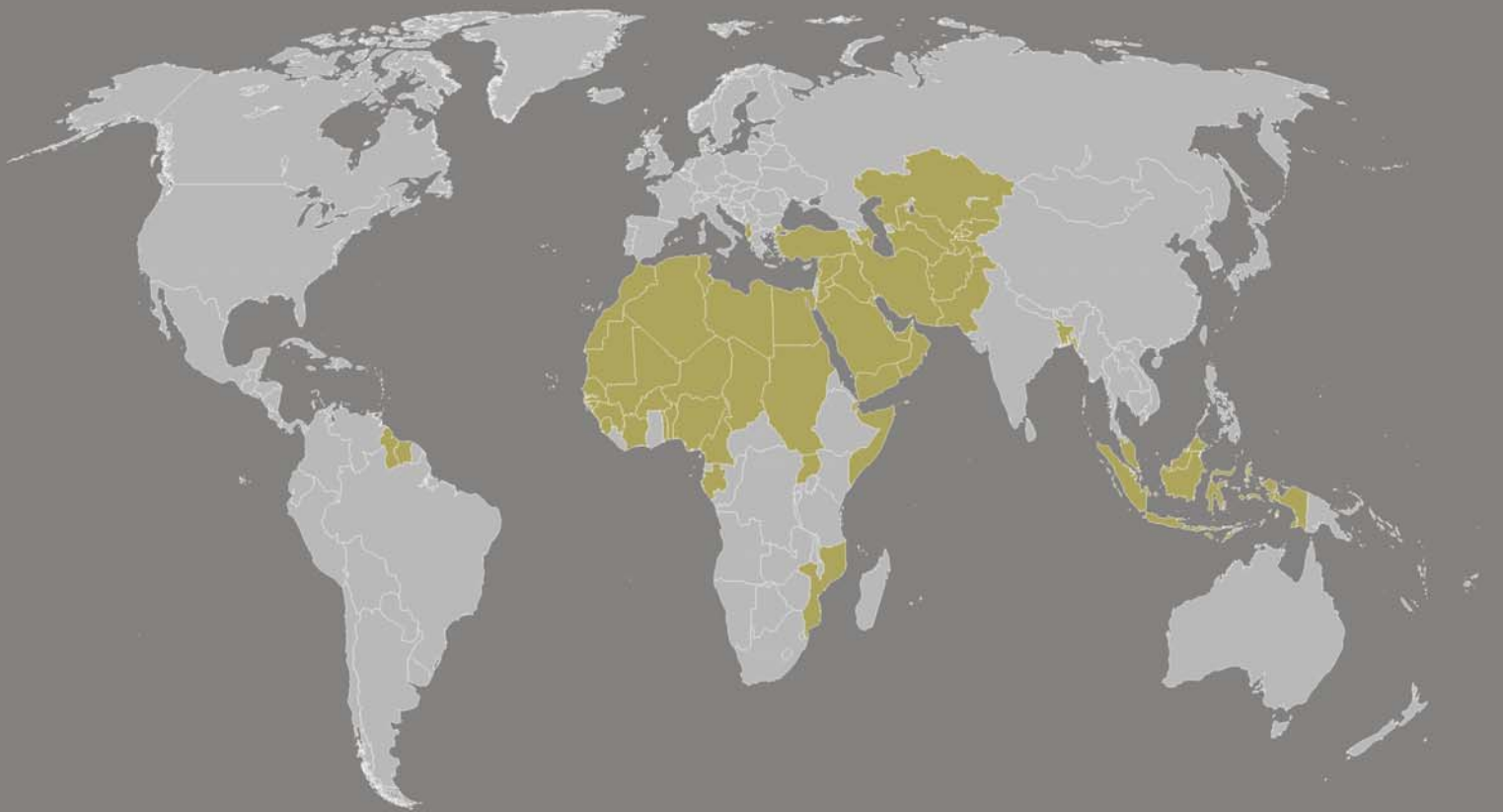


ENHANCING ECONOMIC AND COMMERCIAL COOPERATION AMONG OIC MEMBER COUNTRIES



Organisation of the Islamic Conference



Standing Committee for
Economic and Commercial Cooperation
(COMCEC)



Statistical Economic and Social Research
and Training Centre for Islamic Countries
(SESRIC)

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The Standing Committee for Economic
and Commercial Cooperation of the
Organisation of the Islamic Conference
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www.comcec.org



Statistical, Economic and Social
Research and Training Centre for
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(SESRIC)

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Executive Summary

The Organisation of the Islamic Conference (OIC) added the issue of enhancing economic and commercial cooperation among its member countries to its agenda shortly after its establishment in 1969. Considerable efforts have been so far spent at various OIC levels to develop means and modalities of joint cooperative action in this regard. Two OIC plans of action for economic and commercial cooperation were adopted by the Islamic Summit in 1981 and 1994, respectively. The main objective of these plans is to develop a structure and mechanism for economic and commercial cooperation among the OIC member countries and help them face the ever-changing global economic conjuncture. The Standing Committee for Economic and Commercial Cooperation of the OIC (COMCEC) was established as the main OIC umbrella under which the mechanism for economic and commercial cooperation among the OIC member countries is functioning at the highest level. However, despite the various efforts so far spent within this framework, the existing level of economic and commercial cooperation among OIC member countries remained limited in terms of concrete and tangible end results.

In the light of the past experience, the present research project entitled “Enhancing Economic and Commercial Cooperation among OIC Member Countries: Enriching the Agenda of the COMCEC”, has been initiated by the COMCEC on the occasion of its Twenty-fifth Anniversary to serve as a contribution to the special agenda item called “Enriching the Agenda of the COMCEC” at the Twenty-fifth Session of the COMCEC to be held in Istanbul, Republic of Turkey in November 2009.

The ultimate goal of this research project is to bring together innovative ideas, constructive recommendations and concrete/executable project proposals for effective enhancement of the existing level of economic and commercial cooperation among the OIC member countries. The outcome of this project is also expected to enrich the agenda of the COMCEC by introducing new potential areas/sectors of joint OIC action, taking into consideration the current needs for cooperation among the OIC Member Countries in these areas, the global developments agenda and challenges, as well as economic cooperation experiences of other regional/international organisations.

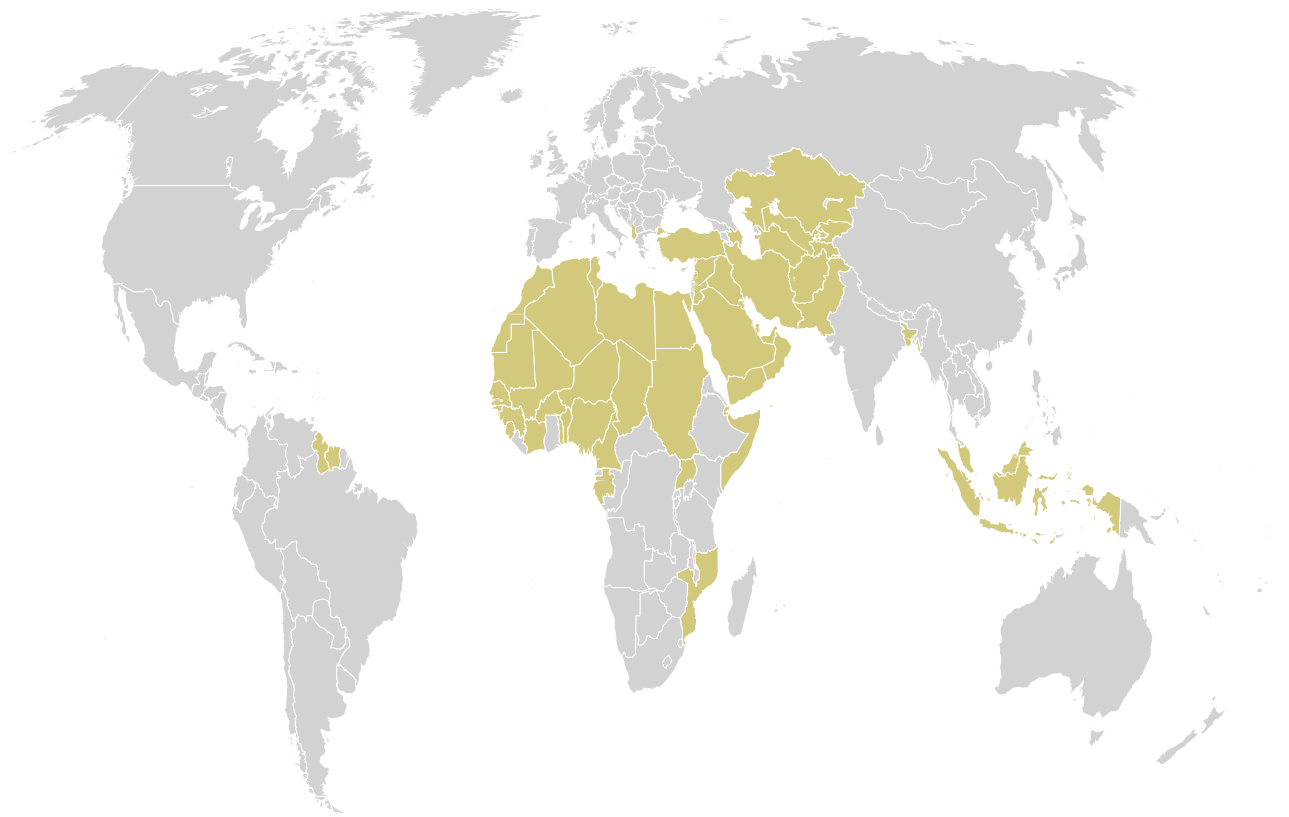
The work was undertaken through three parallel phases as follows: (i) three background reports on relative topics were prepared to set the stage, (ii) a special questionnaire was applied across a relatively wide audience of well-known experts, bureaucrats, technocrats and academics in the member countries and outside and a number of interviews were also conducted with a smaller selected group with the aim of seeking views, ideas and concrete proposals for enhancing OIC economic cooperation, and (iii) a brainstorming workshop was organized on the subject with the participation of a selected group of eminent persons and experts.

The background reports showed that, over the last four decades, the OIC had a continuously expanding economic cooperation agenda. This agenda was mainly based on the premise that the effective political cooperation, the main initial aim for the Organisation, necessitated joint economic and commercial cooperation among the member countries. Yet, because the necessary political will could not be properly mustered in support of cooperative action, sufficient funding could not be secured for the joint economic activities and projects which have been so far proposed to address the actual and immediate needs of the OIC countries. This was the case even after the establishment of the COMCEC and regardless of its active role since 1984 as the conference of OIC economy and trade ministers. On the other hand, it was also observed that a number of regional cooperation/integration schemes, where many of the OIC countries were also members, have recorded considerable progress and could possibly serve as positive examples for the OIC to emulate.

In the light of the conclusions of the background reports and the responses of the special questionnaires and interviews, which have been conducted among a wide range of people from different walks of life, professions, areas of expertise and geographical regions of the Islamic World, many useful ideas, recommendations and specific project proposals on the future of OIC/COMCEC economic and commercial cooperation were developed and used in enriching the outcome of the project. Other novel ideas, recommendations and project proposals for enhancing the OIC economic and commercial cooperation through enriching the agenda for the COMCEC were also developed during the brainstorming workshop on the subject.

Following the introduction section, which provides a background on this research project and the methodology used in its implementation, the present document gives, in the following three sections, brief summaries on the three background reports of this research project, namely (i) Economic and Commercial Cooperation among The OIC Member Countries: COMCEC Experience; (ii) Experience of other Regional Economic Cooperation/Integration Schemes, and (iii) Experiences of OIC Economic Cooperation: Agriculture and Tourism. In the last section, the document summarises the outcome of the project by listing the project proposals and the recommendations on the main subject matter of the project.

The project proposals are presented in 'project profile' format, which includes brief information on each project proposal in terms of the description of the project, rationale and expected benefits, potential partners and financial arrangements. On the other hand, the recommendations are grouped under the following sector/area of potential cooperation among OIC countries: COMCEC and its work, trade and investment, food, agriculture and rural development, tourism, industry, transportation, energy, education and human resources, and science and technology, R&D and IT.





1 Introduction: Background and Methodology

The Organisation of the Islamic Conference (OIC) had been initially started out as a political organisation in 1969 with 30 founding member countries. Over the last 40 years, the membership of the OIC has grown steadily and reached 57 countries. The OIC is now the second largest inter-governmental organisation after the United Nations. The current 57 OIC countries are dispersed over a large geographical region spread out on four continents, extending from Albania (Europe) in the north to Mozambique (Africa) in the south, and from Guyana (Latin America) in the west to Indonesia (Asia) in the east. As such, the OIC countries as a group account for one sixth of the world area and more than one fifth of the total world population. They constitute a substantial part of the developing countries, and, being at different levels of economic development, they do not make up a homogenous economic group.

Furthermore, the OIC has rapidly institutionalized its organisational structure as one modelled after the United Nations and formulated for itself an initial agenda composed of urgent political issues of common interest to its members and their Muslim populations at the time. Yet, the OIC also quickly added on to this agenda certain basic economic issues of substance that were important for its member countries and those that necessitated effective cooperation and joint action in the face of the global challenges of the day facing these countries.



The OIC economic agenda, which has been started in the early 1970's, gained momentum and substance during the Second Islamic Summit in 1974 and expanded rapidly in the second half of the decade and later consolidated within the framework of the 1981 Plan of Action to Strengthen Economic and Commercial Cooperation among the Member Countries of the OIC, which has been adopted by the Third Islamic Summit Conference in response to the initiation of the Third UN Development Decade of the 1980's. The Summit also adopted the resolution to establish the Standing Committee for Economic and Commercial Cooperation (COMCEC) of the OIC which became operational under the Chairmanship of the President of Turkey in 1984. As a Ministerial Committee answerable to the OIC Summit, it was assigned the responsibility of coordinating and following up all economic cooperation activities within the framework of the OIC at the highest possible level through annual meetings of economy and trade ministers of the member countries.

Later on in the light of the implementation of the 1981 Plan and the global changes that had occurred in early 1990's, the COMCEC and the OIC Summit adopted the 1994 Plan of Action. Yet, the results of economic and commercial cooperation among the member countries remained rather limited in terms of actual concrete progress and tangible achievements, despite the fact that the subject has been on the OIC agenda since early 1970's, discussed in detail in summit conferences, many ministerial and expert-level meetings, has been the *raison d'être* of the COMCEC, and constituted the sole subject of two extensive Plans of Action.

As a result, undertaking an appraisal of the 25 years of COMCEC in terms of achievements and shortcomings became crucial in order to push further the economic cooperation activities among the OIC member countries. Therefore, COMCEC, as the main body responsible for economic and commercial cooperation within the framework of the OIC, has initiated a research project with the aim of enriching its agenda to achieve more concrete and tangible results in OIC economic activities through introducing new concrete and executable proposals that would yield tangible results quickly. In this context, one obvious priority would be to make use of the various human and material potentials in the member countries to rapidly increase intra-OIC trade and investment in new potential areas of cooperation with a special emphasis on, but not limited to, agriculture and tourism sectors.

The project has been implemented in accordance with a methodology that comprised three main sets of activities, namely (i) preparation of three basic background reports to set the stage, (ii) collection and collation of information and views from a wide circle of experts, decision- and policy-makers and other eminent persons through a



specially designed questionnaire and face-to-face interviews, and (iii) convening of a brainstorming workshop on the subject of the project with the participation of a selected international group of people from a variety of backgrounds relevant to the subject of the project.

The first background report presents a review and evaluation of the history of OIC economic cooperation activities, with a particular emphasis on the activities of the COMCEC since its activation in 1984. The second report examines the activities of a number of other regional economic integration schemes in which some OIC countries are also members, so that their experiences and achievements in terms of cooperation projects/schemes could be gauged as possible examples for similar future efforts within the OIC. Finally, the third report undertakes a more detailed review of past OIC cooperation in agriculture and tourism, as specific examples in two major sectors of current importance, and gives examples of similar activities of some relevant international organisation working in these domains.

The background reports clearly indicate that some tangible progress were achieved under the aegis of COMCEC particularly in the form of certain trade financing mechanisms which are now operating under the Islamic Development Bank and the initiation of negotiations for the

establishment of an OIC Trade Preferential System among member countries. In fact, although these achievements constituted an important step towards enhancing economic cooperation among the OIC countries, concrete achievements in terms of tangible cooperation schemes/projects among OIC member countries remained highly limited, despite the fact that many such initiatives were proposed and discussed at countless OIC meetings held at expert and ministerial levels over a period of more than three decades.

The conclusions of the above-mentioned background reports together with the responses of the special questionnaire and the outcome of both the brainstorming workshop and the interviews conducted on the theme of the project were all instrumental inputs to the outcome of the project in terms of new ideas, recommendations and project proposals for enhancing economic and commercial cooperation among the OIC countries, particularly in terms of expanding intra-OIC trade and investment in selected areas and sectors. This outcome will, undoubtedly, enrich the agenda of the COMCEC in the coming years.

It should be noted that the proposals and recommendations drawn up together during this exercise aimed to address many of the issues that hindered OIC economic cooperation in the past and open up new avenues for enhanced cooperation in the near future. More specifically, they attempt to reflect the need for increasing awareness about the OIC and COMCEC activities, help redress the perennial lack of political will in support of joint action by the OIC member countries, address the crippling problems relating to bureaucratic, legal and administrative barriers in front of intra-OIC trade and investment, focus on the need to overcome the shortcomings in infrastructure, transport and communication facilities, propose measures to help solve the lack of finance and proper funding in many essential areas, stress the need to build up human capital, and help improve underdeveloped economic/trade structures and lack of diversity in economic activity.

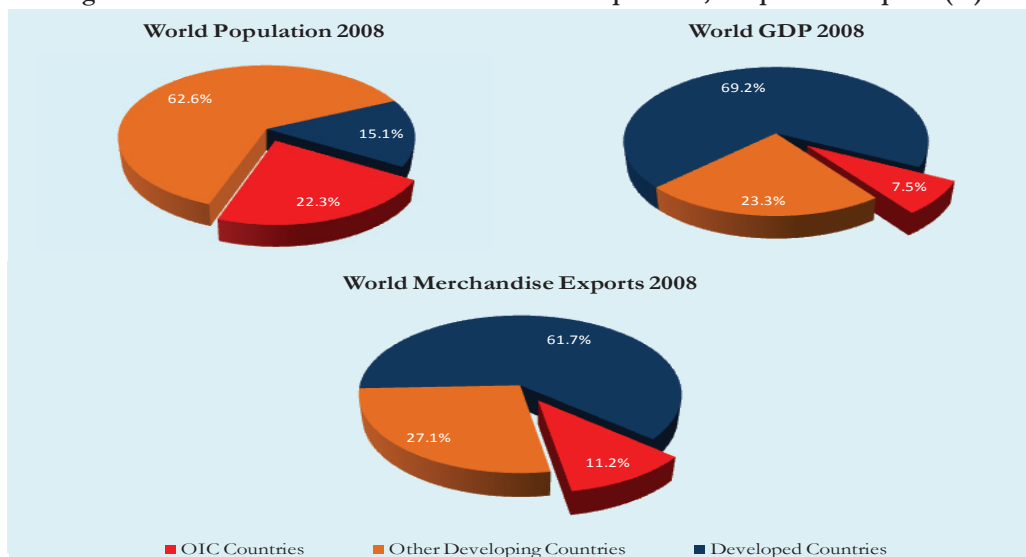


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Economic and Commercial Cooperation among the OIC Member Countries: What is ahead for OIC and COMCEC?

The 57 OIC member countries, dispersed over four continents, are seen to command a significant share in world population and significant output potentials in various sectors as well as immense natural resource endowments. Yet, in terms of actual economic performance, they project a smaller image. Thus, with 22.3 percent of the world total population, the 57 OIC member countries accounted for only 7.5 percent of the world total output (GDP) and 11.2 percent of world total merchandise exports, both measured in current US Dollars (see Figure 1).

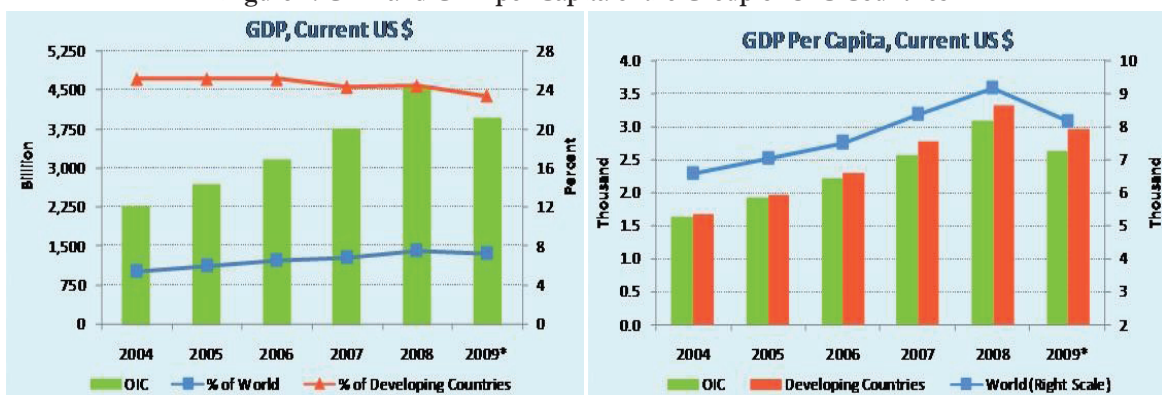
Figure 1: Share of OIC Countries in the World's Population, Output and Exports (%)



Source: SESRIC, Annual Economic Report 2009

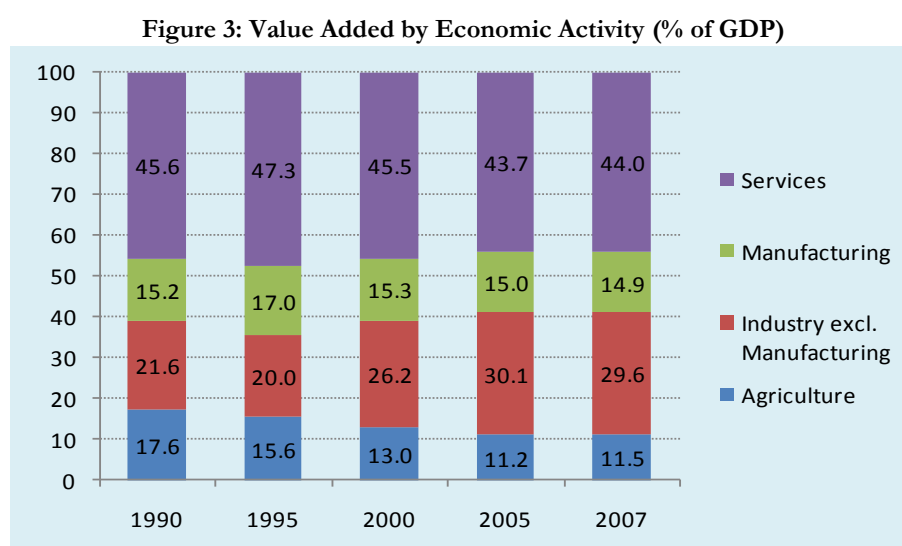
Although the average growth rates for both real GDP and real GDP per capita recorded by the group of the OIC member countries during the last five-year period were higher than those of both the developed countries and the world averages, they were still comparatively lower than those maintained by the group of developing countries as a whole (see Figure 2).

Figure 2: GDP and GDP per Capita of the Group of OIC Countries



Source: SESRIC, Annual Economic Report 2009

The structure of the economy is important as it shows the contribution (value added) of the major economic sectors to the total output (GDP). In this context, while agriculture is widely known to be the primary economic activity and is assumed to play a major role in the economies of most developing countries, this feature does not stand firm in the case of many OIC countries. As shown in figure 3, on average, the share of agriculture in the total GDP of the OIC countries amounted to only 11.5 percent in 2007, gradually declining from 17.6 percent in 1990. At the individual country level, as of 2007, the agriculture sector dominates in only 7 countries, namely Afghanistan, Comoros, Guinea Bissau, Niger, Sierra Leone, Somalia, and Togo, all of which are Least-Developed countries (LDCs).



