviewing, through its ‘Sessional Committee’, the progress made towards the implementation of another important tourism-related project titled ‘Technical Cooperation in the Field of Heritage Preservation’ proposed by Jordan and conducted by IRCICA based in Istanbul, which develops numerous programs aimed at bringing together the Member States for the preservation of heritage. IRCICA has also developed a website for the heritage sites in the OIC Member States.

The tourism sector which has immense potential proves to be in full expansion. Being fully aware of the importance of tourism sector in their economic development, the Member States have intensified their efforts to develop this sector and strengthen cooperation in this field.

Poverty Alleviation and Islamic Solidarity Fund for Development

The social and human aspects of the development process have recently gained special importance on the agenda of the international community. It has been agreed that people should be encouraged to participate actively in that process with greater access to better social services, mainly education and health. More investment in people, social services like education and health, and human development leads to a more efficient and productive resource allocation and, thus, acts as a growth generating mechanism. In fact, social and human development contributes directly to the well-being of people through raising their living standards. Many developing countries, including the OIC members, have paid special attention to the social and human development process over the last decades. Nevertheless, some of them still have serious setbacks, particularly the poverty problem, which is characterized by the fact that large segments of their populations have insignificant access to the basic social needs and do not possess sufficient material resources to improve their income.

Poverty is a complex multidimensional problem with its social, economic, cultural, political aspects. The alleviation of poverty, eradication of famine, fight against epidemic diseases and human resource development remain among the major challenges in the developing countries, including the OIC member countries.

As is the case everywhere else, poverty in the OIC countries is associated with poor economies, poor human resources, poor social services and poor economic and social policies. According to the Human Poverty Index⁴ (HPI) calculated by the United Nations Development Program (UNDP), an average of 30.4 percent (347.6 million) of the total population in 34 OIC countries were suffering human poverty in 2000; whereas, in 2005, this percentage with a slight improvement declined to 29.2 percent (372.9 million) of the total population in 41 OIC countries. The figures show that the poverty problem still persists though an improvement is observed.

The combat against poverty has always been one of the most important agenda items of the OIC and its organs and institutions; and considered as the shared responsibility of all OIC member countries. In this connection, the last and the strongest commitment came from the Third Extraordinary Summit held in Makkah in December 2005.

4 HPI is a composite index calculated based on three essential aspects of human deprivation: longevity measured by the probability at birth of not surviving to the age of 40; knowledge measured by adult literacy rate; and a decent standard of living measured by the percentage of population not using improved water sources and percentage of underweight children under the age of five.

The Makkah Summit considered it among the main priority issues and decided to establish a special fund for poverty alleviation within the IDB and commissioned the IDB Board of Governors to set up this fund by creating necessary mechanisms for its financing.

To this end, IDB studied the subject and drew up the draft regulations of the Poverty Alleviation Fund. The IDB's 32nd Board of Governors meeting held in Dakar in May 2007 approved its establishment and agreed to re-name it as "Islamic Solidarity Fund for Development⁵ (ISFD)" with a targeted capital of US \$10 billion. According to its Regulations, the \$10 billion will be used as Waqf endowments and the income gained on investment of its resources could be used to finance projects aimed at combating poverty in the member countries. The Fund formally started its operation in January 2008. The purpose of the Fund is to help in alleviating poverty, enhancing capacity building, eliminating illiteracy and eradicating diseases and epidemics in the OIC member countries.

The Fund was created on the basis of voluntary contributions from the Member States. As end of 2008, 33 member countries have announced their contributions amounting to about US \$1.611 billion. The biggest contributions came from Saudi Arabia (US \$1 billion), Kuwait (US \$300 million), Iran (US \$100 million), Qatar (US \$50 million) and Algeria (US\$50 million). Some least developed member countries in Africa also made pledges, with Sudan and Senegal leading the way (US \$15 million and US \$10 million, respectively). The IDB also decided to contribute US \$1.0 billion over 10 years. The Fund will have a special focus on the least developed member countries particularly those in Sub-Saharan Africa.

The ISFD Board of Directors meeting in Tehran in February 2008 approved the Fund's first five-year strategy document which aims at formulating and implementing a number of programs during the span of next five-years. Two programs were highlighted in the first five-year Strategy for implementation, namely Vocational Literacy Program (VOLIP) and Microfinance Support Program (MSP). These programs aim at filling the double gap of the lack of access to basic education and financing for the poor in the member countries. The cost of each program is estimated at US \$500 million. It is expected that 5 million people, mostly women and unemployed young people, will benefit from these programs. Additionally, the Board of Directors of the

5 Under the OIC umbrella, another fund 'Islamic Solidarity Fund' (1974) operates as a subsidiary organ to provide financial support to the cultural, educational, institutional, technical and economic activities in the Islamic world.

Fund approved 12 projects with a total ISFD contribution of US \$109 million since its launch in May 2007. With the mobilization of more resources through increased contributions by the Member States, this Fund will serve better towards the realization of its basic aim of the elimination of poverty in the OIC Member States. To this end, more member countries are expected to contribute to the Fund.

Conclusion

While the OIC summit leaders in Makkah were formulating the provisions under economic cooperation chapter of the Ten-year Program of Action (TYPOA), they had, among others, mandated COMCEC to promote measures to raise the intra-OIC trade; and called upon the Member States to sign and ratify all existing OIC trade and economic agreements and to implement the provisions of the OIC 1994 Plan of Action to Strengthen Economic and Commercial Cooperation. Apparently, the TYPOA had built itself on the grounds of 1994 Plan of Action and on the earlier foundations of the economic and commercial cooperation efforts and endeavors of the OIC, which have been mostly developed and maintained by the COMCEC. In other words, there is clear cut conformity between these programs regarding the field of economic and commercial cooperation. For example, when the major decision, by the Mecca Extraordinary Summit on setting a target for achieving 20 percent level of intra-OIC trade, was taken in a background that the Framework Agreement on Trade Preferential System among the OIC Member States (TPS-OIC) had already entered into force in Autumn 2002 and the trade negotiations amongst the participating countries started in 2004 under the aegis of the COMCEC. Therefore, the 22nd Follow-up Committee of COMCEC recommended that the review of the implementation of the OIC TYPOA would be a permanent agenda item of COMCEC. Since then, the OIC TYPOA has been one of the agenda items of the COMCEC sessions.

On the other hand, the OIC TYPOA is not just confined to the economic and commercial cooperation issues. It is a composite program which covers various fields and identifies ways and means to address many conceptual, political, intellectual, socio-economic, cultural, scientific and technological challenges facing the OIC member countries.

The implementation of this program is currently underway. Special meetings are being held to expedite its implementation. In this connection, a document, namely 'The Framework for the Implementation of the OIC Ten-Year Program of Action', was prepared to streamline the cooperation among the member countries and all the OIC subsidiary organs, specialized and affiliated institutions towards its implementation.

The full implementation of the TYPOA and the realization of its targets within its foreseen time frame through joint actions on the part of the member countries will prepare them to meet and overcome the challenges of the new era. This way, it will also contribute to the goal of attaining higher levels of socio-economic development and prosperity in the member countries. Yet, these goals could only be realized through the presence of a firm political will, and decisive cooperation and solidarity on the part of the Governments of the OIC member countries, and close and constructive cooperation among the relevant OIC organs and institutions.