Source: SESRIC, *Annual Economic Report 2009*

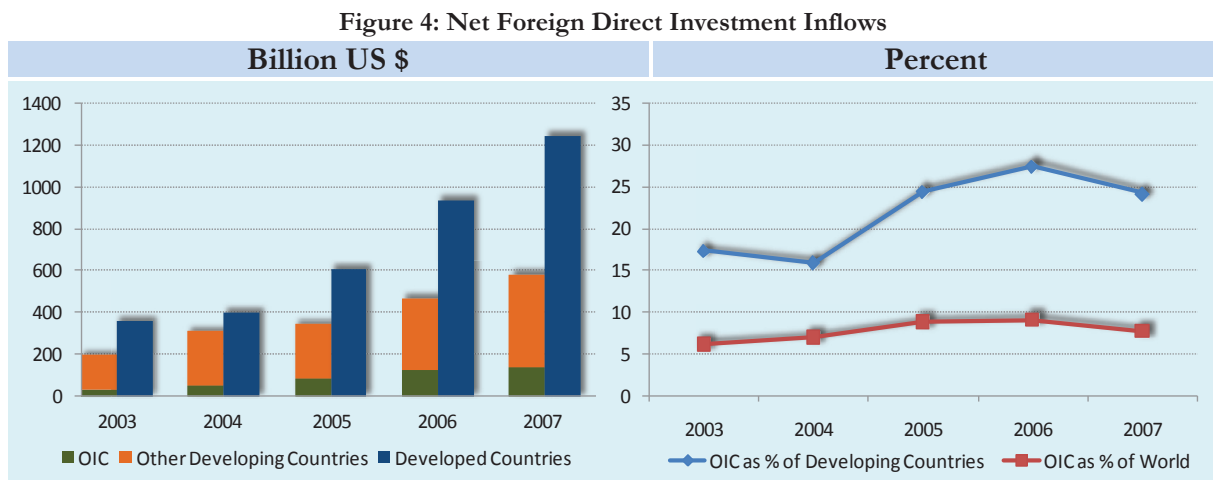
In contrast, with the highest share in GDP (44 percent), the services sector continued to play a major role and constitute the most important source of income in many OIC countries. At the individual country level, the services sector, as of 2007, retains the highest share of GDP in 33 OIC countries. On the other hand, it is observed that, in recent years, the contribution of the industry sector to the economies of the OIC countries as a group has on average tended to outstrip that of the services sector. Including manufacturing, industry, with a 44.5 percent average share in the GDP in 2007, constituted the major economic activity in the OIC countries as a group. At the individual country level, the share of industry in GDP dominated the economy in 17 OIC countries. This is mainly due to the fact that almost all of these countries are fuel exporting countries, where the production of oil and/or gas is classified under industrial activities.

However, the share of industry in the GDP of an economy, per se, does not reflect the industrialization level of that economy. Therefore, the performance of the manufacturing sector must also be considered in order to present a clearer picture of industrialization in the OIC countries. Overall, although the figures on the share of the manufacturing sector in the GDP indicate the weak performance of this sector in most of the OIC economies, it is gaining

importance in a few member countries like Turkmenistan, Indonesia, Malaysia, Tajikistan, Uzbekistan, and Turkey, constituting 20-35 percent of their GDP.

The overall picture of the structure of the economies of the OIC countries described above in terms of the composition of their output (GDP) also reflects the structure of their exports. In general, agriculture and oil production are the main productive economic activities that contribute the highest shares to the output of almost half of the OIC countries. In this context, and according to the recent IMF classifications of all economies by their main source of export earnings (IMF 2009b), 10 of the OIC countries are classified as non-fuel primary product exporting countries and 17 as fuel-exporting countries.

On the other hand, as shown in Figure 4, although the net Foreign Direct Investment (FDI) inflows into the OIC countries showed a strong upward trend during the period 2003-2007, they remained below the levels maintained by the group of the developing countries. This relatively weak performance is clearly reflected in the share of the OIC countries in total FDI flows to the developing countries and the world total. During the said period, this share was recorded between 15 to 25 percent of the FDI flows to the developing countries and between 5-10 % percent of the world total FDI.



Source: SESRIC, *Annual Economic Report 2009*

Indeed, as a group, the OIC countries have a substantial economic potential. They are well-endowed with potential economic resources in different fields and sectors such as agriculture and arable land, energy and mining, human resources, and they form a large strategic trade region. Yet, this inherent potential does not manifest itself in the form of reasonable levels of economic and human development in many OIC countries and in the OIC countries as a group. This becomes clear when the average economic performance of the group of OIC countries is compared with that of the developing countries where the OIC countries are still lagging behind the overall performance of the developing countries.

This state of affairs has been in fact reflected in the early economic cooperation agenda of the OIC, shortly after its establishment as an international political organisation in 1969. Over the last four decades, various and new economic cooperation areas and sectors have been added to the agenda of the OIC in response to the immediate needs of the member countries and the challenges they have been facing globally. In this context, the Third Islamic Summit Conference in 1981 can be considered as a landmark event in the history of the OIC economic cooperation, where the Heads of States adopted the 1981 OIC Plan of Action to Strengthen Economic Cooperation among the OIC Member Countries. The Summit also established the Standing Committee for Economic and Commercial Cooperation (COMCEC), which has been started its activities after the election of the President of Turkey to its chairmanship in 1984.

The 1981 OIC Plan of Action not only brought together the past OIC economic cooperation activities in various sectors and areas in a single comprehensive document, but also introduced a structure to the past dispersed economic cooperation agenda of the OIC. Moreover, the Plan pointed out the priority issues and modalities of economic, financial and technical cooperation in its ten sectors that covered a wide range of economic activities under the OIC economic agenda that had been developed until then.

With the adoption of the 1981 OIC Plan of Action, the OIC economic agenda expanded and proliferated under the ten chapters of food and agriculture; trade; industry; transport, communication and tourism; financial and monetary questions; energy; science and technology; manpower and social affairs; population and health; and technical cooperation. Moreover, in order to develop means and modalities of cooperation in specific areas, the agenda items of the day were discussed in specialized sectoral expert group meetings. High-level meetings were also organized such as those of Governors of Central Bank and Monetary Authorities and Ministerial Conferences on Food Security and Agricultural Development, Industry, Energy, Transport, Communication, in addition to the annual conferences of the Foreign Ministers.

Although the two landmark decisions relating to the adoption of the OIC Plan of Action and the activation of COMCEC, as a Summit-level umbrella, appeared to have created a positive atmosphere for OIC economic cooperation, the success of such cooperation has continued to remain rather limited. Consequently, a need was felt to undertake a review of the 1981 OIC Plan of Action, in the light of the experiences gained in implementing the Plan; the limited progress attained in terms of tangible and concrete results; and the substantial changes observed in world politics and global economic picture affecting the economies of the OIC member countries in the early 1990's. Subsequently, a new plan of action was prepared, discussed in different fora at various levels, adopted by the COMCEC ministers and eventually adopted by the Seventh Islamic Summit Conference in 1994.

The 1994 OIC Plan of Action also contained ten chapters/areas of cooperation, namely 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. It included tourism, development of human resources and environmental issues as new sectors and areas of cooperation and, moreover, it attributed particular importance to issues such as information flow and communication, technology transfer and private sector participation in cooperation.

Furthermore, since the new Plan aimed to cover the changing needs of the OIC member countries and to enable them to adjust to a rapidly changing global economy, a detailed strategy document was developed as basis for the Plan itself, where economic liberalization and integration with the world economy replaced the 'collective self-sufficiency principle' followed in the 1981 Plan. Structurally, in the 1994 Plan of Action document, under each chapter, not only targets/objectives of cooperation within the area/sector are listed, but rather detailed implementation programs towards the achievement of these targets are given as well. Moreover, as an important novelty and improvement over the 1981 Plan, the new Plan includes a detailed follow-up and implementation mechanism to facilitate the achievement of tangible results.

The COMCEC was established as a high-level committee of economic and trade ministers accountable to the Islamic Summit and to serve as the central forum for Member Countries to discuss international economic and commercial issues, mandated to:

- coordinate and follow up the implementation of the OIC resolutions relating to economic and commercial cooperation, and the provisions of the Plan of Action
- draw up programs and submit proposals on economic and commercial cooperation in various fields in keeping with the Charter and the Resolutions of the Conference

Since its foundation, the COMCEC has given utmost importance to the development of an institutional framework which would enable the Committee to cope with its assigned tasks in a more organized manner. The following organs constitute the institutional framework of COMCEC:

- The General Assembly (The Ministerial Session)
- The Follow-up Committee
- The Sessional Committee
- The General Secretariat (OIC General Secretariat)
- COMCEC Coordination Office (National Liaison Office in host country)

During the ministerial COMCEC Sessions, which started in November 1984, a constructive effort has been made to extend the mandated COMCEC umbrella over the ongoing OIC economic and commercial activities by reflecting major OIC economic and commercial cooperation issues to COMCEC Agenda; convening sectoral ministerial meetings together with COMCEC Sessions; requiring that progress relating to the economic agenda of the OIC be reported to COMCEC Sessions; informing the annual Conferences of the Foreign Ministers of the COMCEC activities; and reporting COMCEC activities to the Islamic Summit Conferences.

After the first few years of COMCEC, during which the institutional framework of the Standing Committee has fully developed and its agenda became stabilized, certain items relating to intra-trade, trade finance, private sector involvement and the like gained a relative prominence on COMCEC agenda. These were:

- Export Financing Scheme (EFS) or Longer Term Trade Financing Scheme (LTTFS)
- Financing Fund of Export-oriented Imports (Import Trade Financing Operation, ITFO)
- The International Islamic Trade Finance Corporation (ITFC)
- Trade Information Network of the Islamic Countries (TINIC)
- Trade Preferential System (TPS-OIC)
- The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)
- Islamic Multilateral Clearing Union

Most recently, during the Third Extraordinary Session of the Islamic Conference convened on 7-8 December 2005 in Makkah, alongside the 1994 Plan of Action, a new cooperation agenda was initiated under the heading of the 'Ten-Year Programme of Action to Meet the Challenges Facing the Muslim Ummah in the 21st Century'. The Program was the outcome of the efforts by the OIC to face these main challenges in an objective and realistic way through a new vision and mission envisaging a more prosperous and dignified future for the Ummah.



The Socio-economic matters and science and technology sections of the Programme, while stressing the need to implement the 1994 Plan of Action, place a special focus on certain selected topics in keeping with the new global economic and social agenda. The basic themes include

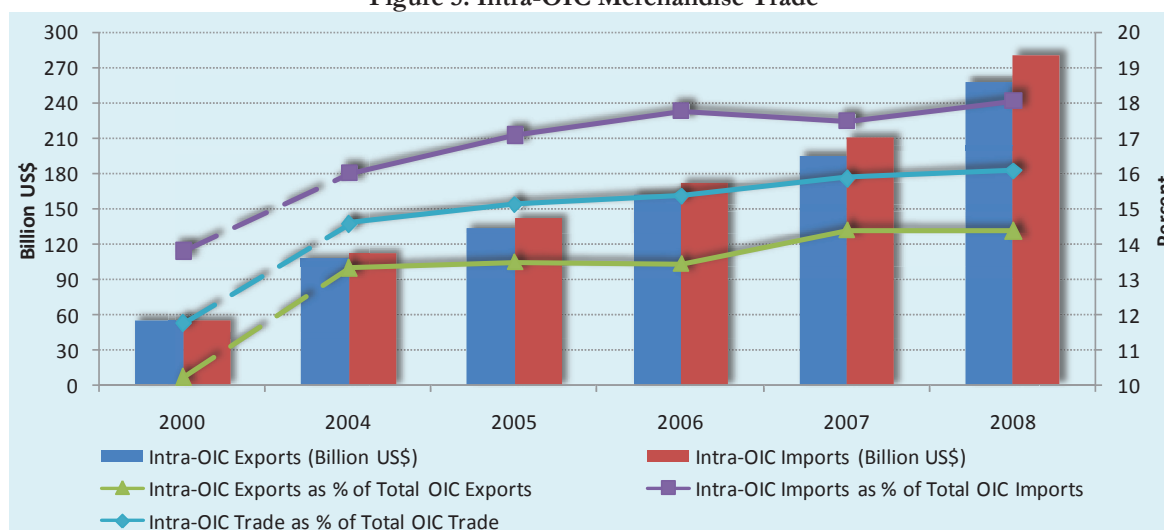
expansion of intra-OIC trade, supporting development of Africa, alleviating poverty, and improving health conditions, as well as the situation of women and children. Furthermore, higher education, environment, and science and technology are also mentioned in the Program as priority areas/sectors for concerted action.

The Programme is being closely followed up as substantive agenda items of both the COMCEC Sessions and the meetings of the Council of Foreign Ministers, being aided by a technical group comprising the General Secretariat and the related OIC institutions.

Despite these improvements undertaken and efforts spent for better results, the actual results of the nearly 40-year agenda of OIC economic and commercial cooperation –the last twenty-five years of it having been spent under the COMCEC umbrella- continued to remain limited in terms of concrete and tangible results and effective follow-up at the technical and policy levels. This is clear in the current unsatisfactory level of economic integration among the OIC member countries, which becomes obvious when the level of intra-OIC trade so far achieved is considered.

In this context, it is worth mentioning that although trade volume among OIC countries has recently been increasing significantly, it is still amounting to \$538 billion or 16.1 percent of their total trade in 2008, compared to \$218 billion or 14.6 percent in 2004. In this period, intra-OIC exports increased from \$107 billion to \$258 billion, reflected in an increasing share in total exports of OIC countries from 13.3 percent in 2004 to 14.4 percent in 2008. Similarly, intra-OIC imports valued at \$280 billion in 2008 compared to \$111 billion in 2004, corresponding to an increase of the share in their total imports from 16.0 percent to 18.1 percent (Figure 5).

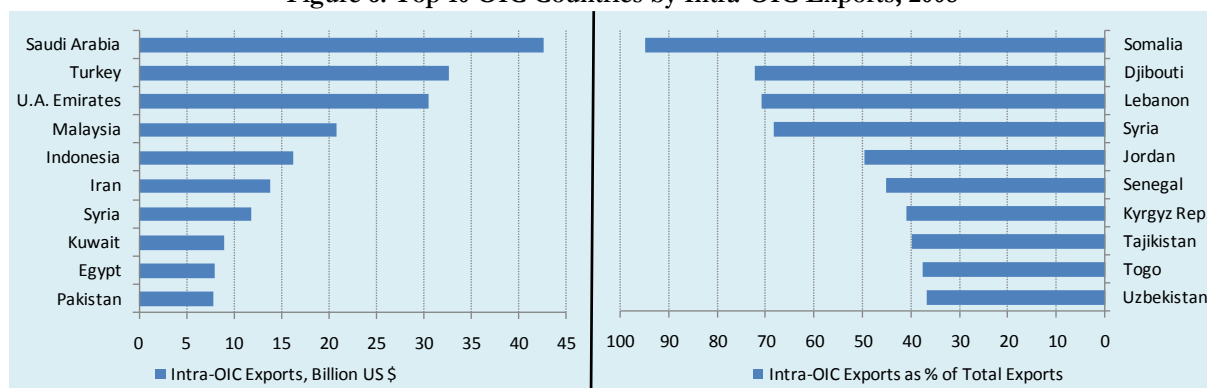
Figure 5: Intra-OIC Merchandise Trade



Source: SESRIC, *Annual Economic Report 2009*

Yet, it is observed that 75 percent of the intra-OIC exports were undertaken by only 10 OIC countries. In this context, Saudi Arabia took the lead with \$43 billion, or 16.6 percent of the total intra-OIC exports, followed by Turkey and United Arab Emirates, each with more than \$30 billion. Malaysia, Indonesia, Iran, Syria, Kuwait, Egypt, and Pakistan were also among the top 10 OIC countries with the highest volumes of intra-OIC exports. Moreover, it is also observed that in eight of these 10 countries, intra-OIC exports accounted for less than 30 percent of their total exports (Figure 6, Panel A).

Figure 6: Top 10 OIC Countries by Intra-OIC Exports, 2008



Source: SESRIC, *Annual Economic Report 2009*

In contrast, it is observed that some OIC countries with relatively lower volumes of intra-OIC exports reported higher shares of intra-OIC exports in their total exports. For instance, around 95 percent of Somalia's exports went to OIC countries in 2008, while in Djibouti and Lebanon, intra-OIC exports accounted for more than 70 percent of their total exports. Syria, with \$12 billion intra-OIC exports corresponding to 68.4 percent of its total exports, was the only country to enter the top 10 list both by volume and share of intra-OIC exports. Jordan, Senegal, Kyrgyz Republic, Tajikistan, Togo, and Uzbekistan were also among the top 10 countries with the highest shares of intra-OIC exports in their total exports (Figure 6, Panel B).

Some of the major underlying reasons, among many others, of this state of affairs can be summarised as follows:

- The lack of political will, reflected as insufficient commitment to and lack of interest for effective ownership of cooperation activities and joint projects
- The absence of sufficient and clear funding arrangements for the implementation of cooperation projects and activities
- Continued shortcomings relating to a more active and effective involvement of the private sector, particularly the SMEs, in the OIC/COMCEC cooperation activities
- The lack of focus on concrete projects and initiatives of common and immediate interest to the member countries
- Limitations over requisite and sufficient exchange of information on existing facilities and opportunities in member countries as a basis for effective cooperation
- The absence of the right cooperation infrastructure and environment in national economies especially in relation to intra-trade and investment in different sectors
- The failure to focus on regional cooperation and joint action among neighbouring countries, including regional trade agreements, as incubators of OIC level projects and activities
- The inadequacy of free trade and industrial zones for intra-trade and intra-investment
- The lack of joint projects based on cross-border, transnational and inter-regional cooperation

- The lethargy in accelerating effective human resources development, technology development and sufficient support for social development

It is clear that the OIC is well-placed to initiate, design and carry out tangible end-results cooperation schemes and projects that would be mutually beneficial for all involved members. To this end, it is necessary to develop ways and means to muster the necessary collective political will and determination to overcome the impediments that have been hindering the realization of joint concrete action and tangible projects among the member countries that will enhance and expand economic and commercial cooperation among them at a global scale and for decades to come. Despite the shortcomings of the past, the COMCEC continues to function as an essential umbrella and catalytic agent for OIC economic and commercial cooperation activities. Furthermore, the past experience shows that COMCEC is still the OIC body that is best placed to continue to do so in the future, provided that the lessons of the past would be properly heeded. More importantly, a serious effort needs to be made to develop specific, implementable, action-oriented and properly funded cooperation schemes and project proposals for consideration within the framework of the COMCEC.

(For more details on the evaluation of OIC/COMCEC economic cooperation activities, see Appendix 1)



Experience of Other Regional Economic Cooperation/Integration Schemes

Economic integration is a process of removing or reducing restrictions and obstacles to trade and investment flows between two or more countries, aiming to accelerate economic growth and improve welfare. The regional trading arrangements (RTAs) serve as major instruments of economic integration through freer trade among a small group of countries and have become quite common and effective in international economic relations. The RTAs can take a variety of different forms such as a Preferential Trade Arrangement (PTA), which proposes tariff reductions in certain products or sectors agreed upon by the trading partners; a Free Trade Area (FTA), which requires the removal of tariffs among members; a Customs Union (CU), which is composed of a FTA plus a common external tariff (CET) policy against non-members; a Common Market (CM), which includes CU plus free factor mobility; a Monetary Union (MU) consisting of CM plus a common monetary unit (single currency) within the region; and Economic Union (EU), which is the highest degree of integration that includes MU and common fiscal and social policies implemented by the member countries.

The most important ingredient for a successful economic integration is the availability of the political will in the member countries, i.e. the willing of the political leaderships of the member countries to work together, eliminate all barriers to trade, allow free flow of goods, services, investments, and factors of production. An example of such political will is that demonstrated by the European Union (EU), the most successful of all trading blocs in the world.

Although the Organisation of the Islamic Conference (OIC) has been working on the enhancement of economic and commercial cooperation among its member countries for more than three decades, the results have remained rather limited in terms of coverage and concreteness. A quick comparison with the EU will show that the OIC is far from utilizing its huge potential. As of 2007, with 22.5 percent share in world total population, the 57 OIC member countries accounted for only 6.6 percent of world total GDP and 9.1 percent of world total exports. It is then obvious that the contribution of the OIC countries to world production and trade is less than satisfactory. Their average per capita GDP and trade shares are much lower than those in the EU. Meanwhile, in terms of the world's two most crucial resources, the share of the OIC countries are quite striking, commanding more than 70% of world oil and nearly 50% of world natural gas reserves. Moreover, the Intra-OIC trade is around 16% of the total OIC trade as compared to 65% in the EU.

A closer look at the experience of some Regional Economic Integration Schemes (REISs) around the world would provide useful insights and valuable guidance for the OIC. In this connection, although the experiences of the EU and NAFTA seem most prominent examples of such schemes, looking deeper into other REISs, which include developing countries among their members, such as ANDEAN, ASEAN, GCC, WAEMU, ECOWAS and MERCOSUR could be more appropriate for drawing insights for future cooperation among the OIC member countries.

The Community of Andean Nations (CAN); an integration scheme of four countries which voluntarily joined together to achieve economic and social development, was established in 1969. The areas of cooperation included environment, energy, customs duties, common democracy and human rights policy, etc. The members of the Community are Bolivia, Ecuador, Colombia and Peru. There are associate members as well: Chile, Argentina, Brazil, Paraguay and Uruguay. Mexico and Panama stand as observer countries.

Cooperation areas of the ANDEAN are Social and Political Area, Environment, External Relations, Economic and Trade Area, Institutional Area. In these areas, the fundamental objectives comprise **(a)** promoting the member countries' balanced and harmonious development under equitable conditions; **(b)** stepping up growth and job creation; **(c)** simplifying participation in the regional integration process, **(d)** aiming for the gradual formation of a *Latin American common market*; **(e)** reducing the member countries' external vulnerability and improving their positions within the international economy; **(f)** strengthening sub-regional solidarity and reducing differences in development among member countries; and **(g)** searching for a steady improvement of the living standards of the sub-region's inhabitants.

Since its establishment, the common external tariff has come into force, exports, shares of manufactured products and foreign direct investments increased; it has become the first regional group in the world to adopt a Community provision for the control and surveillance of chemical substances used in the illegal manufacture of narcotic drugs and psychotropic substances; a Community decision was adopted to protect and promote free competition in the Andean sub-region.

The Association of Southeast Asian Nations (ASEAN) was established as a geo-political and economic organisation on 8 August 1967. The ASEAN aims include acceleration of economic growth, social progress and cultural development among its members, protection of peace and stability in the region, and provision of opportunities for member countries to discuss issues peacefully. The ASEAN has several specialized bodies and arrangements promoting inter-governmental cooperation in various fields ranging from ASEAN Agricultural Development Planning Centre to the ASEAN University Network. The most remarkable achievement of the ASEAN is creation of a free trade area (AFTA) among some of its members.



The Economic Community of West African States (ECOWAS) is a regional grouping of fifteen countries, founded in 1975. Its mission is to promote economic integration in all fields of economic activity, particularly industry, transport, telecommunications, energy, agriculture, natural resources, commerce, monetary and financial issues, and social and cultural matters. The ECOWAS aims to promote co-operation and integration in economic, social and cultural activity, ultimately leading to the establishment of an economic and monetary union through full integration of the national economies of the member countries. It also aims to raise the living

standards of its peoples, maintain and enhance economic stability, foster relations among member countries and contribute to the progress and development of the African Continent. Among the achievements of the ECOWAS are in the sphere of trade, agriculture, free movement of people, industry, energy. The most important positive outcome of ECOWAS was the creation of the West African Economic and Monetary Union (WAEMU).

The West African Economic and Monetary Union (WAEMU) is an organisation of eight countries in West Africa established to promote economic integration among countries that share a common currency, the CFA franc. The WAEMU is, in essence, a customs union and monetary union between some of the members of ECOWAS. It aims to provide greater economic competitiveness, convergence in macroeconomic policies and indicators, create a common market, coordinate sectoral policies, and harmonize fiscal policies. Until now, the WAEMU members have implemented macroeconomic convergence criteria and an effective surveillance mechanism; adopted a customs union and common external tariff (early 2000); harmonized indirect taxation regulations; and initiated regional structural and sectoral policies. Yet, on the other hand, the WAEMU has some crucial weaknesses, such as the limited number of participants, low operational security level, poor technological infrastructures, and poor interbank relationships.

The Southern Common Market (MERCOSUR) is another Regional Trade Agreement (RTA) among Argentina, Brazil, Paraguay and Uruguay founded in 1991. The main purpose of the scheme is to promote free trade and the free movement of goods, persons, and money. Moreover,

MERCOSUR aims to provide free transit of production goods, services and factors between the members, adopt a common external tariff (CET) and a common trade policy against non-member countries, and to coordinate macroeconomic and sectoral policies of member countries relating to foreign trade, agriculture, industry, taxes, monetary system, exchange and capital, services, customs, transport and communications.



The process of trade liberalization among MERCOSUR members has been successful on many fronts, from increased trade flows and cross-country investments to consolidation of democratic regimes. Yet, on the other hand, internal dissonance among member countries, failure of Free Trade Agreement of the Americas (FTAA), problematic ANDEAN-MERCOSUR relations can be shown as failures of MERCOSUR.

The Gulf Cooperation Council (GCC) is a trading bloc involving the six Arab states (State of the United Arab Emirates, Kingdom of Bahrain, Kingdom of Saudi Arabia, Sultanate of Oman, State of Qatar, State of Kuwait) of the Persian Gulf with many economic and social objectives. The GCC has a wide range of objectives, such as formulating similar regulations in various fields of economy, finance, trade, customs, tourism, legislation, and administration; fostering scientific and technical progress in industry, mining, agriculture, water and animal resources; establishing scientific research centres; setting up joint ventures; encouraging cooperation of the private sector;

strengthening ties between their peoples; and establishing a common currency by 2010. Cooperation in the GCC also cover a wide range of areas, including economic cooperation, cooperation in political affairs, military cooperation, security cooperation, legal and judicial cooperation, media cooperation, cooperation in the field of human and environment affairs, cooperation in the field of auditing, economic relations with the other countries and economic groupings.



Since its establishment, the GCC had many achievements such as establishing a free trade area among member countries; establishing the GCC Customs Union; creating a Common Market; adopting a specific timetable for establishing the Monetary Union; adopting general strategies and policies among member countries; unification of laws, regulations and procedures in the economic fields; establishing the GCC joint institutions with a view to stressing the technical and economic cooperation among member countries; cooperation and coordination in the field of the basic infrastructure, such as roads, communications and telecommunications. On the other hand, there appear to be certain problems with the establishment of the Common Market and the Monetary Union.

Asia-Pacific Economic Cooperation (APEC); being the leading forum for facilitating economic growth, cooperation, trade and investment in the Asia-Pacific region, is the only inter-



governmental grouping in the world operating on the basis of non-binding commitments, open dialogue and equal respect for the views of all participants. APEC adopts decisions by consensus and commitments are undertaken on a voluntary basis. Besides, there is no treaty obligations required of its participants.

APEC was established in 1989 upon the call of the prime minister of Australia to further enhance economic growth and prosperity for the region and to strengthen the Asia-Pacific regional cooperation. The basic themes of the efforts focus on reducing tariffs and other trade barriers across the Asia-Pacific region, creating efficient domestic economies and dramatically increasing exports. The representatives of the 21 APEC member economies meet annually to develop strategies in order to promote growth and economic development in the Asia-Pacific region.

APEC concentrated its cooperation activities under three main headings, namely Trade and Investment Liberalisation, Business Facilitation and Economic and Technical Cooperation, through which it aims to further economic growth and improve employment opportunities and standards of living for the citizens of the region.

APEC spent a considerable amount of efforts to provide a better environment for business, and emphasises private sector participation in its activities. Moreover, it supports multilateral trade

negotiations in the WTO. Furthermore, the APEC Business Advisory Council, a high-level permanent forum of regional business leaders, advises APEC on private sector concerns. APEC also assists its developing members to achieve sustainable economic growth, by building institutional capacity and addressing long-term economic and corporate governance issues.

Table 1: OIC Countries that are also members in other Regional Cooperation/Integration Schemes

Regional Cooperation Schemes	Full Membership		OIC Members	
ANDEAN	Bolivia Colombia	Ecuador Peru		
APEC	Australia Brunei Canada Indonesia Japan Republic of Korea Malaysia New Zealand Philippines Singapore Thailand	United States Chinese Taipei Hong Kong, China People's Republic of China Mexico Papua New Guinea Chile Peru Russia Vietnam	Brunei Indonesia Malaysia	
ASEAN	Brunei Cambodia Indonesia Malaysia Myanmar	Lao PDR Philippines Singapore Thailand	Brunei Indonesia Malaysia	
ECOWAS	Benin Burkina Faso Cape Verde Côte d'Ivoire Gambia Ghana Guinea Guinea-Bissau	Liberia Mali Niger Nigeria Senegal Sierra Leone Togo	Benin Burkina Faso Côte d'Ivoire Gambia Guinea Guinea-Bissau	Mali Niger Nigeria Senegal Sierra Leone Togo
GCC	United Arab Emirates Bahrain Saudi Arabia	Oman Qatar Kuwait	United Arab Emirates Bahrain Saudi Arabia	Oman Qatar Kuwait
MERCOSUR	Argentina Brazil	Paraguay Uruguay		
WAMEU	Benin Burkina Faso Côte d'Ivoire Mali	Niger Senegal Togo	Benin Burkina Faso Côte d'Ivoire Mali	Niger Senegal Togo

Source: See Appendix 2.

Based on the brief review of the above-mentioned REISs, it can be argued that, in general, all these schemes were instrumental in increasing the trade volume among their members and all of them have been pursuing higher levels of integration over time after having started with free trade agreements. If the experiences of these REISs are to be taken into consideration for drawing insights for enhanced cooperation among the OIC member countries, one can conclude that economic cooperation and integration in the form of free trade, free flow of goods, services, capital, and investments across borders would generally be instrumental in varying degrees for promoting higher economic growth, creation of wealth, expanding job opportunities, faster technology transfer, expansion of innovation capacity, and improving welfare. Integration is also

expected to be instrumental for sustaining peace and stability, increasing the chances to pursue peaceful solutions for regional and international conflicts.

The existence and active participation of many OIC countries as members in the above-mentioned REISs (see Table 1) indicate that more advanced forms of cooperation within the OIC could be feasible and advisable in the foreseeable future by taking more concrete measures and steps to achieve higher levels of cooperation than those experienced in the past. In this context, the first step in this direction would be to activate the OIC trade preferential system (TPS-OIC) immediately, and push for higher levels of integration in the longer run, guided by the accumulated experiences of those fellow OIC members who had been partners in various successful non-OIC schemes.

Although, overall, the best example for the OIC over the long run would be the EU as the most successful and highly institutionalized cooperation scheme, it would be very hard to emulate the experience of the EU in the foreseeable future. It would be more realistic for the OIC to move in smaller concrete steps as part of a gradual transition. In this connection, one might suggest starting with initially small steps in sub-regional groupings within the OIC: (Gulf states, which are already there as GCC), East Asia (Indonesia, Brunei, Malaysia in ASEAN and other OIC members in the neighbourhood), Middle East (Turkey, Iraq, Syria, Jordan, possibly Iran), West Asia (members in ECOWAS-WAEMU and some other OIC members in the region), North Africa (Egypt, Libya, Tunisia, Morocco). In the medium and long run, these small groups could negotiate for further cooperation that would include larger portions of the whole OIC region, if found feasible and desirable. It should be also noted that taking into account the current and possible future trends, there may be certain key areas for cooperation that may carry a higher priority than others, such as finance, energy, agriculture, tourism, and information and communication technologies.

In the light of all the above, political will is the key element in furthering economic cooperation and integration among countries. Yet, one should keep in mind that strong political will and success in economic integration support one another both in theoretical and empirical grounds. In this regard, it might be difficult to muster the strong political will needed at the beginning, when the results are not yet seen. Therefore, in order to convince political decision-makers to take a stronger action towards integration and cooperation, it will be quite necessary to demonstrate the expected future benefits of such integration through quantitative research and economic analyses. For this, it is important to invest in capacity-building in the OIC countries: i.e. educate and train researchers and increase the number of experts who can conduct quantitative economic analyses.

(For more detailed information and analyses on this part see Appendix 2)

4 Experience of OIC Economic Cooperation: Agriculture and Tourism

It is obvious that the numerous cooperation activities among the OIC countries and the efforts so far made in trying to extend these activities to achieve more concrete results did not always secure the desired results in many areas and sectors. As examples, although the OIC member countries have so far organized many expert groups meetings and ministerial conferences to foster cooperation in agriculture and tourism, these cooperation activities did not lead to the desired level of cooperation in terms of concrete tangible joint projects. Meanwhile, outside of the OIC framework, the Food and Agriculture Organisation (FAO), for example, continued to provide tangible support to its developing member countries to help them modernize and improve agriculture, forestry and fisheries activities and ensure sufficient nutrition for their peoples. As for the tourism sector, the World Tourism Organisation (UNWTO) served as an effective global forum for tourism policy issues. It also played a central and decisive role in promoting the development of responsible, sustainable and universally accessible tourism, paying particular attention to the interests of developing countries. This organisation also helped its member countries to maximize the positive economic, social and cultural effects of tourism, while minimizing the negative social and environmental effects. Thus, in these two major sectors, the OIC countries stand to gain by learning from and taking advantage of the various technical and financial programs of the relevant international organisations, like the FAO, the UNWTO and others.

4.1 Agriculture

The agriculture is widely believed to be the primary economic activity for a variety of reasons in many of the 57 OIC member countries that are dispersed over wide areas and different climatic regions over four continents. One major issue is the fact that in the OIC countries other than those which are exclusively situated in the desert regions, agriculture comprises an important part of the overall economic activity: As shown in Table 2, employing 40.8 percent of the total population of the OIC countries in 2006 and contributing 14 percent to their total GDP (average of 2003-2007), agriculture is still considered as an important economic activity and assumed to play a significant role in the economic development of many of those countries. This is particularly true for the OIC-LDCs where the agriculture sector accounts, on average, for 27 per cent of their total GDP and reaches more than 30 per cent in the 13 African OIC-LDCs. The development of a modern agriculture sector in these countries would, therefore, help reduce poverty, secure food sufficiency and provide additional job opportunities for millions.

In contrast, agriculture sector plays a limited role in the economic development of a group of OIC countries that include the major fuel exporters, since almost all of them are located in the world's most arid regions with poorest of water resources. To a lesser extent, this is also true for some OIC member countries in West Asia and North-eastern Africa where drought is a recurring phenomenon with sharp annual fluctuations in agricultural crops and livestock production.

Table 2: Population in Agriculture and Share of Agriculture in GDP

	Population in Agriculture (2006)		Rural Population 2007	Rural Population 2007	Share in GDP	Share in GDP (Average 2003-2007)
	Million	% of Total	Million	% of Total	(%)*	%
OIC Countries	573	40.8	771	53.9	14	13.4
World	2,618	39.7			4	
Developing Countries	2,589	46.0			16	

*Source: SESRIC BASEIND, FAO FAO-Stat Online Database, World Bank World Development Indicators Online Database, UN National Accounts Main Aggregates Database, *2000-2004 Average*

The effective and productive use of land in agriculture is an essential element in the process of agricultural development. In this connection, the 57 OIC member countries cover about 24.1 per cent of the world's total land area and 20.5 per cent of the world's total arable land. Although the arable land area of the OIC countries accounts for only 8.9 per cent of the total land area (2007), the permanent crops land of the OIC countries accounts for 34 per cent of the world total. Thus, it accounts for 16.8 per cent of the arable lands, which is considerably higher than the world average of 10.1 per cent (Table 3). Therefore, due to inefficient land use in agriculture, inadequate agricultural investments and technologies, and scarcity of water resources and the use of insufficient irrigation systems, agriculture sector in most of the OIC countries is specialized in the production and export of a few traditional primary agricultural commodities such as cocoa, coffee and rubber.

Table 3: Agricultural Use of Land Area, 2007

	Land Area (2007)	Arable Land (2007)		Permanent Crops Land (2007)	
	Sq KM	Million Hectares	% of Land Area	Million Hectares	% of Arable Land
OIC Countries	32,466,260	290	8.9	49	16.8
World	134,526,216	1,415	10.5	143	10.1
OIC as % of World	24.1	20.5		34.0	

Source: SESRIC BASEIND, FAO Aqua-Stat Online Database

On the output side, large differences exist in agricultural production among OIC individual countries and sub-regions. Total agriculture production of the OIC countries accounts for around 15 per cent of the world total agriculture output of cereals and fruits and vegetables and only 7.9 per cent of its total meat production (Table 4). It is also observed that the total OIC agricultural production concentrated in a few member countries, where only 7 countries produced 73 per cent of the total of OIC cereals, 69 per cent of their total fruits and vegetables production and 56 per cent of their total meat production.

Table 4: Agricultural Production (Million Tons), 2007

	Cereals	Vegetables and Fruits	Meat
OIC Countries	355	225	21
As % of World Total	15.1	15.3	7.9
<i>Source: SESRIC BASEIND, FAO FAO-Stat Online Database</i>			

As pointed out above, since a large number of the OIC member countries are located in the world's most arid regions, drought causes sharp annual fluctuations in crop and livestock production in many of those countries, which in turn, leads to shortages in food security in many of them. This means that those countries do not have the capacity to produce enough agricultural products to meet the needs of their growing populations and the demand for food, thus, continuing to rely heavily on agricultural imports, particularly of food products, where in terms of 2007 agricultural production index of the FAO, 27 OIC countries recorded a lower agriculture production index than that of the world average.

Table 5: Trade in Agricultural Products, 2007

	Million \$	% of Total	Share of Food (%)
<i>Imports</i>			
World	1,147,467	8.1	79.9
OIC Countries	120,217	10.7	80.5
As % of World	10.5		
<i>Exports</i>			
World	1,112,760	7.9	81.0
OIC Countries	88,796	5.9	81.4
As % of World	8.0		
<i>Source: SESRIC Database, BASEIND</i>			

As shown in Table 6, while the total imports of food products of the OIC countries amounted to \$96.7 billion in 2007, corresponding to 10.8 per cent of the world's total food imports, their total food products exports amounted to \$72.2 billion, corresponding to only 8 per cent of the world's total food exports. Thus, as a group, the OIC countries experienced a deficit in their food-trade balance of \$24.5 billion in 2007 compared to almost \$15 billion deficit in the world food trade in the same year.

Yet, a significant number of OIC member countries from different climatic regions figure among the top 20 producers of major agricultural commodities worldwide (Table 7). These commodities vary from cereals such as wheat, rice and maize to tropical/temperate zone commodities such as cocoa, coffee, rubber and sugar. On the other hand, the supply of agricultural products, mainly food products, in most OIC countries does not keep pace with the rapidly increasing demand for food due to the rapid increase in their populations, leading to a widening food gap to be filled by imports. This makes those countries vulnerable to any sharp rise in the international prices. Moreover, food shortages continued to affect some OIC countries like Somalia, Sudan, Iraq and

others, which faced food emergencies and were classified as food-deficit countries at the world scale.

Table 6: Trade in Food Products (Million \$), 2007

	Exports	Imports	Trade Balance
World	901,281	916,255	-14,974
OIC Countries	72,253	96,758	-24,505
As % of World	8.0	10.6	-164

Source: SESRIC Database, BASEIND

Table 7: OIC Countries among Top 20 World Producers of Major Agricultural Commodities

Countries	Cocoa	Coffee	Cotton	Maize	Natural Rubber	Palm Oil	Rice	Soybean	Sugar Beet	Tea	Wheat
Afghanistan											20
Bangladesh							4		11		
Burkina Faso			14								
Cameroon	6				14	13					
Côte d'Ivoire	1	11			8	8					
Egypt			12				13				15
Gabon					20						
Indonesia	2	4		8	2	1	3	10	7	7	
Iran								18	10	10	14
Kazakhstan			18								10
Malaysia	13		13		3	2					
Mozambique										18	
Nigeria	4			10	9	3	18	11			
Pakistan			4	18			12				6
Sierra Leone	16										
Syria			8								
Tajikistan			17								
Togo	8										
Turkey			7	12					6	5	8
Turkmenistan			9								
Uganda	19	12								13	
Uzbekistan			6								18

Source: FAO's Statistical Database, FAOSTAT

The vital importance of agriculture sector in the economies of the OIC member countries, especially the importance of the issues related to food security, and, thus, the urgent need for growth and development in the agriculture sector had been recognized quite early. It was also realized that the food issue was closely linked with agricultural production, productivity, input use, infrastructure, agricultural policies, trade and related issues. Consequently, in the context of its rapidly expanding economic agenda, the OIC began to focus quite extensively on agriculture and food security, particularly in the period between the Sixth Islamic Conference of Foreign Ministers in July 1975 and the Second Expert Group Meeting on Food and Agriculture in November 1979. Since then, many OIC ministerial conferences on Food Security and Agricultural Development

took place. In addition, the issue of agriculture was specifically mentioned in the two OIC Plans of Action adopted by the OIC member countries at the Summit level.

The First Ministerial Conference on Food Security and Agricultural Development, held in Ankara on October 20-22, 1981, adopted a "Program of Action" in the field of Food and Agriculture for the OIC member countries. Yet, the eventual progress in this regard was limited. The Third Islamic Summit, which was held in Mecca Al Mukarramah in 1981, adopted the 1981 OIC Plan of Action to Strengthen Economic Cooperation among Member Countries of the Islamic Conference, which contained a section on cooperation in the area of food security and agriculture as follows:

- *With a view to creating balanced development of the agriculture and industrial sectors of the economies of Member Countries, greater accent be placed upon agro-based and agro-related industries such as the production of tractors, fertilizers, seed industry, pesticides as well as the processing of the agricultural raw materials;*
- *To ensure food security in the Islamic World, regional food reserve stocks must be created;*
- *Necessary measures be taken to improve the agricultural infrastructure and the transport facilities;*
- *Consider to devise ways and means for tackling such natural phenomena as desertification, deforestation, water logging and salinity;*
- *The Islamic Development Bank and other financial institutions should play more active roles in financing food and agricultural projects of Member Countries both at national and communal levels.*



The Second Ministerial Conference on Food Security and Agricultural Development was held in Istanbul in March 1986. The Conference reviewed the implementation of the decisions adopted earlier and streamlined its research program. The Conference also deliberated upon possible new areas of cooperation in the agriculture sector, including fisheries and fishing technology, seed industry, irrigation and livestock and animal husbandry. The Third OIC Ministerial Conference

on Food Security and Agricultural Development took place in Islamabad on 18-20 October 1988. The Ministers reviewed various food issues and adopted indicators for the purpose of monitoring the level of the food security in the member countries. The member countries also recommended collaboration in livestock among Islamic countries and agreed to establish an OIC Food Security Reserve based on the principle of collective self-reliance.

The 1994 OIC Plan of Action underlined the major problems facing the OIC community in the field of food and agriculture such as hunger, malnutrition, famine, widespread and mass poverty,

desertification and under utilization of the existing potentials, the insufficiency of food production, the impacts of the need to import the greater parts of their food requirements and the concomitant heavy food import bills that put a strain on the foreign exchange vitally needed for overall development. The Plan, accordingly, specified some programs of actions to be undertaken at the OIC level as follows:



- Promoting and expanding cooperation in the area of agricultural research and development of joint activities, by giving a pivotal role to the private sector
- Overcoming major threats to food production caused by plant and animal pests and diseases through Early Warning Systems and other joint mechanisms
- Identification and implementation of joint ventures in the area of food and agricultural production, with the active participation of the private sector
- Promotion of investments in rural infrastructure by making use of the existing facilities within OIC including those at IDB, and development of agricultural credit systems

The Fourth Ministerial Conference on Food Security and Agricultural Development was held in Tehran in January 1995. The Declaration issued by this Conference emphasized the need to explore ways and means to increase agricultural production and decided to periodically review the situation of food security in all OIC member countries.

Notwithstanding all these efforts, the OIC countries did not reach, over these long years, workable cooperation arrangements with concrete results in agriculture sector to help the development efforts of the member countries. All the above-mentioned conferences and meetings have only brought out, although not yet realized, ideas to enhance cooperation among the OIC member countries in food and agriculture. Among others, these ideas include:

- Strengthening cooperation in the field of preparation and implementation of food security programs on regional and national levels and in rehabilitation and rebuilding of the agricultural sector in poor countries
- Financing food and agricultural projects at national and communal level
- Solving the financial constraints on food production
- Sharing agricultural technology among OIC member countries

On the other hand, the Food and Agriculture Organisation (FAO) has been helping developing countries and countries in transition modernize and improve agriculture, forestry and fisheries practices and ensure good nutrition for people. FAO supports food production in member countries through, *inter alia*,

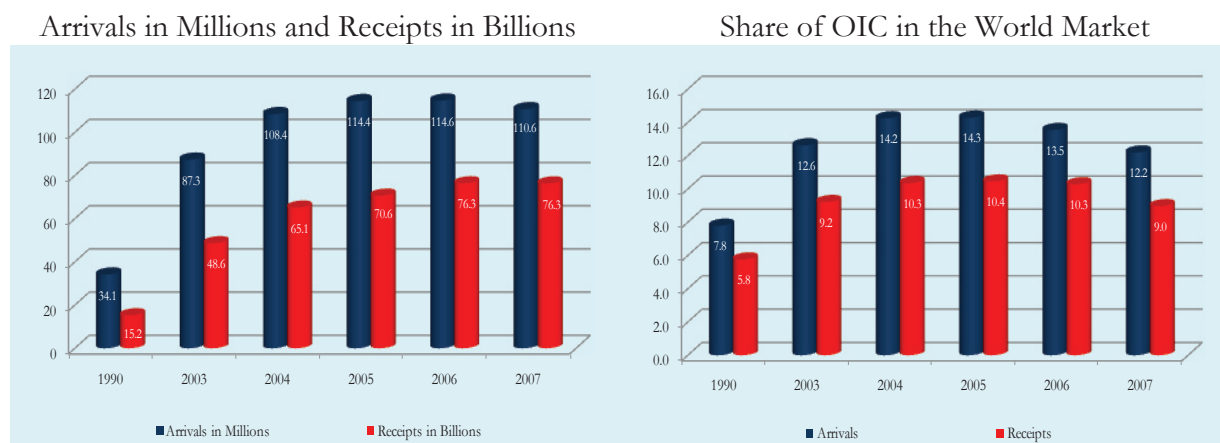
providing improved seeds, fertilizers and other agricultural inputs, helping countries to prevent and prepare for natural disasters, using funds for greater investment in agriculture and rural development.

The International Fund for Agricultural Development (IFAD), as another example, has the Country Strategic Opportunities Programme (COSOP) which provides support for agricultural and rural development projects and programmes with the aim of increasing agricultural productivity, enhancing market access, strengthening human capital, and addressing vulnerability and major threats to rural livelihoods through highly concessional loans and grants, particularly for the poor people and smallholder farmers in rural areas. The debt program of the IFAD aims at eliminating loans and introducing a grant-only scheme for the world's poorest countries that are unable to sustain their debts. The World Food Program (WFP) uses ground-breaking technology to direct assistance to countries where this technology is most needed. The WFP also launches an appeal to the international community for funds and food aid. Through the Enhancing Food Procurement Program, the WFP undertakes procurement activities. Finally, the World Bank provides low-interest loans, interest-free credits and grants for developing countries in the agriculture sector. (See Appendix 3 for more detailed information on this subject).

4.2 Tourism

Tourism has also been very important for the OIC countries, not only on account of their existing and potential tourism resources, but also because their citizens travel outside in large numbers for business, leisure and other purposes. Consequently, tourism, with its realized and potential contributions to overall economic growth, figures significantly in the economic cooperation activities of the OIC. Yet, this potential is not being fully utilized as the OIC countries still have a modest share in the world tourism market and the bulk of the OIC tourism activities are still concentrated in a few member countries. It should be noted that if properly planned and organized, tourism, as a sector, can play a very significant role in the socio-economic development phenomena of OIC countries.

Figure 7: International Tourism in OIC Countries

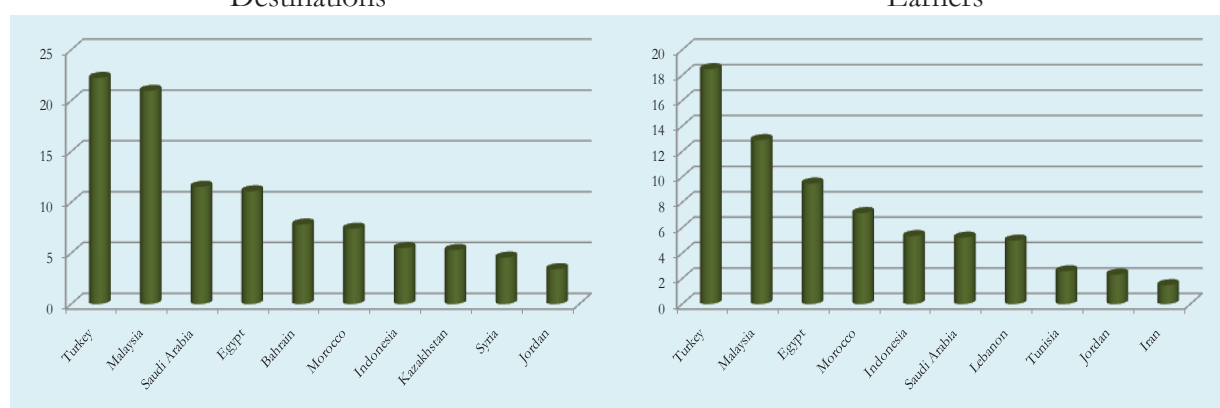


Source: SESRIC Database "BASIEND".

According to the latest available data, the number of international tourist arrivals in OIC countries reached 114.6 million in 2006, corresponding to 13.5 per cent share in the world international

tourism market (Figure 7). The international tourism receipts generated by these tourists amounted to \$76.3 Billion in the same year, corresponding to 10.3 per cent of the total world tourism receipts. It should be noted that the slight decrease in these figures in 2007, as shown in Figure 7, is only due to the unavailability of the data on a significant number of countries in that year. Moreover, it is observed that the bulk of international tourism activities in the OIC countries, in terms of both the number of tourist arrival and tourism receipts, is still concentrated in a few countries. In this context, Figure 8 shows that, in 2007, only 10 countries (the top 10 OIC tourism destinations), namely Turkey, Malaysia, Saudi Arabia, Egypt, Bahrain, Morocco, Indonesia, Kazakhstan, Syria and Jordan hosted 100 million tourist arrivals, corresponding to 90.4 per cent of the total international tourist arrivals in OIC countries.

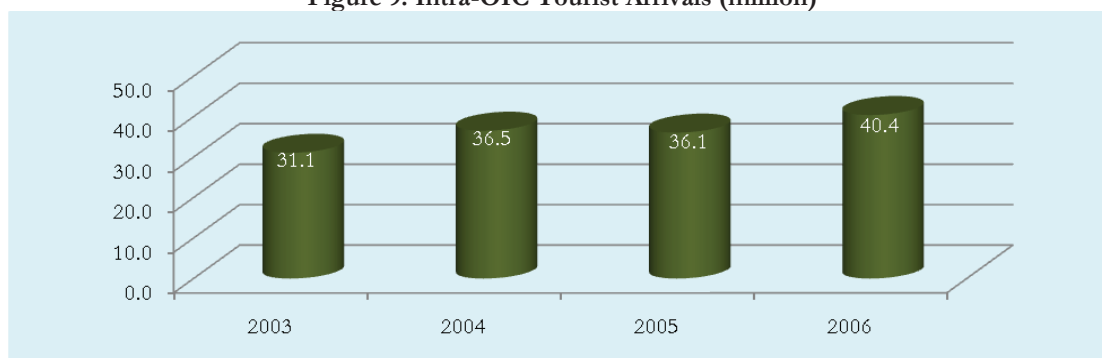
Figure 8: Top 10 Tourism Destinations and Earners



Source: SESRIC Database "BASIEND".

Similarly, the bulk of international tourism receipts in OIC countries is still concentrated in a few countries. Figure 8 shows the top 10 tourism earners among OIC countries (almost the same OIC countries of the main tourism destinations). In 2007, international tourism activities generated revenue amounting to US\$ 70 billion, corresponding to 91.7 per cent of the total tourism receipts of the OIC countries in that year. On the other hand, according to the data available, intra-OIC tourism, in terms of tourist arrivals, increased to 40.4 million tourist arrivals in 2006, compared to 31.1 million in 2003 (Figure 9).

Figure 9: Intra-OIC Tourist Arrivals (million)



Source: SESRIC Database "BASIEND".

Overall, though the OIC member countries have the potential of achieving a sustainable international tourism sector, many of these countries are still facing some challenges in this regard, such as the lack of technical know-how and weak promotional activity, inappropriate tourism-related infrastructures and investment, the lack of consistent tourism strategies and policies, and the lack of tourism diversification and tourism safety.

To overcome these challenges, there is a need for enhancing cooperation at the OIC level in this important area through adopting long-term strategies along with medium- and short-term plans and programs. In fact, several meetings at the expert level and six ministerial conferences have been held so far held on the subject in order to enhance OIC cooperation in this area. Furthermore, the importance of this item was also well noted and stressed by various Islamic Summit Conferences. Among others, the following recommendations and project proposals have been frequently mentioned in many of the OIC meetings on tourism:

- *Establishing an OIC alliance among the airline companies of the OIC countries and initiate direct flights between their capitals and major cities*
- *Simplifying tourism visa and other legal and administrative travel among the OIC countries*
- *Encouraging public and private joint venture investments in tourism through providing special facilities and preferential treatments for investors from the OIC countries and joint dissemination and exchange of information on tourism investment*
- *Developing and organising Joint training/vocational programs on various aspects of the tourism industry in the OIC countries*
- *Establishing linkages or networks among tourism training institutions in the member countries to facilitate the exchange of experts and research on tourism development*
- *Encouraging the OIC member countries, particularly those with high tourism potential but low technical know-how, to take advantage of the various technical and financial programs of the relevant international organisations*
- *Facilitating and establishing OIC linkages in air, land, rail and sea transportation with a view to easing access from one destination to the other within the OIC region*
- *Establishing alliances between tourism stakeholders in the OIC countries, particularly between the official tourism promotion bodies, with a view to strengthening tourism marketing and promoting cooperation at the sub-regional level as well as at the level of the OIC region as a whole*



WORLD TOURISM ORGANIZATION
ORGANISATION MONDIALE DU TOURISME
ORGANIZACIÓN MUNDIAL DEL TURISMO
ВСЕМИРНАЯ ТУРИСТСКАЯ ОРГАНИЗАЦИЯ
منظمة السياحة العالمية

On the other hand, it is worth mentioning that the World Tourism Organisation (UNWTO) serves as a global forum for tourism policy issues. It also plays a central and decisive role in promoting the development of responsible, sustainable and universally accessible tourism, paying particular attention to the interests of developing and least-developed countries. For example, the UNWTO program for "Destination Management" has been developed to

responding positively to the growing needs for systematic, multidisciplinary and inter-sectoral strategies for tourism development at local, regional and national levels. The UNWTO also promotes sustainable livelihoods and combats poverty through the implementation of joint tourism development projects within its ST-EP Program. The UNWTO also has a program that gives grants for tourism education and training. Moreover, the main mission of the Risk and Crisis Management program of the UNWTO is to assist members to assess and mitigate risks, where travel and tourism is concerned, through development, planning, and implementation of crisis management systems that will reduce the impact of, and assist in the recovery from crises. In addition to the possibility of benefiting from these examples of cooperation activities and project ideas, the OIC member countries can adopt this experience and implement it within the framework of the OIC (For more detailed information on this subject, see Appendix 3).

5 Enriching the Agenda of the COMCEC

This research project on Enhancing Economic and Commercial Cooperation among the OIC Countries: Enriching the Agenda of the COMCEC aims at (i) undertaking a critical review of both the achievements and the shortcomings of the OIC economic cooperation activities, particularly the 25-year experience of the COMCEC, (ii) collating examples of successful cooperation schemes of other regional groupings, (iii) collecting and collating ideas, recommendations and specific project proposals from different quarters through surveys, interviews and brainstorming sessions among experts from different walks of life on how to redress the shortcomings of the past, enrich the agenda of the COMCEC and enhance the future achievements in terms of more concrete and tangible results in OIC economic cooperation.

This section presents the end result of all the efforts spent in implementing the project, in terms of the project proposals and recommendations for enhancing OIC economic and commercial cooperation, which are expected to enrich the future agenda of the COMCEC. The hope is that the deliberations on the special agenda item devoted to this particular subject during the 25th Session of the COMCEC in November 2009 will come up with a certain consensus on some of the ideas and project proposals contained in this section and adopt them as new COMCEC agenda items with the aim of reaching more tangible results in the OIC economic and commercial cooperation. The project proposals and recommendations listed below show that they constitute a collective conscious effort to address many of the issues that hindered the effectiveness of the OIC economic cooperation in the past, such as the need for redressing the perennial lack of political will in support of joint action on the part of the OIC member countries, the crippling problems relating to bureaucratic, legal and administrative barriers in front of intra-OIC trade and investment, shortcomings in infrastructure, transport and communication facilities, lack of finance and proper funding in many essential areas and the need to enhance capacity building.

5.1. Project Proposals for “Enhancing OIC Economic and Commercial Cooperation”

This section presents description, rationale, expected benefits, potential partners and financial arrangements for each project proposal. These projects have been proposed in various areas of potential cooperation among the OIC member countries with a view to enhancing intra-OIC trade and investment in these areas. Some of these project proposals could be implemented in the short term and others could be implemented in long term. On the other hand, some of these projects could be started with the participation of some concerned member countries and in later stages other interested member countries may also join these projects. It should be also noticed that in order to implement some of these projects, naturally in some cases member countries may need to make certain amendments/changes in their regulations.

1. Establishment of “Seed Improvement and Production Centre in the OIC Region”

Description: Recently, development of higher quality seeds has become an activity that yields substantial value added through increased output levels and substantial productivity gains. As a result, dependency of agriculture on improved seeds has increased considerably, especially in the face of the growing importance of food security.



The proposed project aims at establishing an OIC seed improvement and production Centre with the major objective of safeguarding plant species in OIC member countries that would insure higher output levels of better quality. The proposed Centre will not only meet the own needs of the OIC member countries through providing seed conservation and production services, but will also help them face up to the powerful global monopolies that have come to dominate the world scene

in this vital area. Furthermore, the proposed Centre would provide an insurance policy against the extinction of plants by storing seeds for future use, providing a controlled source of plant material for research, building up skills and knowledge that would support wider plant conservation, and contributing to education and public awareness about plant conservation.

Rationale and Expected Benefits:

- To collect seeds, herbarium specimens and data from all around the OIC region
- To make the best quality seeds available for conservation and research
- To establish and develop a partnership and network arrangement in the area of seed improvement and conservation
- To carry out research regarding all aspects of seed improvement and conservation
- To facilitate access to newest information and best practice to all the project partners

Potential Partners: The Centre would be open to participation of all OIC member countries.

Financing Arrangements: The OIC member countries which are partners in the project are expected to share the cost of initial investment, as well as the running expenses of the project, yet financial support from regional and international funding agencies could also be secured.

2. *Establishment of an OIC Commodities Market*

Description: The proposed project aims at enhancing intra-OIC trade in commodities through establishing an “OIC Commodities Market”, preferably in a centrally located major city such as Istanbul, Cairo or Dubai. The proposed market is expected to operate online and allow for commodities trade both physically and in terms of tradable securities. The market is also aimed to be integrated with licensed storage facilities for the commodities.

Rationale and Expected benefits:

- To enable online trade of the commodities produced in OIC member countries globally in reliable and transparent platform
- To increase the depth in the commodities trading by attracting more investors to the market through the transformation of physical commodities into tradable securities
- To create additional collateral opportunity for the producers or financial institutions through the physical commodities kept in licensed storage facilities



Risks that need to be overcome include Restrictions and inconsistencies among trade policies of OIC member countries, possible problems due to insufficient banking systems in some OIC member countries, dominant position of some international brokerage firms or large

share of the public sector in commodities trade in some member countries and lack of standardization in product classifications among OIC member countries.

Potential Partners: The project would be open to all member countries on a voluntary basis. In the future, the Commodities Market may also be opened to non-OIC member countries.

Financing Arrangements: IDB, participant member countries and other interested OIC bodies are expected to provide 25-30 percent of the required capital in order to initiate the project, as well as to attract potential investors. The rest of the initial investment can be financed by the host country.

3. Creating a “Fund of Funds”

Description: The proposed project aims to create a multiple purpose private equity fund of at least USD 5 billion “Fund of Funds” to focus on long-term infrastructure investments, SMEs financing and agro-business investments in OIC member countries. It may be best managed by private investment banks, in association with national and regional development institutions such as IDB or its relevant subsidiaries.

The structure of the fund will be similar to that of Istanbul Venture Capital Initiative whose partners are European Investment Fund, SMEs Development Association of Turkey (KOSGEB), Technology Development Foundation of Turkey, Turkish Development Bank and private investment groups from Turkey and Europe.

Rationale and Expected benefits:

- To help channel private equity investments to priority areas in OIC member countries and to draw private capital and credit to those areas
- To encourage lending to SMEs, as the traditional finance institutions are generally reluctant to extend credit to SMEs
- To encourage and attract the reluctant investors through the initiated pioneer capital to invest in the member countries

Potential Partners: The project is intended to be open to governments, sovereign funds, public funds and development institutions from all interested member countries

4. Establishing a Platform of OIC Capital Market Authorities

Description: The proposed project aims at creating a platform of capital market authorities of the OIC member countries to exchange knowledge and experience. This platform can facilitate the potential stock market alliances in the future among the OIC capital markets, help establishment and/or development of stock and commodity markets in those member countries where such help is needed, development of legal and physical infrastructure for dual listing of the stocks and securities in the exchanges of the OIC member countries. In addition, this platform can provide investment education and training within the OIC community. The platform is also expected to develop projects and promotions to increase the tendency of people in the OIC member countries to invest in capital markets. The platform is expected meet annually but to continue its operations throughout the year.

Rationale and Expected benefits:

- To exchange know-how and expertise in capital markets among the OIC member countries

- To create opportunities and programs for investor education and awareness
- To promote personal investment within the OIC community
- To facilitate alliances and cooperation among the OIC stock exchange and commodity markets

Potential Partners: The platform is open to all interested member countries

5. Unification of Customs and Standardization of Documents in Border Crossings and Shipments



Description: Currently one of the most prominent impediments to the enhancement of intra-OIC trade is red tape in customs and lack of standard customs documentation. The proposed project aims at improving intra-OIC trade by facilitating the flow of goods through simplification of documents and standardization of procedures at the borders and in the customs administrations of the OIC member

countries. This is intended to be achieved through elimination of unnecessary paperwork and formalities; alignment of national procedures and developing internationally agreed formats for documents. The intended improvements will not be contradictory to the member countries' existing commitments to and memberships in regional integration groupings.

The project also aims at improving intra-OIC trade by providing preferential treatment towards shipments from the OIC member countries by giving them priority during the customs and inspection process. It is expected that the project is implemented with coordination between commerce ministries and borders and customs authorities of participating member countries. Relevant ministries and authorities should supervise and follow up the process and the procedures during the regular annual meetings at ministries level.

Rationale and Expected benefits:

- To increase the efficiency of the borders and customs operations in the OIC member countries
- To reduce the cost of shipments within the OIC community
- To improve and facilitate intra-OIC trade

Potential Partners: This project is open to all member countries.

6. Creating an OIC Mechanism to Settle Intra-OIC Trade and Investment Disputes

Description: The proposed project aims at developing a mechanism for conciliation and arbitration of international investment and trade disputes between investors and business persons from OIC member countries.

Currently, trade and investment values are far from the desirable level among the OIC countries. One of the main reasons of this situation is the difficulty of interpreting and conforming the relevant legal and administrative regulations of the member countries, which leads to undue investment and trade disputes. The proposed settlement mechanism is expected to mitigate such risks to facilitate trade and encourage flows of private investments among OIC member countries.

The governing body of the OIC dispute settlement mechanism will include selected high-level representatives of the OIC member countries and is expected to create and adopt the regulations and the rules for the workings of a dispute settlement committee to ensure fairness and independence. The proposed settlement mechanism is expected to be supported financially by the funds from OIC member countries.

Rationale and Expected benefits:

- To create a more investment friendly environment in OIC member countries
- To encourage the flow of private capital investments towards OIC member countries
- To facilitate intra-OIC trade

Potential Partners: The project is intended to be open to all interested member countries. It is expected that most countries are likely to be part of the mechanism as it would facilitate trade and investment of the signatory countries. All OIC member countries may be requested to sign a contract to become part of this convention. Yet, this arrangement may be started with bilateral contracts between interested pioneering member countries.

7. Strengthening the OIC Export and Investment Insurance Mechanism



Description: The proposed project aims at enhancing the functionality of the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) in a way that it would encourage intra-OIC trade and investments. The ICIEC was founded in 1994 with the idea of establishing of an entity to provide investment and export credit insurance for Islamic countries, and currently has 37 member countries and IDB as shareholders.

ICIEC's current mission is to encourage exports from member countries and to facilitate flow of foreign direct investment into the member countries by providing adequate export and investment insurance as credit and country risk mitigation instruments. This project proposes to increase the capital of the ICIEC through increasing the number of shareholders and their contributions, increasing the insurance coverage in order to include larger projects and export agreements. In this context, OIC member countries which are not yet members of ICIEC should be encouraged to become ICIEC members. Furthermore, in order to foster intra-OIC trade, special premia discounts on intra-OIC exports covered by ICIEC should be introduced.

Rationale and Expected benefits:

- To enhance and improve intra-OIC investment levels
- To increase the number of countries covered by the system
- To reduce the resource drain by encouraging trade and investment within OIC member countries
- To enable coverage for large scale projects and trade deals

Potential Partners: As mentioned above, 37 member countries already participate in ICIEC. The proposed project aims to cover all the OIC member countries.

8. Revitalizing the OIC Export Financing Scheme



Description: Over the years, exports have become the source of growth for many countries. Unfortunately, for many OIC member countries, this has not been the case. To a large extent, this is due to the limited access of the enterprises in the OIC member countries to adequate export financing. The proposed project aims at revitalizing the Export Financing Scheme (EFS) under the International Islamic Trade Finance Corporation (ITFC), which has been originally initiated by COMCEC and later activated by the IDB. However, following the establishment of

the ITFC, as a separate entity within the IDB Group, the EFS become a part in this new corporation. However, the ITFC provides only import financing to the member countries.

This project proposes that the ITFC should be encouraged to render the export financing system operational once again. In addition, it is recommended that the ITFC should charge lower mark-ups for the financing accorded to intra-OIC trade deals. Moreover, the EFS financing should have longer maturities for capital goods in order to support industrial development in member

countries. For these measures to be implemented, it may be necessary to increase ITFC's capital and its resource mobilization capacity.

Rationale and Expected benefits:

- To promote industrial development and economic growth
- To increase intra-OIC exporting capacities of the OIC member countries, and, thus, to increase intra-OIC trade

Potential Partners: This project is expected to enhance intra-OIC trade significantly; hence it is expected to benefit all member countries. Therefore, all the OIC member countries are expected to support this proposal at the OIC, COMCEC and IDB levels

9. Establishing an OIC Reinsurance Corporation

Description: The proposed project aims at establishing an OIC Reinsurance Corporation to resolve the insurance and reinsurance problems presently being faced by the member countries. The proposed Corporation would benefit the local insurance and reinsurance industry in the member countries by providing technical assistance, developing technical expertise and adding to their capacity. To mitigate the difficulties that may arise due to differences in insurance systems of the member countries, a task commission may be established to oversee the harmonization of insurance systems among the member countries.

Rationale and Expected benefits:

- To operate as a professional reinsurer, accepting business from the insurance markets in the member countries as well as other markets and redistributing its surpluses after net retention, with priority given to the national insurance and reinsurance markets of the member countries
- To invest a sizeable proportion of its funds in the member countries
- To serve as a regional centre for the collection of insurance information and exchange of expertise in insurance and reinsurance
- To arrange and manage reinsurance pools among the member countries

Financing Arrangements: National insurance agencies or authorities, with the possible participation of the IDB, may create a fund to accumulate the required capital for the implementation of the project and formation of the management board should follow the principle of equitable representation of the member countries. The corporation is expected to invest its reserves as equitably as possible within the member countries, keeping in mind sound investment policy.

Potential Partners: This project is open to all member countries

10. Establishing OIC Central Banks Association



Description: The proposed project aims at developing and enhancing cooperation among the Central Banks and monetary authorities of the OIC countries by establishing an Association of Central Banks of the OIC member countries. This association is expected to act as a forum to promote discussion and policy analysis among central banks and within the OIC financial community, and act as a centre for economic and monetary research for the OIC community.

This project also proposes the establishment of the OIC multilateral clearing house under the supervision of the proposed association of the central banks. This clearing house is expected to serve as a medium to ease the monetary transfers among the OIC member countries, hence to facilitate intra-OIC trade and capital flows.

Rationale and Expected benefits:

- To promote monetary and financial stability within the OIC community
- To act as a platform to exchange views and ideas of central banks and financial intermediaries
- To support economic research within the OIC community
- To coordinate the monetary responses by the OIC central banks in the times of global economic crisis

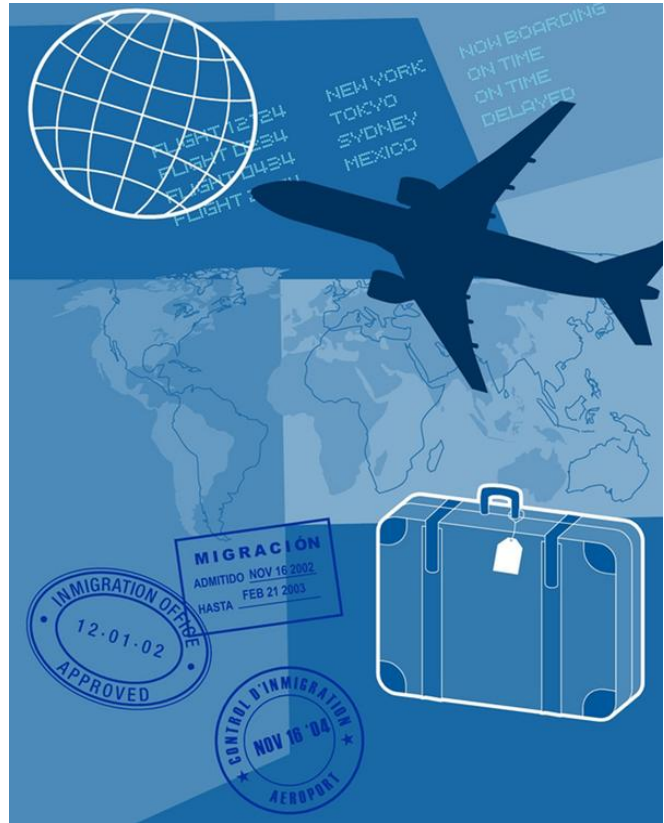
Potential Partners: The proposed project is open to all interested countries

11. Introducing Harmonized and Simplified Visa Procedures among OIC Member Countries for Students, Professionals and Business Persons

Description: Currently, in the majority of the OIC countries, essential travel for business, tourism and education is fraught with official impediments, particularly relating to visa difficulties. The proposed project aims at facilitating the mobility of business persons, professionals, experts and students among OIC member countries by introducing simplified and harmonized visa procedures.

Rationale and Expected benefits:

- To increase the volume of intra-OIC trade through more frequent visits and business deals by businessmen
- To facilitate the exchange of experiences, ideas, theoretical knowledge and technical know-how among professionals from different OIC member countries
- To enable the exploitation of direct investment opportunities by facilitating the travel of investors in OIC countries by means of investor visas
- More efficient use of human resources in OIC member countries through reallocation of professionals across regions and to enable benefitting from higher earning opportunities within the OIC community



It is expected that the proposed project may require 1 to 2 years of preparation period. The implementation period may take up to 10 years as it may be more appropriate to implement the project gradually.

Potential Partners: The proposed program may be initiated among the member countries with common borders and similar customs and immigration structures. Other desiring member countries may join the system as they complete their infrastructures. It may be more appropriate to implement the proposed project gradually.

Financial Arrangements: A certain portion of the financial cost of the program may be met through visa fees to be collected by the applicants, though it is advised to keep the fees at a reasonable level in order to keep the program attractive. The rest of the cost may be shared by OIC member countries as the project is expected to bring external benefits for all members.

An additional fund to support the project may also be created by introducing a “premium processing fee” which will guarantee the issue of a visa in a short and definite time period, if the visa application is approved. A similar option is currently available in the U.S. for investor and professional visas. A premium processing fee of an additional \$1,000 guarantees that the application process will be finalized in 15 business days, while the normal processing time for these types of visas vary from 3 months to 9 months.

12. Easing/Lifting Visa Requirements for the Tourists from OIC Member Countries

Description: The proposed project aims at increasing intra-OIC tourism by lifting the visa restrictions towards tourists from OIC member countries. The project proposes an arrangement which allows the tourists from OIC member countries to visit other member countries for a period of up to 30 days without a visa requirement.

Rationale and Expected benefits:

- To increase the volume of tourism activity among OIC member countries
- To increase the competitive advantages of member countries in tourism with respect to other alternative destinations
- To increase the sense of community and connectivity among OIC member countries

Potential Partners: It may be more appropriate to implement this project through bilateral and multilateral agreements among the member countries with suitable customs infrastructure and eagerness for the proposal. The project may eventually be extended to include increasing numbers of acceding member countries.

13. Developing an OIC Internet Portal for Tourism

Description: The proposed project aims at creating an online tourism portal under the OIC or COMCEC webpage where all types of tourism news, promotions, opportunities in the tourism sector for investors and updated information on tourism destinations in OIC member countries are presented in an organized manner.

This webpage is expected to be linked to various tourism internet portals such as tourism ministries of member countries, local tourism associations and other tourism promoting organisations.

Rationale and Expected benefits:

- To enhance visibility of the emerging the OIC tourism destinations of excellence
- To create awareness of the OIC's diverse tourism potential
- To promote all OIC countries and regions within OIC community as well as globally
- To create a platform for the exchange of experiences and practices within the OIC tourism organisations

The portal could be available at least in different languages most commonly spoken in OIC member countries, in addition to English.

Potential Partners: The project is intended to be open to all member countries. As some of the OIC member countries have more to offer in tourism, like Turkey, Malaysia, Egypt, Morocco and Tunisia, they are more likely to participate in the project and hence may be required to share a larger portion of the costs. Alternatively, the project can be implemented among a group of interested member countries at the outset.

Financial Arrangements: The cost of the project is expected to be paid by participating member countries' tourism authorities and also by the potential advertisers in the webpage.

14. Establishment of an OIC Airlines Alliance



Description: It is known that one major impediment that limits mobility within the OIC community is the lack of direct flights among many of the OIC countries. This project proposes the establishment of an alliance among the public and private airlines of OIC member countries, called “OIC Airlines Association”. The project aims at increasing the

number of direct flights between major cities and tourism destinations of the OIC member countries, as the number of direct flights is currently far from being desirable due to weak cooperation among the airlines of OIC member countries.

The project essentially proposes to introduce new direct commercial flights between some major destinations in OIC member countries. Therefore it is expected that the big portion of the cost will be paid by the passengers. However, during the initial phase of the project when the flights are not yet economical, additional funding in the form of government subsidies may be required. In order to create incentives for relatively poorer countries to support this project proposal, burden-sharing may be applied in favour of economically disadvantaged members.

The proposed project can be initiated in a limited number of major destinations and may be extended to additional destinations as deemed desirable and feasible.

Rationale and Expected benefits:

- To increase intra-OIC tourism

- To encourage trade and business deals by avoiding unnecessary and time consuming connecting flights among OIC member countries
- To increase the sense of unity and connectivity among OIC member countries

Potential Partners: It may be more appropriate to implement the proposed project in certain OIC sub-regions first, where these new direct flights are most needed and found feasible. Then, the proposed Alliance could be extended later to include other member countries in other sub-regions.

15. Establishment of an OIC Investment Promotion Agency

Description: The proposed project aims at creating a new agency to encourage and promote direct investments into the OIC region by facilitating investment opportunities in the member countries for both the investors from the OIC community and outside. The proposed Agency is also expected to serve as a reference point for international investors and as a point of contact for the concerned parties within the OIC member countries.

Rationale and Expected benefits:

- To increase the volume of foreign and intra-OIC direct investments into the OIC region
- To improve image of the OIC member countries as FDI destinations
- To assist investors through start-up clearances
- To propose national and OIC level policy reforms to improve the overall business environment in the member countries

Potential Partners: The project is intended to be open to all member countries

Financial Arrangements: Required funds for the initiation and operations of the agency can be provided by the participating member countries and some regional financial institutions such as IDB

16. Establishment of Fund for Consultancy Services



Description: The proposed project aims at creating a special fund to finance the consulting services needed to initiate and implement major infrastructure projects within the OIC member countries. This proposed fund is intended to offer incentives for the private and public companies to buy the goods and services needed for the project from providers of the OIC member countries. This fund will be instrumental in

creating a downstream incentive for the intra-OIC procurement of goods and services (especially contracting).

Rationale and Expected benefits:

- To create an alternative solution for non-OIC consulting services which usually tend to purchase goods and services from non-OIC member countries even for the investments made in an OIC member country

Potential Partners: This project is open to all interested countries

17. Establishment of a “Top OIC International University” Operating as a “OIC Centre of Excellence”

Description: The proposed project aims at establishing a highly selective and top quality higher education institution “University” focusing on the following fields: Business and Finance, International Relations, Public Policy and Law. The University is expected to be open to all students including those from non-OIC member countries as it is intended to enhance the cross-cultural understanding not only within OIC member countries but also between OIC member countries and others. The University can have headquarters in Istanbul and other three sites in different OIC sub-regions.



Practical training could be provided to the students in IDB and/or OIC related entities, international organisations and private sector. The case studies and programs may include issues of immediate interest to the OIC member countries. Students could be rotated in the different sites of the University during their studies and are expected to complete at least two practical training programs/sessions before their graduation.

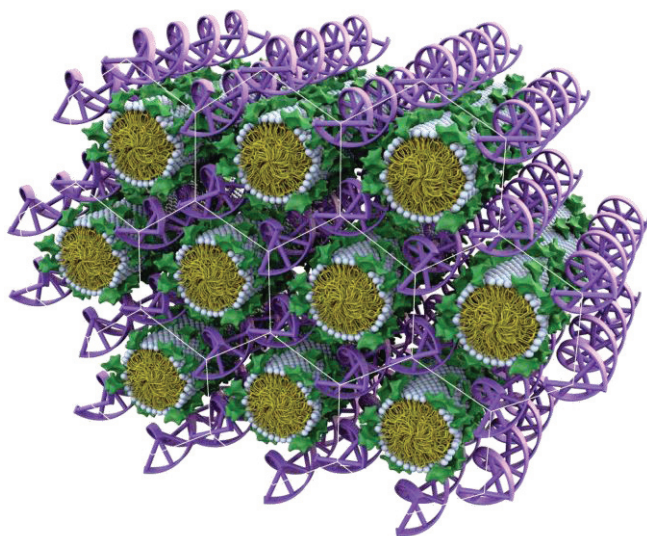
The medium of instruction in the university could be English. The University is encouraged to have top class teaching faculty from academics and business people and to keep the student-faculty ratio at levels comparable to elite American and European universities. The Board of Trustees could be selected among prominent academics/politicians and business people in OIC member countries.

Rationale and Expected benefits:

- To develop internationally competitive graduates of highest quality through international education given at levels comparable to Harvard Business and Law Schools, Wharton School, and the like
- To build up the human capital of highest calibres in the OIC countries in support of cadres for governments, business and academia

Financial Arrangements: The required capital for the construction of the University should be provided by the private sector; voluntary contribution from the member countries and the IDB can also be used. However, the University could be run as a profit-making entity and is expected to be managed independently by an international Board of Trustees made up of top-level people from different walks of life.

18. Developing a Special OIC Higher Education Student and Faculty Exchange Program



Description: The proposed project aims at introducing an exchange program specifically for university students and faculties in OIC member countries in order to increase the academic cooperation in teaching and research. The proposed Program is expected to reinforce and complement the OIC-VET project initiated by SESRIC at the level of higher education.

The program is expected to be open to all interested higher education institutions from OIC member countries and is intended to enable students to complete one

or two semesters of their university education in another member country, preferably at better equipped and placed universities than their own.

Rationale and Expected benefits:

- To encourage and support academic mobility of higher education students and instructors among OIC member countries
- To improve academic and research cooperation among the higher education institutions in OIC member countries
- To improve the language skills of the participants
- To develop international competitiveness through international education

The proposed project can be initiated as a pilot project within 2 years among some universities in OIC member countries with relatively similar academic systems and same medium of instruction. A joint commission by participating members may be established and this commission may develop a Credit Transfer System similar to ECTS (European Credit Transfer System) used by the ERASMUS program in Europe.

A special task commission may be formed among the member countries to streamline a relatively uniform and universal academic system across the member countries. Until then, the project may focus on cooperation among countries with similar academic structure and similar languages of instruction.

A special single visa across OIC member countries may be created for the participants of the proposed exchange program, both students and faculty, with minimum documentation requirements.

It may be more appropriate to initiate the proposed project within some country pairs or groups as a pilot program. The extent and the coverage of the project eventually may be expanded to cover all desiring and suitable OIC member countries. As it is mentioned above, the country groups may be based on similarities in linguistic and academic structure.

Financial Arrangements: The proposed project requires substantial commitment and funds from participating member countries through their ministries of education and participating higher education institutions. Additional funding may be provided by international and regional institutions which are mandated to support development efforts in the member countries.

19. Developing an OIC Universities and University Associations Network



Description: The proposed project aims at establishing a network among OIC universities through a platform of governing authorities of the national universities. Currently, there is a lack of cooperation and networking among OIC universities, hence increasing cooperation and transfer of experience and knowledge would enhance the collaboration in research and excellence in teaching in OIC universities; leading to the scientific development, economic growth and cultural interaction between the OIC member countries

The proposed network is expected to harmonize curricula and create common equivalency system for the diploma and certificates issued by the universities of the OIC member countries. That would enable increasing numbers of students to study abroad in OIC member countries.

The proposed network could be administered by a governing board elected for four or five years, comprising current or former rectors of leading universities in OIC member countries. The board would be responsible for developing the network's program and its implementation policy. The board could meet annually and in each time in different cities in the OIC member countries.

Rationale and Expected benefits:

- To facilitate cross-border academic and scientific cooperation among OIC member countries
- To provide mutual support towards establishing academic quality and research centres of excellence
- To create joint programs to accommodate and focus on the special historical and cultural characteristics of OIC countries
- To promote new technology and transfer of resources
- To facilitate student exchange and study abroad by establishing diploma equivalency standards

Potential Partners: The network is open to all interested universities and national governing bodies of the universities

Financing Arrangements: A special fund for the governing board could be created by annual contributions of the members of the OIC Universities Network

20. Creating an OIC Volunteer Corps Program

Description: The proposed project aims at creating a program where skilled retired professionals from OIC member countries are recruited to commit their expertise and time on a voluntary basis to fill the needs for their services in OIC member countries and facilitate social and economic development of the host country. The program participants are engaged a specified time period, ranging from 1 month to a year, to be spent in a specified country or location.

Rationale and Expected benefits:

- To transfer advanced knowledge, skills and know-how to least-developed OIC member countries through the services of highly skilled professionals employed in their areas of expertise in development projects

Potential Partners: The project is intended to be open to all member countries and their volunteers. However, the priority will be given to least-developed countries in assigning the volunteers for the various services

Financial Arrangements: The cost of travel and accommodation of the corps is to be covered by a special fund to be created specifically for this purpose by the member countries, IDB, SESRIC and other interested parties.

21. Creating an OIC-wide Prize Program

Description: The proposed project aims at creating a special prize program for officially recognizing the leading persons and institutions of exceptional quality in the OIC member countries, such as the best entrepreneur, the best company, the best bank, the best investor of the year, etc. The recipients of the prizes can be selected by a special committee composed of highly regarded academicians and professionals. The prizes are to be awarded annually and presented to the winners at a special ceremony during the annual COMCEC Sessions or the annual Sessions of the OIC Council of Foreign Ministers Meeting.

Rationale and Expected benefits:

- To encourage highest level innovation, research and exceptional achievements within the OIC member countries
- To promote and increase the visibility of the OIC within member countries
- To increase the recognition of OIC globally through its prize program

Potential Partners: The project is intended to be open to all member countries

Financial Arrangements: The fund for the prize program can be provided by OIC member countries and the OIC institutions

5.2. Recommendations for “Enhancing OIC Economic and Commercial Cooperation”

Besides the above mentioned project proposals, some other ideas and initiatives for enhancing the OIC economic and commercial cooperation were also made as the outcome of the interviews, survey and the brainstorming workshop. These recommendations are listed below under the relevant sector/area of potential cooperation among the member countries.

5.2.1. COMCEC and its Agenda

- The representatives of the private sector should be invited to participate in the annual Sessions of the COMCEC through organizing specific sector meetings and forming committees among businessmen, traders and investors of the OIC countries
- A mechanism should be developed within the framework of the OIC/COMCEC for following up the implementation of the various decisions, recommendations and project

proposals adopted at the annual Sessions of the COMCEC. Such a mechanism should be operating through a “core group” to be established for this purpose consisting of member countries and relevant OIC institutions

- The existing resources of the COMCEC in terms of staff, funding and organisational infrastructure should be upgraded and modernized with the aim of having the necessary capacities to organise the COMCEC Session as an OIC Economic Summit every five years



- Efforts should be made to reduce the number of the items at the Agenda of the annual Sessions of the COMCEC through focusing on one or two landmark themes or innovative items each year. For example, if the COMCEC had focused on implementing only one major initiative per year, it would have had 25 such initiatives by now
- A number of sub-committees of the COMCEC comprising eminent persons and people with experience and expertise should be established to develop strategies and programs on concrete economic cooperation project proposals
- Efforts should be made to strengthening COMCEC relations with the regional economic cooperation and integration groups where the OIC countries are also members such as ASEAN, ECOWAS, WAEMU and GCC
- Efforts should be made to increase public awareness on the work of the COMCEC and other OIC institutions, particularly for the private sector in the member countries

5.2.2. Trade and Investment

- Efforts should be made to improve the business environment in the member countries with the aim of increasing intra-OIC investment through, *inter alia*, introducing specific measures (preferential treatment to OIC investors) in national regulatory frameworks, especially in the OIC least-developed countries
- Joint trade and investment programs and strategies should be promoted through joint entities in the OIC markets led by investment banks and private sector investors
- Diversification of production capacity should be expanded and the value added content of the OIC tradable goods should be increased with specific focus on the SMEs in OIC member countries
- The production capacities of the OIC-LDCs should be built and upgraded: Aid for Trade

- OIC investors should be encouraged to invest in the OIC countries through, *inter alia*, establishing SMEs banks, venture capital, sovereign funds and micro finance facilities
- The existing micro-credit finance systems in the member countries should be coordinated and a network should be established for the microfinance institutions in the member countries
- The capacities of Islamic Banks should be improved and the network of the Banks should be expanded in terms of cooperation in the field of payments and credits among the Islamic banks, in order to facilitate the intra-regional trade among member countries
- The establishment of free trade and economic zones among neighbouring OIC countries should be encouraged
- Tax incentives should be developed to increase competitiveness and intra-OIC trade and technological improvements should be pursued in customs procedures in all OIC member countries
- A mechanism that will facilitate cross-border payments among the OIC member countries should be developed
- Body for Mergers and Acquisitions should be established, where potential investors and companies in the OIC countries can be matched
- An OIC Investment Promotion Portal should be established which will include information on investment education, investment opportunities, institutional framework, doing business and focal points. The Portal could be hosted, financed and managed by the SESRIC and IDB.
- An OIC Investment Facility should be established for economic diversification with a focus on productive investments (in agriculture, agro-processing and manufacturing industries, infrastructure)
- Advisory services should be provided to OIC investors through a new OIC body (e.g. OIC Investment Promotion Agency) or a network of national investment promotion agencies.
- An Islamic Insurance System should be established and/or the utilization of the existing private pension funds should be organised according to Islamic principles for the benefit of the least-developed OIC countries making good use of the example of the European Investment Fund
- A Platform for Islamic Banking with the aim of strengthening the network of Islamic banks should be established

5.2.3. Food, Agriculture and Rural Development

- Intra-OIC investment in agriculture should be encouraged for production of inputs (improved seeds, fertilizers, insecticides), processing of agricultural raw materials, building up of food security infrastructure (storage, communication and transportation), and establishment of agro-based industries to be financed nationally, internationally or by various development funds

- An OIC Food Security Program should be initiated on a regional basis for rehabilitation and rebuilding of the agricultural sector especially in the least developed member countries in order to prevent and prepare for natural disasters in the agriculture sector
- An OIC scheme should be established for coordinating bilateral and/or multilateral technical assistance in agriculture, starting with those low-income food-deficit countries with potentials for rapid expansion of production
- A market information exchange system should be established on the community-wide food markets and a periodical bulletin related to this endeavour should be published
- Research and extension services in agriculture in the member countries should be strengthened with communal exchange of experts and agricultural technology among OIC member countries
- The issue of water shortage should be addressed in the context of food security, public health and sanitation, and access to safe drinking water



- Well-known global OIC food brands should be produced through well-developed value chains and by providing sufficient financing to the private sector in order to compete in the global markets
- Organic cultivation and biological control of pests should be encouraged and joint agricultural projects for production of seeds

and livestock should be developed

- New cooperation projects should be developed to utilize idle agricultural lands in the OIC countries
- An OIC Agro-Business Fund should be established to encourage investments in food sector and food security programs

5.2.4. Tourism

- Efforts should be made by OIC member countries and relevant OIC institution to accelerate the implementation of the resolutions and plan of actions adopted by the Islamic Conferences of Tourism Ministers (ICTM)
- An OIC Forum for Tour Operators should be established to enhance intra-OIC tourism
- Vocational Training Programs for tourism within the OIC countries should be established and implemented

5.2.5. Industry

- Big size industrial projects, such as medium-range aircraft and satellite, should be designed and implemented jointly by the member countries. OIC member countries should follow timely the key emerging technologies like nanotechnology and allow the speedy introduction of these technologies in their production sectors.
- The Meeting of the Ministers of Industry should be organised to enhance the cooperation of the member countries in development of the industry politics and improvement of the productivity of the sectors
- The project on the Standardization and Metrology Institute among the OIC member countries should be revitalised



5.2.6. Transportation

- Cooperation in the shipping sector should be encouraged for a more cost efficient transportation of tradable goods. Organisation of the Islamic Shipowners Association (OISA) can present a concrete road map to enhance the cooperation and collaboration among the member countries.
- The Meeting of the Ministers of Transportation should be organised for improving OIC-wide cooperation in the transportation sector to make OIC member countries more connected among themselves through new projects in rail, air, road and maritime transportation



5.2.7. Energy

- Cooperation in renewable energy should be initiated and undertaking investments for developing advanced technology in renewable energy resources should be undertaken on a priority basis
- An OIC Carbon Market should be established which may provide a turning point for the member countries in fighting global warming and in helping to produce clean energy through appropriate investments. Such initiatives would also gain prestige for the OIC member countries, while contributing to their development.

5.2.8. Education and Human Resources

- Education and vocational training standards should be improved and investment in education sector and transfer of know-how among member countries should be promoted with the aim of creating a knowledge-based economy
- Internship and graduate programs in the area of trade and economics among chambers of commerce of the member countries should be developed. In this context, short term exchange programs for technicians and experts could be introduced to benefit private firms in the member countries.
- An OIC International Trainee Program like AIESEC should be developed

5.2.9. Science and Technology, R&D and IT

- An OIC-wide research and development program should be developed in a manner similar to European Union Framework Program in order to enhance cooperation and networking among the member countries and thus to increase their R&D capacity to a level compatible with the world average
- Cooperation in IT sector among OIC member countries should be enriched through exchanging experiences and know-how, as well as transfer of technologies and sharing capacity building programs
- An OIC Business R&D unit should be established
- Functional networks among the higher education institutions should be established especially in the areas of emerging fields such as nanotechnology to build up the human resources in the OIC member countries (research collaboration, exchange of faculty-researchers and design of joint academic programs)



APPENDIX 1



Economic and Commercial Cooperation among the OIC Member Countries: COMCEC Experience*

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* This paper is prepared by the consultants from PGlobal Global Advisory Services Ltd. The views expressed in the paper are the Author's and do not necessarily reflect those of the SESRIC and the COMCEC.



I. Introduction

Economic and commercial cooperation among the member countries of the Organisation of the Islamic Conference (OIC) have been on the agenda since early 1970's, having been taken up by many ministerial meetings, summit conferences and having constituted the sole subject of two Plans of Action that covered virtually all sectors of the economy. Nevertheless, in terms of actual concrete progress, it can be considered to be in its infancy. One of the prime mechanisms of the effort to enhance and expand such cooperation among the 57 member countries of the OIC has been the Standing Committee for Economic and Commercial Cooperation of the Organisation of the Islamic Conference (COMCEC).

This paper first discusses the development of economic and commercial cooperation among the OIC member countries, while trying to put the establishment of COMCEC into perspective. Next, COMCEC's establishment process and its institutional structure are reviewed. Development of COMCEC's cooperation agenda, as well as the preceding and parallel efforts under the OIC are taken up in the following section. The COMCEC agenda is reviewed in detail and assessed in the final section.

II. Development Objectives and Mechanism for Economic and Commercial Cooperation under the OIC

The umbrella of the OIC can be considered as the most structural and comprehensive mechanism of economic and commercial cooperation among Islamic countries¹. OIC was established as a reaction to the sacrilege of the Al Aqsa Mosque, in 1969 when Al Quds was under the Israeli occupation. In this respect, OIC commenced as a political cooperation process among Islamic Countries. The aim was to unite the efforts of the Islamic countries, through all- possible means, around concerns shared by Muslim populations and their governments.

The First Islamic Summit Conference was held in Rabat in September 1969. The foundations of the OIC were laid with the participation of 25 countries. The institutional development continued with the establishment of the OIC General Secretariat and the approval of the Charter of the OIC.

Despite the fact that the process leading to the establishment of the OIC arose from political considerations, economic cooperation and joint action soon became one of the priority areas. In line with this, certain steps were swiftly taken which, in turn, led to the development of an agenda of projects and areas of economic and commercial cooperation.

However, only after *the Second Islamic Summit Conference*, held in Lahore, Pakistan on 22-24 February 1974, a more comprehensive and multi-lateral economic cooperation agenda has started to be considered. Within this context, world economic developments of the time and the economic matters of interest to the member countries as a part of the developing world were deliberated upon and the need for joint economic action within the OIC in response to the global challenges were restated. As a result of the above deliberations, the OIC set to develop an extensive agenda on economic matters, covering issues of common interest and immediate concern to the member

¹ Islamic Countries are defined here as the countries where the majority of the population is Muslim.

countries in many sectors of the economy and in several areas of cooperation. The objectives of the OIC economic cooperation activities in these early years were as follows²:

- i. *Eradication of poverty, disease and ignorance in Islamic countries*
- ii. *ending exploitation of developing countries*
- iii. *regulating the terms of trade between developed and developing countries in the matters of supply of raw materials and import of manufactured goods and know-how*
- iv. *ensuring the sovereignty and full control of the developing countries over their natural resources*
- v. *mitigating current economic difficulties of the developing countries arising from price increases and other factors; and*
- vi. *mutual economic cooperation and solidarity among Islamic countries*

As a part the efforts made in order to accomplish the said goals by launching a wider spectrum of economic cooperation activities through systematic action, a number of key steps were taken concerning institutionalization, and a framework document for joint action was foreseen.

In line with this, the institutionalization of the OIC was quickly completed in order to have at hand the essential tools in dealing with the economic cooperation activities. For this purpose, the establishment of various subsidiaries, specialized and affiliated institutions headquartered in different member countries were quickly realized one after the other. Among these the subsidiary organs were the Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC- 1978 in Ankara, Turkey), the Islamic Centre for Development of Trade (ICDT-1979 in Casablanca, Morocco), Islamic Centre for Technical and Vocational Training (ICTVTR- 1978 in Dhaka, Bangladesh). The affiliated ones were the International Association of Islamic Banks (IAIB- 1977), the Organisation of the Islamic Ship-owners Association (OISA-1981), Federation of Consultants of Islamic Countries (FCIC- 1986), Federation of Contractors in Islamic Countries (FOCIC), and the Islamic Chamber of Commerce and Industry (ICCI- 1979). The Islamic Development Bank (IDB- in Jeddah, Saudi Arabia) was established as a specialized organ in 1974.

On account of the emergence of novel challenges both domestically and internationally for the member countries due to the rapid political and economic transformations taking place globally, *the Tenth Islamic Conference of Foreign Ministers (ICFM)*, held in Morocco in 1979, resolved to organize a high level meeting for an overall review of the totality of the economic issues of interest to the member countries in an effort to evolve a common position in line with the global preparations being undertaken within the framework of the UN.³

In this context, the initial draft of a detailed text was prepared in which the past OIC economic cooperation activities in various sectors and areas were brought together within a single document.

The said document was submitted to *the Third Islamic Summit*, held in Makkah Al Mukarramah and Taif, Kingdom of Saudi Arabia on 25-28 January 1981. The Summit adopted the document under the title of '*the Plan of Action to Strengthen Economic Cooperation among Member States*'. In this framework, the Third Islamic Summit constitutes an important milestone regarding the enhancement of economic cooperation among the Member States of the OIC. During the Summit, together with the adoption of the Plan of Action, the Heads of States also concluded the establishment of *the Standing Committee for Economic and Commercial Cooperation (COMCEC)*, along

² H.E. Mr. Habib Chatti, Economic Cooperation among OIC Member States- Building the Ground Work for an Islamic Common Market, *Journal of Economic Cooperation among Islamic Countries*, January 1984.

³ For more information see <http://www.g77.org/doc/>.

with two other Standing Committees, one in the area of Information and Culture and the other in Science and Technology⁴.

III. COMCEC: Establishment, Objectives and Institutional Framework

3.1. Establishment and Objectives

The establishment of COMCEC can be considered as the beginning of the most serious attempt within the OIC to implement economic and commercial cooperation in a systematic manner at the highest level. Its activities are overseen by the OIC Summit (Heads of States) and reported to the annual Islamic Conferences of Foreign Ministers (ICFM).

COMCEC was formally established through a resolution⁵ adopted at the Third Islamic Summit. Yet, it did not become operational until *the Fourth Islamic Summit Conference*, held in Casablanca, Morocco in 1984, when the President of the Republic of Turkey was designated as its Chairman.

COMCEC was established to make use of all possible measures to strengthen economic and commercial cooperation among the member states mostly by drawing up programs and submitting proposals designed to increase the capacity of the Member States in economic and commercial fields. The objectives of the COMCEC defined in accordance with the relevant resolutions adopted are stated as follows⁶:

- i. To coordinate and follow up the implementation of the resolutions of the Organisation in relation to economic and commercial cooperation, in particular, the provisions and recommendations of the relevant Plan of Action*
- ii. To study all possible means of strengthening economic and commercial cooperation among member states*
- iii. To draw up programs and submit proposals designed to increase the capacity of member states, both individually and collectively, in the economic and commercial fields, in accordance with the objectives and principles enshrined in the charter and the resolutions of the conference pertaining to these fields*
- iv. To serve as the central forum for member states to discuss international economic and commercial issues and to formulate policy recommendations aiming at strengthening their joint action*
- v. To ensure, through the General Secretariat, the overall coordination of the activities of the Organisation relating to economic and commercial cooperation among the member states*

3.2. Institutional Framework

Since its foundation, COMCEC has given utmost importance to the development of an institutional framework which would enable the Committee to cope with its assigned tasks in a more organized manner. The following organs, which are analyzed below in a detailed way, constitute the institutional basis of COMCEC:

⁴ The Standing Committee for Scientific and Technological Cooperation (COMSTECH) and the Standing Committee for Information and Cultural Affairs (COMIAC)

⁵ Resolution No.13/3-P (IS)

⁶ Statute and Rules of Procedures of the Standing Committee for Economic and Commercial Cooperation, adopted at the Fourth Session of the Sixth Islamic Summit Conference held in Dakar, Republic of Senegal, on 11 December, 1991.

- a) The General Assembly
- b) Follow-up Committee
- c) The Sessional Committee
- d) The General Secretariat

3.2.1. The General Assembly (GA)

As the decision-making body of the COMCEC, the General Assembly (GA) is composed of Ministers (or their representatives) responsible for the fields of competence of the COMCEC in all Member States. The GA carries out its work under the direction of the Chairman of the COMCEC. The GA meets annually on a regular basis. It may also be convened as extraordinary sessions.

3.2.2. The Follow-up Committee (FC)

The Follow-up Committee (FC) was established during *the First Meeting of COMCEC* held in Istanbul in November 1984 to provide institutional support to the Chairman of the COMCEC and the COMCEC General Assembly, in close collaboration with the General Secretariat and relevant subsidiary organs, specialized and affiliated institutions of the Organisation.

The FC was established also at the ministerial level. Composed of 11 members, the FC has permanent, as well as rotating members. The most recently renewed membership is as follows: Turkey (Permanent), Saudi Arabia (Permanent), Palestine (Permanent), Malaysia, Qatar, Indonesia, Sierra Leone, Pakistan, Kuwait, Iran, and Nigeria.

As stated in the Statute and Rules of Procedures of COMCEC, the Follow-up Committee is responsible for⁷:

- a. *Reviewing and monitoring the implementation of the programs and projects approved by the General Assembly*
- b. *Making reports and recommendations to the General Assembly on strategy and organisation of its work and on the progress of implementation of the decisions of the General Assembly*
- c. *Preparing the draft agenda of regular sessions of the General Assembly and of special Ministerial Meetings to be held for the first time under the auspices of the COMCEC*
- d. *Cooperating and seeking assistance from Member States and National, Sub-Regional, Regional, Inter-Regional and International institutions able and willing to promote the objectives and principles of the COMCEC. Any agreements in this regard will be approved by the General Assembly*

3.2.3. The Sessional Committee (SC)

The Sessional Committee (SC) reviews the activities and programs of the institutions affiliated to the OIC that operate in the areas of economy and trade, and reports the results to the COMCEC Meetings for coordination, guidance, and ratification, when necessary. The Sessional Committee has also been designated as the forum where the progress in the projects submitted to the COMCEC were reviewed and reported upon. Hence, the Sessional Committee meets simultaneously with each Follow-up Committee Meeting and each COMCEC session.

The meetings of the SC are open to all the Member States of the COMCEC.

3.2.4. The General Secretariat of the OIC (GS)

The General Secretariat of the OIC is the executive body of the COMCEC. Organisation of the COMCEC meetings, invitations and documents to be sent in, are concluded by the General Secretariat. Moreover, the GS informs the ICFM about the activities of the COMCEC.

⁷ Statute and rules of procedures of The Standing Committee for Economic and Commercial Cooperation, adopted at the Fourth Session of the Sixth Islamic Summit Conference held in Dakar, 11 December, 1991.

3.2.5. COMCEC Coordination Office (CCO)

As a focal point to deal with the matters pertaining to the COMCEC and to assist in the preparation and organisation of COMCEC's meetings, the COMCEC Coordination Office (CCO), a comprehensive secretariat within the State Planning Organisation of Prime Ministry of Turkey, has been established by the Government of the Chairman (Turkey). The CCO is tasked to ensure the coordination between the Chairman of the COMCEC and the General Secretariat regarding the organisation of the meetings. In the context of its designated responsibilities to ensure the regularity and success of the COMCEC, the CCO works in close cooperation and collaboration with the OIC General Secretariat and all the concerned OIC institutions in handling the technical and administrative aspects of the COMCEC meetings and related activities.

3.3. COMCEC's Statute and its Relations with the OIC

COMCEC is legally a specialized Committee of the Summit which was established by the Resolution No.13/3-P (IS)⁸. It carries out its tasks in coordination and cooperation with the ICFM. In its activities to strengthen economic and commercial cooperation among member countries, and for the realization of the projects on the agenda, COMCEC substantially draws upon the OIC General Secretariat, affiliated and related institutions and specialized institutions.

The institutions which COMCEC directly benefits from in performing its responsibilities pertaining to economic and commercial cooperation activities are IDB, SESRIC, ICDT and ICCI.

The above-mentioned institutions have undertaken most of the technical preparations relating to the feasibility and implementation of the projects that have come to the agenda of COMCEC. For instance, IDB, located in Jeddah, executed the projects related to Export Credit Insurance, the establishment of Islamic Clearing Union System and the Investment Guarantee Scheme. The feasibility work of another project, Long Term Trade Financing Mechanism, was also prepared and implemented by the IDB. SESRIC undertook and finalized the work on the revision of the 1981 Plan of Action and the subsequent formulation of the 1994 Plan of Action as a most important and strategic document of the OIC. Located in Ankara, Turkey, SESRIC has also prepared the inventory of the decisions concerning the economic and commercial cooperation within the framework of OIC, as well as various studies and reports assigned to it over time. ICDT, hosted by Morocco in Casablanca, took part in the preparation and execution of the two projects, namely, Trade Information Network of the Islamic Countries (TINIC), in close cooperation with the IDB⁹, and the OIC Trade Preferential System (TPS-OIC), besides many other studies.

IV. Early Years and Development of the Agenda of COMCEC

At the time of its foundation, the resolution establishing the COMCEC limited the number of member countries to 15¹⁰. Nevertheless, the entire membership of the OIC was invited to the first meeting by Turkey and a decision was later taken to extend COMCEC membership to all the

⁸ Statute and rules of procedures of the standing committee for economic and commercial cooperation, adopted at the Fourth Session of the Sixth Islamic Summit Conference held in Dakar, 11 December, 1991

⁹ www.comcec.org

¹⁰ Number of members of the other two Standing Committees (Standing Committee for Scientific and Technological Cooperation (COMSTECH), Standing Committee for Information and Cultural Affairs (COMIAC) that were established in third committee together with COMCEC, were also limited to 15.

member countries, which *the Fifth Islamic Summit Conference*, held in Kuwait in January 1987, subsequently ratified. Moreover, at the same Summit, a set of resolutions concerning the organisation of COMCEC's work and its all-encompassing role in the implementation of the Plan of Action to Strengthen Economic Cooperation among the Member States were also adopted, including the progress achieved at the first two sessions of the COMCEC. With the agreement of '*the Execution of COMCEC Activities*' accepted in the Summit, the overall supervisory role of the COMCEC in the implementation of the OIC Plan of Action was approved. Furthermore, the member countries were asked to assist COMCEC in carrying out this duty.

The Fifth Islamic Summit Conference came up with further measures concerning the economic activities of the OIC and the role that the COMCEC would play accordingly. In this regard, the frequency of the ministerial level meetings on the issues of economic nature was reduced and these meetings were incorporated into the stream of COMCEC activities. Furthermore, COMCEC was tasked to inform the annual ICFM about its activities and decisions in order to ensure the overall coordination and to avoid duplication vis-à-vis the economic agenda of the Foreign Ministers.

4.1. OIC Plans of Action to Strengthen Economic Co-operation among Member States

4.1.1. The 1981 Plan of Action

From the very beginning of the establishment of the OIC, there was the realization that effective joint political action needs to be based upon wide-ranging joint economic action. In the initial phase, following the UN example, the OIC has managed to establish the basic institutional structure needed to strengthen and develop economic cooperation among its member countries. In that sense, the Third Islamic Summit Conference can be considered as a milestone, particularly with the adoption of 1981 *Plan of Action to Strengthen Economic Co-operation among the OIC Member States*, together with the decision to establish the COMCEC.

In fact, the 10-point 1981 Plan of Action represented the culmination of all the past OIC work in the field of economic cooperation in terms of initiatives and joint action. It aimed to draw up clear guidelines for the future of the OIC economic cooperation to benefit all the members jointly and individually. The Plan pointed out the priority issues and modalities of economic, financial and technical cooperation in the ten sectors that covered a wide range of economic activities under the OIC economic agenda that had been developed until then.

The fields of cooperation that were enumerated in the Plan were food and agriculture; trade; industry; transport, communication and tourism; financial and monetary questions; energy; science and technology; manpower and social affairs; population and health; technical cooperation.

At the Fourth Islamic Summit Conference held in Casablanca in 1984, six fields of the Plan of Action were determined as the cooperation fields of priority till 1990, namely food and agriculture; trade; industry; transport, communication and tourism; energy; science and technology.

After the First COMCEC Meeting held in Istanbul in November 1984, it was concluded that COMCEC should not be responsible only for trade cooperation matters under the OIC, but should also act as a high-level body to supervise and coordinate different areas of economic activities which are covered in the Plan of Action. In the light of this resolution, ministers who

were in charge of the overall economy were invited to *the Second COMCEC Meeting* held in Istanbul in March 1986, instead of only the ministers of trade as before. Yet, issues pertaining to trade cooperation remained among the most significant agenda items under COMCEC.

The report of the recorded progress during COMCEC's first two meetings was presented at *the Fifth Islamic Summit*, held in Kuwait in 1987¹¹. A set of resolutions pertaining to the operations of COMCEC as a legal entity, as well as certain details of the arrangements relating to the activities under the Action Plan to Strengthen the Economic Cooperation between the Member Countries were adopted in this meeting.

The adoption of the 1981 Action Plan and the establishment of COMCEC empowered with extensive mandates to undertake to follow up and coordinate activities in the different fields of economic activity, were of utmost importance. Although the two landmark decisions relating to the adoption of the Plan and the activation of COMCEC as a Summit-level umbrella appeared to have created a positive atmosphere for cooperation, the success of the OIC economic cooperation has continued to remain rather limited during the 1980's and beyond.¹²

4.1.2. Assessment of the Early Phase of OIC Economic Cooperation Activities and Review of the 1981 Plan

In this context, there developed several obstacles in the implementation of the OIC economic cooperation activities in those early years to limit the achievement of tangible outputs and concrete achievements of direct benefit to the member countries¹³. It could be surmised that there were mainly four reasons that impeded and/or slowed down the attainment of the desired outcomes ranging from organisational and technical to financial and political¹⁴.

The first impediment resulted from the predominant rule that a consensus was required in the OIC fora for taking decisions and adopting resolutions. This consolidated the assumption that all the member countries should be involved simultaneously in cooperative activities, projects and joint action. This, in several cases, resulted in changes in the original form and content of a proposal at the adoption stage to the extent of rendering it inapplicable. Thus, certain ideas and proposals, which could have been effectively and successfully implemented with voluntary participation in smaller and more homogeneous groups or in regions and sub-regions, were eventually rendered infeasible and/or inapplicable¹⁵.

The second reason pertained to ineffective follow-up at the technical and political levels. In this connection, the OIC did not have an effective executive organ to oversee the implementation of the resolutions adopted at the Summit and ministerial conferences in order to transform their contents into concrete action and tangible projects¹⁶.

The third reason was related to the fact that the private sector remained outside the preparation, discussion, adoption and implementation phases of specific projects and activities within the OIC

¹¹ COMCEC presents progress reports to the OIC summits regularly.

¹² İlhan Uğurel, Achievements of the COMCEC in the Past Twenty Years and Its Future Prospects for OIC Economic and Commercial Cooperation, paper prepared for presentation to the first session of the panel discussion of Islamic Economic Conference, Wednesday, 24 November 2004, p.9.

¹³ Ibid, p. 9.

¹⁴ Ibid.

¹⁵ Ibid, p. 10.

¹⁶ Ibid.

economic cooperation framework. These activities were resolved in official meetings by the governments of member countries, although, in most cases, it was the private sector firms and enterprises that were in the best position to identify and implement many of the projects on the field¹⁷.

The fourth and the final reason was the lack of any specific financial allocation made for the implementation of the individual resolutions adopted¹⁸.

Due to the overall lack of concrete results and tangible benefits and the global political and economic changes of the late 1980's, a need came to be felt over time to review the 1981 Plan and its implementation. The idea was taken up by *the Nineteenth Foreign Ministers Conference*, held in Cairo in 1990 and by *the Sixth Meeting of the COMCEC* in Istanbul on 7-10 October 1990, and was eventually adopted as a resolution by *the Sixth Islamic Summit* in Dakar in December 1991. The COMCEC was mandated, in this context, to formulate new strategies for strengthening economic cooperation among the member countries. Consequently, a new Strategy to Strengthen Economic Cooperation among the OIC Member Countries was developed and adopted by the COMCEC as an initial step.

4.1.3. The 1994 Plan of Action

*The 1994 Plan of Action to Strengthen Economic Cooperation among the OIC Member Countries*¹⁹ was subsequently prepared with a different approach based on the new Strategy in order to overcome the problems that have apparently hindered the achievement of tangible results in the area of economic and commercial cooperation in the earlier period. In this regard, 'collective self-sufficiency' principle was replaced with the basic idea of 'integration with the world economy.' Hence, economic liberalization and the importance of private sector were stressed. In that sense, the attitude towards the private sector was substantially revised in order to bring in the enhanced role of the private sector as an effective instrument of the OIC cooperation, with entrepreneurs as the actual actors on the field in different sectors of the national economy. Moreover, the private sector was expected to function as a catalytic agent that would facilitate linkages to the global economy. In this context, particularly in the areas of trade, tourism and industry and in certain fields of money and finance, private sector cooperation was emphasized.

The 1981 Plan of Action had handled the cooperation fields and subjects which were the major areas of economic activity that have been of interest to the member countries from the beginning. In addition to these fields of economic activity, the 1994 Plan of Action also covered development of human resources and environmental issues. Moreover, it attributed particular importance to issues such as information flow and communication, technology transfer and private entrepreneurship. Furthermore, a full chapter was devoted to Tourism, due to the unique nature of the sector, the immense potentials that the majority of the OIC countries have in this rapidly expanding field of economic activity and the multi-faceted role that it can play in consolidating and unifying the Islamic world.

¹⁷ Ibid.

¹⁸ Ibid.

¹⁹ The initial draft of the document was prepared by the SESTRCIC and discussed in detail in a consultative meeting of all the relevant OIC-related institutions. The draft was further evaluated by a High-level Roundtable of Eminent Experts hosted by the Islamic Development Bank before its submission to an expert meeting participated by all the Member States. The Plan was eventually approved by the COMCEC, and formally adopted by the Islamic Summit Conference in December 1994.

The fields of cooperation covered in the 1994 Plan of Action are 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.

In the 1994 Plan of Action document, the main problems were initially defined to set the stage, targets/objectives were then stated, and implementation programs towards the achievement of these targets were listed under each sector. Moreover, it included a follow-up and implementation mechanism within the existing OIC structure and in keeping with the New Strategy, through which it is aimed to facilitate the realistic implementation of the Plan.

The 1994 Plan of Action was ratified by *the Seventh Islamic Summit Conference*, held in Casablanca on 13-14 December 1994 and it eventually became a final document. The Summit mandated the COMCEC to supervise its implementation and to seek its revision, if and when it is needed.

The implementation and follow up mechanism, as an integral part of the Plan of Action, asked for holding sectoral Expert Group Meetings (EGMs) in each of the ten areas of the Plan. In this way, the issues, priorities and fundamentals in each sector or area would be discussed by the experts from the member countries with a view to generating project proposals for the actual implementation of the Plan. In this context, a project committee consisting of the potential partners to each project proposal would be formed under the chairmanship of the owner of the original proposal, with the responsibility to carry out the remaining stages of the proposed project cycle.

In the framework of the 1994 Plan of Action, four sectoral experts' group meetings have been convened thus far: "Money, Finance and Capital Flows" in 1997 in Turkey, "Foreign Trade" in 1997 in Pakistan, "Technology and Technical Cooperation" in 1998 in Turkey and 'Implementation of the OIC Plan of Action in the Area of Tourism' in 2005 in Tehran. These meetings concluded with a number of co-operation projects and/or project ideas. The reports of these meetings, together with the project proposals, were forwarded to all member states with the request to indicate their interest. In this context, some member countries have indicated their interest on certain projects. Although there have been some encouraging efforts thus far, the implementation of the 1994 OIC Plan of Action has been slow and limited in terms of tangible results and follow-up at the technical and policy levels.

4.1.4. Implementation Record in the Sectors of the 1994 OIC Plan of Action

4.1.4.1. Food, Agriculture and Rural Development

The OIC is composed of 57 member states for most of which food security and agricultural development is of utmost importance. This is due to several reasons such as the special conditions of the African member states, the economic structures of oil-producing countries and the population structures of the member countries. In this sense, the OIC member countries acknowledged food security and agricultural development as the basic problem area very early on²⁰. Within this context, development of an integral program to combat the food problem came to the agenda of *the Sixth Islamic Conference of Foreign Ministers* in July 1975. The second expert

²⁰ SESRIC, a Compendium of Recommendations, Decisions and Resolutions of various OIC fora on Economic and Technical Cooperation among Islamic Countries: 1969-1987, unpublished manuscript, Ankara, 1990.

meeting on Food and Agriculture was held in November 1979 and the preparations of the First Ministerial Conference were concluded in this meeting.

The First Ministerial Conference on Food Security and Agricultural Development, held in Ankara on 20- 22 October 1981, adopted a set of measures to address the causes of the problems that the Muslim countries faced. The Conference was concluded with the adoption of the ‘Programme of Action in the field of Food and Agriculture for the OIC Member Countries’ covering almost all the food and agriculture related issues²¹. However, it was soon realized that not enough progress was being recorded in the implementation of the studies decided upon within the Programme due to *a) the lack of data; b) an overlapping between some of the studies that could eventually lead to duplication, and c) too great a divergence between others precluding the possibility of fitting them in an integrated whole*²². Nevertheless, the First Ministerial Conference has led to the initiation and regularisation of the Coordination Meeting of the Ministers of Agriculture of the OIC countries at FAO Conferences.

As was the case with the other sectors, establishment of COMCEC was of utmost importance in following up and reviewing the OIC resolutions in the field of Agriculture and Food Security. In that context, *the Second Ministerial Conference on Food and Agricultural Development* was organized in Istanbul on 14- 16 March 1986 within the framework of the Second Session of the COMCEC. *The Third Ministerial Conference on Food and Agricultural Development* was held in Islamabad on 18- 20 October 1988, which was followed by a technical meeting on Food Security Reserve of the OIC in Jakarta in 1989. Finally, *the Fourth Ministerial Conference* was hosted by the Iran in Tehran on 14- 16 January 1995.

The main resolutions of these meetings were as follows²³:

- i. *Determining a scientific and a technologic strategy for food security in the Islamic World*
- ii. *Determining precautions and policies for increasing live animal production including poultry and fishery*
- iii. *Taking precautions for increasing foodstuff trade among the OIC Member Countries*
- iv. *Building up a food security reserve*

Besides these ministerial level meetings, a symposium was organized on Food Security in the Islamic Countries in Dakar, Senegal in December 1991 in conjunction with *the Sixth Islamic Summit Conference*. It was concluded with a declaration on ‘*the Food Security Decade in the OIC Member Countries*’. Member states were requested to extend additional resources to the relevant financial institutions in order to increase their assistance to the OIC African Member States in support effective implementation of their national strategies for food security²⁴.

Various other meetings pertaining to food security, at expert and senior official levels have also been held. Finally, the Government of Senegal, IDB and the African Development Bank organized a joint mission that visited a number of African member countries to evaluate their respective programs in the area of food security²⁵.

²¹ Ibid.

²² Ibid.

²³ www.comceec.org

²⁴ Progress Report on the Activities of the Standing Committee for Economic and Commercial Cooperation of the Organisation of the Islamic Conference (COMCEC), submitted to the Tenth Islamic Summit (held on 11-18 October 2003, Putra Jaya, Malaysia), prepared by the OIC General Secretariat in cooperation with the COMCEC Coordination Office.

²⁵ Ibid.

4.1.4.2. Industry

Cooperation in the field of Industry first came to the agenda of the OIC with the recommendation made by *the Fifth Islamic Conference of Foreign Ministers* held in June 1974. The First Ministerial Conference on Industry was convened in Islamabad in February 1982, where the pertinent issues in the sector were discussed. Almost all of the member countries of the OIC were engaged in efforts of industrialization and had industrial development aspirations, since they continually incurred losses against the industrial world in trade, technological development, capital accumulation and finance. One major aim was to encourage joint ventures among the OIC member countries. Through a mechanism to be developed within the framework of the OIC, joint ventures could be possible and concrete joint industrial enterprises could be implemented. In the light of these considerations, the agenda of the OIC carried many recommendations, decisions and resolutions adopted in support of joint ventures in area of industry²⁶.

However, the progress recorded thus far was slow due to the reasons below:

- i. *The establishment of joint venture enterprises even in the agreed priority sub-sectors required a lot of ground-work*
- ii. *It involved parties outside of government bureaucracies with varying aspirations, decision-making mechanisms and philosophies*
- iii. *It required the existence and/or development of particular mixes of ingredients, incentives, environments and policies, as well as market conditions and*
- iv. *There were technological, managerial and financing requirements. In short, the creation and successful maintenance of joint ventures was an involved and complex process that was not likely to bear fruit within a short period of time.*

Despite the slow progress recorded overall, the concentration on joint venture was quite useful in exposing the underlying issues and problems involved in the accumulation of basic data and information on the existing situation and potentials, in preparing the necessary ground work, in evolving certain guidelines and mechanisms for the identification, evaluation and implementation of such projects and in delineating priority sub-sectors in which such ventures would be most productive²⁷. In that sense, after the First Ministerial Conference, the preliminary technical work in the area of joint ventures was essentially completed.²⁸

Being one of the main fields of the OIC Plan of Action, cooperation in the area of industry was put under the umbrella of COMCEC. Thus, The Second Meeting of Ministers of Industry of Islamic Countries was held in conjunction with the First COMCEC Meeting held in Istanbul on 14- 16 November in 1984. The resolutions adopted in *the Third Meeting of the OIC Ministers of Industry* held in Istanbul on the 27 -28 July 1987 was submitted to the Third COMCEC Session held between 7th -10th of September 1987.

Following are the resolutions adopted in the third Meeting of the OIC Ministers of Industry²⁹:

- i. *Building up principles and schemes for fostering joint ventures*
- ii. *Establishing joint venture companies*
- iii. *Cooperation between productivity centres*
- iv. *Technical cooperation*

²⁶ SESRIC, a Compendium of Recommendations, Decisions and Resolutions of various OIC fora on Economic and Technical Cooperation among Islamic Countries: 1969-1987, unpublished manuscript, 1990.

²⁷ Ibid.

²⁸ Ibid.

²⁹ www.comcec.org

- v. *Determining the role and the financing mechanisms of small and medium scale industries in industrial development*
- vi. *Union status and agreements on industrial cooperation field*

In line with the resolutions adopted at *the Third Ministerial Consultation on Industrial Cooperation* held in 1987, a meeting of the 'Task Force for the Promotion of joint Ventures' was convened by the IDB, in Jeddah in November 1987. In the meeting, the mechanism outlined by the Ministers for the promotion of joint ventures among the member countries was discussed in detail.³⁰

Besides, the Member States were requested by *the Ninth COMCEC Session* held in Istanbul on 1-4 September 1993 to examine the recommendations of the Task Force on the proposed mechanism and communicate their views and comments. The aim was to facilitate their consideration by the Fourth Ministerial Consultation, and appeal once more to Member States to host the Fourth Ministerial Consultation in order to finalize the scheme.³¹

4.1.4.3. Energy

The First Ministerial Meeting of the OIC Member States on Energy was held in Istanbul on 3- 6 September in 1989. The meeting was convened simultaneously with *the Fifth COMCEC Session*. The basic themes that were resolved were as follows³²:

- i. *Cooperation of Member Countries within the framework of a technical cooperation in the field of energy*
- ii. *To enable such cooperation in the field of energy necessitates exchange of information on energy resources and facilities of Member Countries and joint production of machines and gadgets in the field of electricity*
- iii. *When the health damage and environmental problems caused by the Fossil Fuels are taken into consideration, cooperation of Member Countries on research, development, and use of new and renewable energy resources; making use of the experiences of the other Islamic Countries and using the opportunities provided by research and development centres of these countries by Member Countries*
- iv. *For the protection of the precious and exhaustible resources of their own, member countries should exchange experience on the use of these resources such as energy management, preservation, and other energy capacity methods*
- v. *Member Countries should complete appropriate feasibility studies for establishing regional interconnected networks and expand the existing ones for increasing electricity supply*
- vi. *By taking into account the need for the betterment of implementation of development of energy projects, Islamic Development Bank needs to expand and accelerate its financing activities in the field of energy*
- vii. *Participation of public to the implementation of energy planning and rural energy development is crucial for Member Countries, therefore they need to cooperate among each other and international organisations such as FAO*

³⁰ İlhan Uğurel, Achievements of the COMCEC in the Past Twenty Years and Its Future Prospects for OIC Economic and Commercial Cooperation, paper prepared for presentation to the first session of the panel discussion of Islamic Economic Conference, Wednesday, 24 November 2004, p. 21.

³¹ Progress Report on the Activities of the Standing Committee for Economic and Commercial Cooperation of the Organisation of the Islamic Conference (COMCEC), submitted to the Tenth Islamic Summit (held on 11-18 October 2003, Putra Jaya, Malaysia), prepared by the OIC General Secretariat in cooperation with the COMCEC Coordination Office.

³² www.comcec.org

- viii. *Support should be given to the least developed OIC Member Countries that try to manage their own resources, do research and development studies*

The above resolutions implied that the Ministers of Energy States acknowledged the essentiality of cooperation in the field of energy. Beyond this, energy-related issues are crucial for cooperation in various other areas among the OIC member countries since the development of energy resources and power networks are basic to the progress, the general welfare and mutual interest of the Islamic countries³³.

The Tenth COMCEC Session, held in Istanbul on 24 and 25 October in 1994, called upon Member States and the relevant OIC organs to take the measures needed for the implementation of the Resolutions of the First OIC Ministerial Meeting. Besides, Member Countries were requested to host the Second Ministerial Meeting on Energy³⁴.

4.1.4.4. *Transportation*

The First OIC Ministerial Meeting on Transport was held in Istanbul on 7- 10 September in 1987. The Meeting was convened simultaneously with *the Third COMCEC Session*.

The recommendations adopted by the Ministers are outlined below³⁵:

- i. *Establishing a “OIC Member Countries Land Transportation Association”*
- ii. *For this purpose, the draft regulation of OIC Member Countries International Land Transportation Association prepared by the Ministry of Transport of Turkish Republic was sent to Member Countries via OIC General Secretariat in order to have their opinions and recommendations*
- iii. *Developing a “Joint Transit Certificate System” to facilitate border transit procedures among Member Countries and establishing a “Joint Insurance System” to insure goods and passengers during transportation*
- iv. *Taking appropriate precautions for facilitating procedures of stevedoring of ships belonging to other member countries, customs, landing and accommodation of the crew in the ports of OIC Member Countries*
- v. *Cooperation of the railroad institutions of the Member Countries within their realm of authority, finding out solutions to eliminate bottlenecks on the railroad links of the Islamic Countries*
- vi. *Providing opportunities to the Transportation Training Centre, which was established in Istanbul in 1986, to meet the needs and priorities of Islamic Countries*

The Eleventh COMCEC Session held in Istanbul on 24 and 25 October in 1994, called upon Member States and the relevant OIC organs to take the measures needed for the implementation of the Resolutions of the First Meeting of the Ministers of Transport. Besides, Member Countries were appealed to host the Second Ministerial Meeting on Transport³⁶.

³³ Progress Report on the Activities of the Standing Committee for Economic and Commercial Cooperation of the Organisation of the Islamic Conference (COMCEC), submitted to the Tenth Islamic Summit (held on 11-18 October 2003, Putra Jaya, Malaysia), prepared by the OIC General Secretariat in cooperation with the COMCEC Coordination Office.

³⁴ Ibid.

³⁵ www.comcec.org

³⁶ Progress Report on the Activities of the Standing Committee for Economic and Commercial Cooperation of the Organisation of the Islamic Conference (COMCEC), submitted to the Tenth Islamic Summit (held on 11-18 October 2003, Putra Jaya, Malaysia), prepared by the OIC General Secretariat in cooperation with the COMCEC Coordination Office.

The establishment and activation of the Islamic Ship-owners Association and International Maritime Company are the two promising developments regarding the cooperation in the field of transport.

For the near future, COMCEC intends to promote cooperation in transportation in order to facilitate trade among the member countries.³⁷

4.1.4.5. Communication

The First Ministerial Meeting of the OIC Member States on Communication was held in Istanbul on 4- 7 September in 1988. The meeting was convened concurrently with *the Fourth COMCEC Session*. The recommendations that were agreed upon were as follows³⁸:

- i. *Exchange of information on national and international telecommunication means and production potential of telecommunication appliances*
- ii. *Cooperation on transit capacity means in the Member Countries, providing the maximum use of current resources of Islamic Community, increasing the technological level and the numbers of means of communication, and increasing the quality of the services*
- iii. *Bettering the current mail services and providing modern services by means of bilateral and multilateral agreements*
- iv. *Making Maximum use of available satellite capacity*
- v. *Further development of existing Training Centres and facilitating the participation of foreign trainees*
- vi. *In the field of Communication, seeking opportunities of joint venture on primarily electronic tools, production of telecommunication gadgets and research and development*
- vii. *Exchanging information by way of arranging conferences, seminars, symposiums, and visits and by doing so transferring experience, technical and technologic know-how to other Member Countries*

The Second Ministerial Meeting on Communications was held in Bandung on 5- 8 November, 1991 in Indonesia. The '*Bandung Declaration*' was issued in the meeting. Ministers agreed upon similar decisions taken up in the First Ministerial Meeting on Communications.³⁹

The Tenth COMCEC Session held in Istanbul on 22- 25 October, 1994, called upon Member States and the relevant OIC organs to take the measures needed for the implementation of the resolutions of the First and Second Ministerial Meetings on Communications.⁴⁰

The Third Ministerial Meeting of the OIC Member States on Post and Telecommunication was held in Tehran on 8- 11 July, 1996 in the Islamic Republic of Iran. A set of resolutions that identified areas of cooperation and made specific recommendations on cooperation among the member states in the field of posts and telecommunications was adopted. Besides, Ministers suggested certain actions to be taken up which are as follows⁴¹:

- a. *Setting up of a Data Bank for Post and Telecommunication Experts within the OIC-ISNET*

³⁷ Report of the Standing Committee for Economic and Commercial Cooperation of the Organisation of the Islamic Conference (COMCEC) for the Eleventh Islamic Summit Conference (13- 14 March 2008, Dakar- SENEGAL)

³⁸ www.comcec.org

³⁹ Ibid.

⁴⁰ Progress Report on the Activities of the Standing Committee for Economic and Commercial Cooperation of the Organisation of the Islamic Conference (COMCEC), submitted to the Tenth Islamic Summit (held on 11-18 October 2003, Putra Jaya, Malaysia), prepared by the OIC General Secretariat in cooperation with the COMCEC Coordination Office.

⁴¹ Ibid.

- b. *Defining a mechanism enabling Member States to benefit from the studies and researches already undertaken by other Member States in the field of PTT*
- c. *Preparing an updated list of experts in the technical field of PTT*
- d. *Preparing an updated list of technical cooperation and training activities available in the Member States and compilation of Member States' specific needs and capabilities with implementable project ideas and proposals or activities and encouraging joint investments for development and manufacture of telecommunication equipment*

Furthermore, a Follow up Committee was established in the First Ministerial Meeting in order to follow the implementation of the resolutions adopted. The meeting also decided that expert group meetings, seminars and symposiums be held annually, even if at regional level, including among the private sectors.⁴²

The Report of the Third OIC Ministerial Meeting on Posts and Telecommunications was adopted by the Twelfth COMCEC Session held in Istanbul on 12-15 November, 1996.⁴³

4.1.4.6. Tourism

Although in early years this sector was a part of the cooperation area Transport, Communications and Tourism, in the 1994 Plan of Action, Tourism became a separate cooperation field among the OIC member countries. Moreover, *The Seventh Islamic Summit Conference* held in Casablanca in 1994 adopted a separate resolution on cooperation in the field of tourism for the first time and the importance of intra-OIC cooperation in tourism was emphasized. Furthermore, the importance of tourism in the economic development, cultural exchange and rapprochement between nations was restated by *the Twenty-third ICFM* held in Conakry in 1995, and the member states were requested to cooperate in a number of areas, including exchange of information, cooperation in tourism events and investment in tourism industry. Within this context, similar resolutions continued to be adopted on the cooperation in the area of tourism by the following Islamic Summit Conferences and Islamic Conferences of Foreign Ministers.⁴⁴

The First Islamic Conference of Ministers on Tourism was held in Isfahan on 2- 4 October 2000 in Iran. The meeting drew attention to the need of developing a strategy for collaborative action in order to enlarge share of the member countries in the global tourism market. Within this context, giving priority to the development of tourism infrastructure was resolved. In addition, it was concluded to establish a follow up committee⁴⁵.

The Follow up Committee convened in Tehran on 27-28 August 2001. The report of the Follow-up Committee, along with the Tehran Communiqué on Tourism, was submitted to *the Second Islamic Conference of Ministers of Tourism* held in Kuala Lumpur on 10-13 October 2001 in Malaysia. Along with the Kuala Lumpur Program of Action for the Development and Promotion of Tourism in the OIC Member States, the Conference adopted a resolution calling for an experts' group meeting to elaborate on the means and modalities of implementation of the Program of

⁴² İlhan Uğurel, Achievements of the COMCEC in the Past Twenty Years and Its Future Prospects for OIC Economic and Commercial Cooperation, paper prepared for presentation to the first session of the panel discussion of Islamic Economic Conference, Wednesday, 24 November 2004, p. 22-23.

⁴³ Ibid.

⁴⁴ Ibid.

⁴⁵ Progress Report on the Activities of the Standing Committee for Economic and Commercial Cooperation of the Organisation of the Islamic Conference (COMCEC), submitted to the Tenth Islamic Summit (held on 11-18 October 2003, Putra Jaya, Malaysia), prepared by the OIC General Secretariat in cooperation with the COMCEC Coordination Office.

Action. The second follow up Committee convened in Kuala Lumpur on 5-6 September 2002. It dealt with the means and modalities of implementation of the Kuala Lumpur Program of Action.⁴⁶

The Third Islamic Conference of Ministers of Tourism was hosted by the Government of the Kingdom of Saudi Arabia in Riyadh on 6- 9 October 2002. The Resolution of Tourism Development and the 'Riyadh Declaration' were adopted by the Conference⁴⁷. The First Experts' Group Meeting was hosted by the Islamic Republic of Iran in Tehran on 23- 25 May, 2003.

In the area of Tourism, the following meetings and activities have been made since 2005⁴⁸:

- i. *Experts' Group Meeting for Implementation of the OIC Plan of Action in the Area of Tourism' was held in Tebran, Islamic Republic of Iran in 2005*
- ii. *First Tourism Fair of Islamic Countries was held in Istanbul, Republic of Turkey on November 24-26th, 2005*
- iii. *Under the exchange of views session the theme of 'Role of Tourism in the Promotion of Economic Cooperation among the OIC Member Countries', member countries shared their experiences during the 21st Session of the COMCEC*
- iv. *The Fifth Islamic Conference of Tourism Ministers was held in Baku, the Republic of Azerbaijan, on 9-12 September 2006*
- v. *The International Conference on Tourism and Handicraft was organized on 7-13 November 2006 in Riyadh, Saudi Arabia, jointly by the Supreme Commission of Tourism of the Kingdom of Saudi Arabia and the Research Centre for Islamic History, Art and Culture (IRCICA)*
- vi. *The Second Experts Group Meeting on Tourism Development for the preparation of a Strategic Plan for Tourism Development of OIC Member Countries was held in Istanbul, Republic of Turkey on 9-11 May 2007*
- vii. *The International Scientific Conference on the Role of Tourism in the Economies of OIC Countries was held on 21-22 June 2007 in Baku, Republic of Azerbaijan*
- viii. *The 6th Islamic Conference of Tourism Ministers was held in Damascus in 2008*
- ix. *The Seminar on Development of E-Tourism Technology in Islamic Countries was held at the IUT headquarters in Dhaka, Bangladesh on 1- 3 April 2008*

4.1.4.7. Money, Banking and Capital Flows

Cooperation in the field of money and finance covering policies, mechanisms and facilities that affects the overall workings of the economy and the other sectors. Therefore, it has been an area of early and intensive interest on the part of the OIC member countries.

The Governors of Central Banks and Monetary Authorities of the OIC Member Countries have held eight meetings with agenda items covering diverse issues such as establishment of capital markets, developments of preferential payments arrangements, export financing and export credit guarantee schemes, and proliferation and supervision of Islamic Banks⁴⁹.

The Governors of Central Banks and Monetary Authorities of the OIC member countries had held six regular meetings until 1985 and discussed certain studies on relevant issues and created

⁴⁶ Ibid.

⁴⁷ Ibid.

⁴⁸ Report of the Standing Committee for Economic and Commercial Cooperation of the Organisation of the Islamic Conference (COMCEC) for Eleventh Islamic Summit Conference (13- 14 March 2008, Dakar- SENEGAL)

⁴⁹ SESRIC, A Resume of Economic and Technical Cooperation Activities among Islamic Countries as Contained in the OIC Resolutions: 1969-1986, March 1988.

several expert and working groups. However, in the sixth meeting, it was decided to get together every other year if and when the need arises⁵⁰.

The Second COMCEC Meeting held in Istanbul in September 1986, recommended that Governors of OIC Central Banks and Monetary Authorities convene to examine financial and monetary aspects of COMCEC Resolutions and to initiate the work on the OIC Action Plan relating to this section.⁵¹ Within this context, *the Seventh Meeting of the Governors of Central Banks and Monetary Authorities* was held in 1987 in which the followings issues were discussed:

- i. *Governors addressed the need for coordination of economies of Member States in cooperation, and emphasized the need for strengthening cooperation in economic areas through various international forums*
- ii. *Governors expressed that a more comprehensive analysis concerning the financial markets is needed and recommended that work should continue toward this aim*
- iii. *Governors demanded continuation of the work of the OIC in fields of “Export Loan Insurance Mechanism” and “Multilateral Islamic Clearing Union” in coordination with the Monetary Authorities and Governors of the OIC member states*
- iv. *Governors elaborated on the Report issued by the Expert Group on Islamic Banking and recommended to forward the report to Central Banks and Monetary Authorities*

The Multilateral Islamic Clearing Union, one of the agenda items of COMCEC, was finalized in the Eight Meeting of the Governors of Central Banks and Monetary Authorities held in Cairo on 30 May 1991.⁵²

4.1.4.8. Technical Cooperation

The First Ministerial Meeting on Technical Cooperation was held in Istanbul on 7- 10 October 1990, in conjunction with the Sixth Session of COMCEC. Besides, Five National Focal Points Meetings for Technical Cooperation among Member States were subsequently held in Istanbul between 1990 and 1994. In these meetings, the basic theme was the need to promote the administrative and financial capabilities of national focal points on technical cooperation. In addition to multilateral meetings, through bilateral contacts, cooperation programs were updated and new ones were drawn up.⁵³

Cooperation on technical issues, special emphasis on training in the economic, cultural and social fields, as well as on the training of instructors was recommended by the Twenty-First ICFM and Ninth COMCEC meeting.⁵⁴

However, Technical Cooperation National Focal Points Meetings have not been held since 1995.

⁵⁰ Ibid.

⁵¹ www.comceec.org

⁵² Progress Report on the Activities of the Standing Committee for Economic and Commercial Cooperation of the Organisation of the Islamic Conference (COMCEC), submitted to the Tenth Islamic Summit (held on 11-18 October 2003, Putra Jaya, Malaysia), prepared by the OIC General Secretariat in cooperation with the COMCEC Coordination Office.

⁵³ Ibid.

⁵⁴ Ibid.

4.1.4.9. Infrastructure and Public Works

The First Ministerial Meeting on Infrastructure and Public Works was held in Istanbul on 6- 9 October 1991, in conjunction with *the Seventh COMCEC Session*. The basic theme of the meeting was the strengthening of cooperation in infrastructure and public works, which has a direct effect on development and welfare level of countries and constitutes one basic element of socio-economic development of the countries. The decisions that were taken up in the meeting were as follows⁵⁵:

- i. *Governments shall primarily apply for the services of contractors and consultants of member countries in compliance with the national legislation and regulations in force*
- ii. *TEM (Trans European Motorway) project and other regional and intra-regional motorway projects shall be extended to include the OIC Member States*
- iii. *Governments shall avail their existing training facilities in development and public works for other member states*
- iv. *Federation of Consultants of Islamic Countries and Federation of Contractors of Islamic Countries shall organize an expert group meeting with participation of relevant parties and determine the type and scope of information required by the construction sector*
- v. *On condition that it shall not bring any further financial burden to the OIC, expert group meetings shall be organized to monitor the implementation of decisions taken in this Meeting and a Monitoring Committee Meeting shall be held to submit the reports of this meeting*

Moreover, the Ministers requested that a separate section should be devoted to public works and infrastructure among the priority sectors of the Plan of Action to Strengthen Economic Cooperation among the OIC Member States.⁵⁶ Furthermore, submission of activity reports to the OIC General Secretariat by the Federation of Consultants of Islamic Countries and Federation of Contractors of Islamic Countries was decided by the Ministers⁵⁷.

The Tenth COMCEC Session held in Istanbul on 22- 25 October 1994, drew attention to the resolutions adopted at the First Ministerial Meeting on Infrastructure and Public Works and called upon the member states to take the measures needed for the implementation of the said resolutions⁵⁸. The Session also noted the proposals made by Indonesia pertaining to cooperation in the area of urban infrastructure and rural development⁵⁹.

V. Primary Agenda Items of COMCEC and their Status

The efforts spent by the COMCEC, in the framework of the resolutions and documents adopted by the Heads of States in order to enhance the economic and commercial cooperation among the OIC member countries, are likely to be more clearly observable through the projects that have come to the agenda of the COMCEC regularly.

⁵⁵ www.comcec.org

⁵⁶ Progress Report on the Activities of the Standing Committee for Economic and Commercial Cooperation of the Organisation of the Islamic Conference (COMCEC), submitted to the Tenth Islamic Summit (held on 11-18 October 2003, Putra Jaya, Malaysia), prepared by the OIC General Secretariat in cooperation with the COMCEC Coordination Office.

⁵⁷ www.comcec.org

⁵⁸ Progress Report on the Activities of the Standing Committee for Economic and Commercial Cooperation of the Organisation of the Islamic Conference (COMCEC), submitted to the Tenth Islamic Summit (held on 11-18 October 2003, Putra Jaya, Malaysia), prepared by the OIC General Secretariat in cooperation with the COMCEC Coordination Office.

⁵⁹ Ibid.

Through the activities of the COMCEC, a number of cooperation projects have been finalized and became operational, while some others are in the process of implementation. This part of the paper reviews these projects and cooperation activities.

5.1. Export Financing Scheme (EFS) or Longer Term Trade Financing Scheme (LTTFS)

Export Financing Scheme (EFS), formerly known as the Long Term Trade Financing Scheme (LTTFS), had been introduced to the agenda of the COMCEC by Turkey in the first COMCEC meeting, under the title of “Financial Measures to Increase Trade”. It had been initiated to contribute to the financing of exports among OIC member countries and to augment trade among them. With the completion of essential surveys and various procedures in less than three years, the COMCEC approved the scheme and entrusted the IDB with its implementation. After the approval of scheme in the Tenth IDB Annual Meeting, held in Amman, Jordan, in March 1986, the title of the scheme was changed to Export Financing Scheme (EFS) of the IDB. It became operational in 1988 with the accomplishment of the necessary managerial and technical procedures. In the first place, it was aimed to finance exports of non-conventional commodities from one member country to another. Yet, in 1997, the IDB Board of Executive Directories expanded the scope of the Scheme to the OECD member states in order to widen the market of exports from member countries. The scheme provides the needed short and long term funds to promote exports of member countries.⁶⁰

The mechanism is operating on a private fund constituted within the IDB. The Fund is accessible to all member countries that contracts in to pay a minimum of 1, 5 million Islamic Dinars (\$1US= 1SDR) to it. At the beginning it was aimed to form a fund amounting to 600 million Islamic Dinars. The member countries, which would like to make use of this Mechanism, have provided 150 million ID of this fund in accordance with their encumbrance. Another 150 million ID has been allocated by the IDB. The remaining sum of finance, amounting to 300 million ID, has been expected to be obtained from the national and international markets and the revenue gained from the operation of the Mechanism⁶¹.

The periods of repayment in the framework of the Scheme change between 6 to 60 months. Nevertheless, the terms regarding some investment goods such as ships, machinery etc., have been extended up to 120 months⁶². In these export financing operations in terms of decision authorization and risk, the responsible body is the IDB. In addition, the IDB undertakes the risk that the buyer bears, but it has to get a guarantee in its favour from a bank that it could accept.⁶³

Thus far, 24 countries have become party to the EFS. One or more national agencies have been established to coordinate the promotion of the EFS in each of the member countries participating in the EFS. In the context of the EFS, an amount of ID1.2 billion (\$1.7 billion) have so far been approved since the inauguration of the Scheme in 1988.

⁶⁰ Background Report by the OIC General Secretariat to the 24th session of the Standing Committee for Economic and Commercial Cooperation (COMCEC), Istanbul, Republic of Turkey, 20-24 October 2008, p.4.

⁶¹ www.comcec.org

⁶² Report of the Chairman of the Standing Committee for Economic and Commercial Cooperation of the Organisation of the Islamic Conference (COMCEC) for Eleventh Islamic Summit Conference (13-14 March 2008, Dakar-SENEGAL), p. 9.

⁶³ www.comcec.org

The scheme has de facto stopped its operations after the IDB's trade finance operations have been collected under the newly-formed Islamic Trade Finance Cooperation (June 2005) within the IDB Group.

5.2. Financing Fund of Export-oriented Imports (Import Trade Financing Operation, ITFO)

The Financing Fund of Export-oriented Import program or Import Trade Financing Operation (ITFO) has been initiated to meet the needs of the export-oriented production companies from the OIC member or non-member countries in terms of equipments, machinery, intermediate goods, and raw materials. Besides, the purpose of the ITFO is to assist new investments and modernization/extension investments through medium-term financing programs within this context.⁶⁴

5.3. The International Islamic Trade Finance Corporation (ITFC)

The 30th IDB Annual Meeting in Putrajaya, Malaysia on 24 June 2005, concluded the establishment of the International Islamic Trade Finance Corporation (ITFC) under which all trade financing activities of the IDB would be drawn together. COMCEC approved the establishment of the ITFC at its Twenty-third Session held in Istanbul, Republic of Turkey on 14-17 November 2007.

Within the framework of the Ten-Year Programme of Action, the IDB had initiated the essential operations for establishment of the International Islamic Trade Finance Corporation. As a result of the efforts made by the IDB, the ITFC inaugurated its functions on January 2008 mainly on trade financing with an authorized capital of \$3 billion and paid up capital of \$750 million. Currently, 11 countries and 9 institutions are the members of the ITFC.⁶⁵ The International Islamic Trade Finance Corporation (ITFC) is headquartered in Jeddah.

Trade among the Islamic Countries has continued to increase in terms of extent and intensity. In fact, the intra-OIC trade rate of 13.5 % in 2003 increased up to 15.5 % in 2007. The usage of about 7 billion dollars of funding provided by the IDB between 2001 and 2007 for financing trade among Islamic countries has been effective in the augmentation of the intra-OIC trade. By the year 2015, the share of trade among the Islamic Countries is targeted to increase up to 20 percent within the framework of the Ten Year Programme of Action and COMCEC cooperation activities.

5.4. Trade Information Network of the Islamic Countries (TINIC)

Trade Information Network of the Islamic Countries (TINIC) project aims to establish an information network for providing the collection, treatment, analysis and propagation of information and data pertaining to trade among member countries. This project was integrated into the agenda of the COMCEC in its first meeting, held in 1984. In that context, ICDT, undertook the essential studies and took part in the execution of the TINIC project.

⁶⁴ Ibid.

⁶⁵ Background Report by the OIC General Secretariat to the 24th session of the Standing Committee for Economic and Commercial Cooperation (COMCEC), Istanbul, Republic of Turkey, 20-24 October 2008, p. 4.

Taking into account the developments in this field of cooperation, it was decided to unite the TINIC project and the Islamic Countries Information System Network (OIC IS-NET) Project⁶⁶ of the IDB.

In the field of trade information within the framework of the OIC IS- NET, the specialized ICDT database is finalized and it covers data pertaining to commercial regulations, legislation, bilateral and multilateral agreements among member countries, foreign trade operators, corporations aiming for commercial development, foreign trade statistics, trade possibilities and commercial activities⁶⁷.

The ICDT is the project coordination centre, and is serving the data it has collected within the framework of the TINIC to the beneficiaries of the member countries. In that framework, every country's National Focal Point is mediating, while collecting data in that country and presenting the data to the users in that country within the network provided by the ICDT. The ICDT provides the TINIC through the following web site: www.icdt.org.⁶⁸

5.5. Trade Preferential System (TPS-OIC)

Establishment of a trade preferential system was agreed at the first COMCEC Meeting in line with the provisions of the 1981 Plan of Action adopted by the Third Islamic Summit. This kind of a project was especially desired by various member countries within OIC. For this project, the ICDT was commissioned to make the essential preparations. In that context, during COMCEC's fourth meeting in 1988, a set of basic principles were adopted to lay down the framework that would guide the efforts for the establishment of a trade preferential system.

Eventually, the Trade Preferential System among the OIC Member Countries (TPS-OIC) and the Rules of Origin in its Annex were submitted to and adopted by the Sixth Meeting of the COMCEC, held between 7-10 October in 1990. Moreover, the Conference assigned the OIC General Secretariat to present the Framework Agreement to the member countries' signature and ratification. The main objective of this Framework Agreement was to expand intra-OIC trade by gradually eliminating tariffs among them and by exchanging tariff and non-tariff concessions. After 10 countries' signature and ratification, TPSOIC was put into action in October 2002. 31 member countries have subscribed to and 22 member countries have ratified the Framework Agreement thus far.⁶⁹

Box: 1-Trade Preferential System (TPS) *is established through a trade pact between countries that reduce tariffs for certain products to the countries who sign the agreement. While the tariffs are not necessarily eliminated, they are lower than those charged to countries not parties to the agreement.*

Furthermore, at the Nineteenth Meeting of the COMCEC held in 2002, it was decided to form a Trade Negotiation Committee (TNC) in order to launch the first round of trade negotiations. The

⁶⁶ OIC IS-NET which has been executed by Islamic Development Bank, is a wide-ranging project which aims at providing physical infrastructure and supply facilities for possible data banks that are and will be established in OIC member countries.

⁶⁷ www.comcec.org

⁶⁸ Background Report by the OIC General Secretariat to the 24th Session of the Standing Committee for Economic and Commercial Cooperation (COMCEC), Istanbul, Republic of Turkey, 20-24 October 2008, p.6.

⁶⁹ Ibid, p. 18.

Secretariat of the TNC was undertaken by the COMCEC Coordination Office⁷⁰ and ICDT. Consequently, the COMCEC Coordination Office and ICDT started the first trade negotiations round in March 2004 hosted by Turkey. After the completion of the first round of negotiations, the Trade Preferential Protocol (PRETAS)⁷¹ was finalized and adopted by the Twenty-first COMCEC meeting on 23 November 2005, and opened for signature. PRETAS is the trade agreement that defines the coverage, tariff reduction rates and timetables for trade liberalization among the member states. Thus far, 12 OIC member countries have subscribed to it yet, only 5 of them have ratified the PRETAS, namely, Jordan, Malaysia, Pakistan, Syria and Turkey.⁷²

The Ministers of Commerce of the TNC met on 24 November 2006 in Istanbul for the first time and adopted a *Minister's Communiqué*. In the Minister's Communiqué, the date of 1 January 2009 was set for the establishment and functioning of the Trade Preferential System (TPS-OIC), and the TNC has been charged with finalizing the necessary preparations for this target during the second round of negotiations which was also launched during the same meeting.⁷³

The second round of trade negotiations, held between November 2006 and September 2007, composed of four consecutive meetings which were respectively hosted and chaired by Turkey in Istanbul on 24-26 November 2006, and in Ankara on 27-30 March 2007, on 19-22 June 2007 and on 10-12 September 2007. The TNC finalized the Second Round of Negotiations by developing the TPS-OIC Rules of Origin, which is an agreement, drafted for the present time requirements of the customs institutions.⁷⁴

The second round of trade negotiations among the Member states of the TNC was concluded with the Second Meeting of the Ministers of Commerce held in Turkey on 12 September 2007. The TPS-OIC Rules of Origin were acknowledged by the Ministers in their second Meeting. The Rules of Origin have thus far been subscribed to by only nine member countries, but have not yet been ratified by any of them.⁷⁵

The essentiality of signing and ratifying the PRETAS and the TPS-OIC Rules of Origin was underlined by the ministers in order to put into action the TPS-OIC by January 1st, 2009.⁷⁶

The Ministers of Commerce of the Member countries of the TNC gathered for the third time in 2008 to evaluate the progress recorded by the member countries for the realization of the TPS-OIC by the target date. In that context, the member countries of the TNC are expected to ratify the PRETAS and the TPS-OIC Rules of Origin.

⁷⁰ State Planning Organisation Foreign Economic Relations Directorate General is carrying out the secretariat.

⁷¹ A trade agreement which involves specific tariff reductions and calendar

⁷² Ibid, p. 19.

⁷³ Ibid, p. 9-10.

⁷⁴ Ibid.

⁷⁵ Ibid, p. 19.

⁷⁶ Report of the Chairman of the Standing Committee for Economic and Commercial Cooperation of the Organisation of the Islamic Conference (COMCEC) for Eleventh Islamic Summit Conference (13-14 March 2008, Dakar-Senegal), p. 20-22.

5. 6. The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)

The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), being a multilateral Export Credit and Investment Insurance Agency, is part of IDB Group. The ICIEC was established on 1st August 1994, with an authorized capital of ID100 million, the IDB contributing ID 50 million of the amount. The aim was to encourage exports from the member countries and to facilitate the flow of foreign direct investment to member countries through providing and encouraging the use of Shariah-compatible export credit and investment insurance as credit and country risk mitigation instruments.

Enlarging the scope of trade transactions and the flow of investment among Member Countries of the OIC is the objective, for which the ICIEC provides⁷⁷:

- i. *Export credit insurance and reinsurance to cover non-payment of export receivables resulting from commercial (buyer) or non-commercial (country) risks*
- ii. *Investment insurance and reinsurance against country risk mainly the risk of exchange transfer restrictions, expropriation, war and civil disturbance and breach of contract*

Membership in the ICIEC is open to the IDB and countries which are members of the Organisation of the Islamic Conference (OIC). The majority of the Member States of the OIC has signed the Articles of Agreement and they are at various stages of completing the membership requirements⁷⁸.

The 30th Annual Meeting of the Board of Governors of the IDB Group, held in Putrajaya, Malaysia, on 23-24 June 2005, adopted a resolution which paved the way for the ICIEC in insuring investment flows originating from non-member countries to the member countries. After this amendment, it is expected that the ICIEC will be able to be more effective in fostering investment in its member countries⁷⁹.

There were 38 shareholders of the ICIEC, comprising IDB and 37 countries up until June 2008, namely 16 Arab Countries, 11 African Countries and 8 Asian Countries.⁸⁰

5.7. Islamic Multilateral Clearing Union

The Islamic Multilateral Clearing Union project was prepared as a financial regulation by the IDB through which it is aimed to provide foreign exchange savings for periods of 2-3 months in foreign trade and to promote cooperation among countries' banking systems. After the finalization and approval of the 'Agreement on the Multilateral Islamic Clearing Union' by the IDB, the proposed Agreement was accepted by the COMCEC at its Eighth Session, held in 1992.

The Member States were invited in the Tenth COMCEC Session in 1994, to consider working out clearing arrangements among themselves. It was provided that these agreements be flexible in the

⁷⁷ Background Report by the OIC General Secretariat to the 24th session of the Standing Committee for Economic and Commercial Cooperation (COMCEC), Istanbul, Republic of Turkey, 20-24 October 2008, p.5.

⁷⁸ Report of the Chairman of the Standing Committee for Economic and Commercial Cooperation of the Organisation of the Islamic Conference (COMCEC) for Eleventh Islamic Summit Conference (13-14 March 2008, Dakar-SENEGAL), p.10.

⁷⁹ Ibid.

⁸⁰ www.iciec.com

goods covered and that joining them be on a voluntary basis, with the ultimate goal of setting up a multilateral Islamic Clearing Union.

As stated in the Draft Agreement, the objectives of the Union are.⁸¹

- i. *Providing payment facilities in trade among countries*
- ii. *Providing an opportunity for member countries to pay in their national currency while trading with other member countries*
- iii. *Substantiating a more rigid monetary cooperation among member countries, improving relationships among banking systems*

The prepared Agreement will become effective following at least five signatures of fully entitled representatives of the member countries Central Bank or monetary authority. IDB has stated that it is ready to assist member countries who would like to make regulations among themselves in terms of the technical support.

Concerning the multilateral clearing unions, they are not regarded as very attractive arrangements for countries that are in the claim position during the 'interim credit period'. For this reason, especially petroleum-exporting countries would not want to be a part of this arrangement or they would prefer to keep petroleum outside of the clearing system.⁸²

The project appears dormant at the present time.

VI. A Brief Assessment of the 1994 OIC Plan Of Action

1994 OIC Plan of Action was developed and adopted by the OIC in the light of the dissatisfaction with the actual implementation of the 1981 Plan and also as a response of the OIC to the newly emerging challenges and opportunities that came forth with the end of the cold war in late 1980's and the concomitant rise in globalization in early 1990's and beyond. Although the new Plan was based on the experiences gained from the implementation of the 1981 Plan of Action and represented an effort to redress the shortcomings of the earlier document, the implementation of 1994 Plan itself also remained short of providing tangible results and fruitful follow-up at the technical and policy levels. In response, the COMCEC, as the main body responsible for economic and commercial cooperation within the framework of the OIC, requested the General Secretariat in its thirteenth session to undertake a review of the overall implementation of the Plan. The General Secretariat submitted the assigned report at the Fifteenth Session of the COMCEC, held in Istanbul on 4- 7 November 1999. The following are the conclusions and observations noted in the Report based on the assessment of the sectoral *Expert Group Meetings* (EGMs) that could be held as vital instruments of the plan implementation⁸³:

1. *Experience of the Expert Group Meetings which have been held so far demonstrates that project profiles are submitted by Member States mostly during the course of the EGMs and not in advance. This makes it difficult for Member States to study them in advance that would enable the experts participating in the EGM to make any commitment or indication of interest of their respective*

⁸¹ www.comcec.org

⁸² www.comcec.org

⁸³ Progress Report on the Activities of the Standing Committee for Economic and Commercial Cooperation of the Organisation of the Islamic Conference (COMCEC), submitted to the Tenth Islamic Summit (held on 11-18 October 2003, Putra Jaya, Malaysia), prepared by the OIC General Secretariat in cooperation with the COMCEC Coordination Office.

governments in any project(s). This, in turn, makes the formation of project committees during the EGMs impossible.

2. *Number of Member States submitting project proposals for the EGMs has remained very limited. Though the mechanism keeps open the possibility for Member States to submit project proposals even after the holding of the EGMs, no one has exercised this option so far despite the fact that specific requests in this respect have been addressed to them.*
3. *The formation of project committees depends on the indication of interest by Member States for any particular project(s). Yet, such firm indications of interest have not yet been forthcoming on the project proposals, which emerged from the three EGMs held so far. Against this background, answers need to be found to the following questions:*
 - a. *How best the momentum towards the implementation process which was started in different sectors through the holding of Sectoral Expert Group Meetings can be sustained under the existing Follow-up and implementation procedure which emphasizes the principle of voluntary participation and self-financing?*
 - b. *How can the next step in the implementation process e.g. formation of project committees be undertaken, should the responses to the project proposals circulated among Member States are not forthcoming?*
 - c. *How to move ahead with the EGMs in the remaining priority sectors in the event offers to host them by Member States are not readily available?*

In light of said review, this issue continued to be a major concern of COMCEC and was discussed at various levels. The Sixteenth Meeting of COMCEC decided to convene an open-ended experts' group meeting in order to explore all possible ways and means of accelerating the implementation of the Plan.

The Expert Group Meeting for Accelerating the Implementation of the OIC Plan of Action was held in Istanbul on 6- 7 May 2001. Upon the recommendations made by the Experts, the Eighteenth Meeting of the Follow-up Committee of the COMCEC 'requested that measures be taken to accelerate the implementation of these recommendations through appropriate mechanisms to be proposed by the COMCEC Coordination Office in cooperation with the OIC General Secretariat benefiting from the expertise in this regard of the relevant OIC institutions and submit a report to the next COMCEC Session on the best way to implement these recommendations'⁸⁴.

A supplementary mechanism was initiated by the COMCEC Coordination Office to counter the slow progress and the achievement of limited tangible results. The aim was to involve the relevant OIC institutions and to coordinate their activities in carrying out their assigned tasks pertaining to the implementation of the OIC Plan of Action. In this context, after certain modifications in Article 11 of the Statue and Rules of Procedure of the COMCEC at the Nineteenth Meeting of the COMCEC held in Istanbul on 20-23 October 2003, the Sessional Committee (SC) was entrusted with the Supplementary Mechanism⁸⁵.

The SC, in this new format, was tasked to follow up the state of the project proposals received by the COMCEC, in addition to its regular function of reviewing the activities and programs of the institutions affiliated to the OIC that operate in the areas of economy and trade with the aim of

⁸⁴ Progress Report on the Activities of the Standing Committee for Economic and Commercial Cooperation of the Organisation of the Islamic Conference (COMCEC), submitted to the Tenth Islamic Summit (held on 11-18 October 2003, Putra Jaya, Malaysia), prepared by the OIC General Secretariat in cooperation with the COMCEC Coordination Office.

⁸⁵ Ibid.

reporting them to the COMCEC Meetings for coordination, guidance, and ratification by the General Assembly. The Sessional Committee has been meeting regularly on the sidelines of the Follow-up Committee Meetings and the full COMCEC Sessions since then, and it has been submitting its reports to the COMCEC. In line with the mandate given to the SC, 12 meetings have been held by the Committee up to now; the last meeting having been convened in Izmir on 11 May, 2009 during the 25th Meeting of the COMCEC Follow-up Committee.

VII. The Ten-Year Programme of Action to Meet the Challenges Facing the Muslim Ummah in the 21st Century

A new cooperation agenda was initiated under the heading of the *'Ten-Year Programme of Action to Meet the Challenges Facing the Muslim Ummah in the 21st Century'* during the *Third Extraordinary Session of the Islamic Conference* convened by the Custodian of the Two Holy Mosques, King Abdullah Bin Abdul Aziz on 7-8 December 2005 in Makkah. The Program was the outcome of the efforts by the OIC to face these main challenges in an objective and realistic way through a new vision and mission envisaging a more prosperous and dignified future for the Ummah.

Besides other fields⁸⁶, the Programme adopted a number of recommendations pertaining to certain economic matters in order to help make contributions for enhancing the means to achieve higher levels of development and prosperity that the Ummah needs to achieve. In this context, the Programme underlines the essentiality of economic cooperation, intra-OIC trade expansion among OIC members. In addition to this, it was suggested to give priority to the issues including alleviating poverty in the OIC member states, mainly in conflict-affected areas, globalization, economic liberalization, environment, and science and technology.

The set of resolutions adopted by the 2005 Makkah Summit with regard to economic cooperation and the Ten-Year Programme of Action were as follows⁸⁷:

1. *Call upon the Member States to sign and ratify all existing OIC trade and economic agreements, and to implement the provisions of the relevant OIC Plan of Action to Strengthen Economic and Commercial Cooperation among OIC Member States*
2. *Mandate COMCEC to promote measures to expand the scope of intra-OIC trade, and to consider the possibility of establishing a Free Trade Area between the Member States in order to achieve greater economic integration to raise it to a percentage of 20% of the overall trade volume during the period covered by the plan, and call on the "Member States to support its activities and to participate in those activities at the highest possible level with delegations possessing the necessary expertise"*
3. *Promote endeavours for institutionalized and enhanced cooperation between OIC and regional and international institutions working in the economic and commercial fields*
4. *Support OIC Member States in their efforts to accede to the World Trade Organisation (WTO), and promote concerted positions between the Member States within the WTO*
5. *Call upon the OIC Member States to facilitate the freedom of movement of businessmen and investors across their borders*
6. *Support expanding electronic commerce among the OIC Member States and call on the Islamic*

⁸⁶ The Ten-Year Programme of Action concluded resolutions relating to the intellectual and political fields, education and culture, in addition to the economic and scientific field.

⁸⁷ Ten-year programme of action to meet the challenges facing the Muslim Ummah in the 21st Century adopted at Third Extraordinary Session of The Islamic Summit Conference Makkah al Mukarramah - Kingdom of Saudi Arabia, 7-8 December 2005.

Chamber of Commerce and Industry to strengthen its activities in the field of data and expertise exchanges between chambers of commerce of the Member States

7. *Call upon the Member States to coordinate their environmental policies and positions in international environmental fora so as to prevent any adverse effects of such policies on their economic development*

7.1. Review of the Ten-Year Programme of Action

In light of the above mentioned targets set up by the Ten- Year Programme of Action pertaining to the cooperation activities in the field of economy, all OIC organs have been spending efforts for effective and timely implementation. Within this context, the OIC organs regularly met in annual meetings in Jeddah, in order to devise ways and means for ensuring effective and timely implementation of the Program.⁸⁸ Moreover, in 2007, in order to review the provisions of the OIC Ten-Year Programme of Action, all organs of the OIC convened. Representatives from COMCEC, and the other two Standing Committees, also attended the meeting. A road map was adopted for the implementation of the Programme and special recommendations were adopted to help increase the intra-OIC trade⁸⁹.

The importance of the TPS-OIC Framework Agreement and the PRETAS for achieving the 20% intra- OIC trade target was emphasized in the Thirty-third and Thirty-fourth meetings of Foreign Ministers held in Baku in 2006 and Islamabad in 2007, respectively. Furthermore, the Eleventh OIC Summit held in Dakar in 2008 and the Thirty-fifth ICFM held in Kampala in 2008, respectively, reiterated the importance of these two agreements for reaching the 20% intra-OIC trade target⁹⁰.

Meanwhile, in line with the mandate given by the 3rd Extra Ordinary OIC Summit in 2005, the Twenty-third Session of COMCEC took up the OIC Ten-Year Program of Action as one of its main agenda items. In this regard, the COMCEC session approved the proposal to establish a Task Force to help reach the 20% target for intra-OIC trade set out by the OIC Ten Year Program of Action, and called upon the member countries to provide full political, moral and financial support for the implementation of the Program. The COMCEC also encouraged the member countries, in coordination with the OIC General Secretariat and the OIC institutions, to consider bringing in line with the objectives of the OIC Ten-Year Programme of Action their various existing initiatives, projects and programs in relevant areas.

In the same context, the Twenty-Third Meeting of the COMCEC⁹¹:

- i. *Called upon the OIC institutions to set up their Plans of Action and Programs, with a view to achieving the goals set forth in the OIC Ten-Year Program of Action, and entrusted them to report to the annual sessions of the COMCEC and the other OIC fora concerned*

⁸⁸ Report of the Standing Committee for Economic and Commercial Cooperation of the Organisation of the Islamic Conference (COMCEC) for Eleventh Islamic Summit Conference (13- 14 March 2008, Dakar- Senegal)

⁸⁹ The OIC General Secretariat, Review of the Implementation of the OIC Ten Year Program of Action and the Plan of Action to Strengthen Economic and Commercial Cooperation among the OIC Member States, Twenty-fifth Meeting of the Follow-up Committee of the COMCEC, 12-14 May 2009.

⁹⁰ Report of the Standing Committee for Economic and Commercial Cooperation of the Organisation of the Islamic Conference (COMCEC) for Eleventh Islamic Summit Conference (13- 14 March 2008, Dakar- Senegal)

⁹¹ The OIC General Secretariat, Review of the Implementation of the OIC Ten Year Program of Action and the Plan of Action to Strengthen Economic and Commercial Cooperation among the OIC Member States, Twenty-fifth Meeting of the Follow-up Committee of the COMCEC, 12-14 May 2009.

- ii. *Called upon the OIC General Secretariat, the IDB, ICDT, ICCI, SESTRCIC and the relevant sub-regional African organisations to organize at the earliest convenience in West and Central Africa, meetings for the presentation of national, regional or sub-regional projects to be considered within the framework of the OIC Ten-Year Programme of Action and the programme emanating from the Ouagadougou Declaration initiated by the IDB for Africa, as well as the sectoral programmes on the expansion of trade and investments in the cotton sector in OIC African member countries*
- iii. *Requested the OIC General Secretariat, IDB, ICDT, SESRIC and ICCI to organize a forum on ways and means of energizing trade and investment in food industry in Africa within the framework of the OIC Ten-Year Programme of Action in the year 2007/2008 and welcomed the offer of the Republic of Mali to host the First Forum on Energizing Food Industry in Africa, which could be held in 2008*
- iv. *Called on Member countries and OIC institutions to establish focal points for the implementation of the OIC Ten-Year Program of Action and called on the General Secretariat of the OIC to organize, meetings of focal points for the implementation of the OIC Ten-Year Program of Action on the margins of the OIC Summit and the ICFM*
- v. *Welcomed the establishment of a Task Force by COMCEC to help reach the 20% target of intra-OIC trade set out by the OIC Ten-Year Program of Action*

A study entitled “New Potential Areas for Economic and Commercial Cooperation among the OIC Member Countries” was initiated by the COMCEC Coordination Office and the SESRIC. The aim was to enrich the agenda and substance of the COMCEC. The study was eventually sanctioned by the Twenty-Fourth Session of COMCEC held in Istanbul on 20- 24 October 2008⁹², to be eventually considered by the Twenty-fifth Session in November 2009.

In addition, the Twenty-Fourth COMCEC Session accepted the establishment of a Special Program for the Development of Africa (SPDA).⁹³

VIII. Conclusion: Brief Assessment of the Past and a Conscious Look at the Future

Development of the OIC economic agenda started in the early 1970's, gained some substance during the Second Islamic Summit in 1974, expanded rapidly in the latter part of the decade and has been consolidated within the framework of the Plan of Action to Strengthen Economic Cooperation adopted by the Third Islamic Summit Conference in 1981. This was also the occasion on which the Heads of State of OIC countries established the COMCEC, which became operational under the Chairmanship of the President of Turkey in 1984. As a Ministerial Committee answerable to the OIC Summit, it was assigned with the responsibility of coordination and follow-up of all the activities, past and future, pertaining to economic cooperation within the framework of the OIC at the highest possible level through annual meetings of economy and trade ministers of the member countries.

At the initial transitory stage, the first eight sessions of the COMCEC were held concurrently with Ministerial Meetings on Industry, Trade, Food Security and Agricultural Development, Transport, Communications, Energy, Infrastructure and Public Works and Technical Cooperation. Moreover,

⁹² Report of the Standing Committee for Economic and Commercial Cooperation of the Organisation of the Islamic Conference (COMCEC) for Eleventh Islamic Summit Conference (13- 14 March 2008, Dakar- Senegal)

⁹³ Ibid.

the COMCEC has also become a platform for the member countries where Ministers could exchange views on current global economic problems and issues of immediate interest for the member countries, in addition to the regular items on their agenda. As a result, the COMCEC mechanism has resulted over time in the realization of several cooperation projects that benefited the whole OIC community and thus contributed to the consolidation of the OIC cooperation, especially in the areas of trade cooperation and finance.

Despite these developments, however, several obstacles that limited the achievement of tangible outputs and concrete results in the implementation of the OIC economic cooperation activities in the early years continued into the 1980's and beyond, including the period under COMCEC.

Consequently, such an overall lack of real progress, on the one hand, and the pressing global political and economic changes of the late 1980's, on the other, brought about an urgent need to undertake a detailed review of the 1981 Plan and its implementation. Thus, initially a new Strategy to Strengthen Economic Cooperation among the OIC Member Countries was developed and adopted by the COMCEC. Subsequently, the 1994 Plan of Action to Strengthen Economic Cooperation among the OIC Member Countries was prepared. In this regard, the 'collective self-sufficiency' principle of the early years was replaced with the basic idea of 'integration with the world economy.' Hence, economic liberalization and the importance of private sector were stressed as effective instruments of OIC cooperation, where the private entrepreneurs were seen as the actual actors on the field in different sectors of the national economy, as well as catalytic agents to provide linkages to the global economy. On the technical side, the new plan included cooperation targets/objectives under ten newly-rearranged sectors, implementation programs towards the achievement of each objective in the ten sectors of the plan, and a detailed follow-up and implementation mechanism.

Despite these improvements and efforts spent for better results, the nearly 40-year agenda of OIC economic cooperation –the last twenty-five years of it having been spent under the COMCEC umbrella- and the implementation of the 1994 OIC Plan of Action have been observed to have remained limited in terms of tangible results and follow-up at the technical and policy levels.

Some of the major underlying reasons, among many, have been:

- lack of political will as reflected in insufficient commitment to and lack of interest for ownership of cooperation activities and joint projects
- absence of sufficient and clear funding arrangements for the implementation of cooperation projects and activities
- continued insufficiencies relating to a more active involvement of the private sector, particularly the SMEs, in OIC/COMCEC activities
- lack of focus on concrete projects and initiatives of common and immediate interest for member countries
- limitations over information exchange on existing facilities and opportunities in member countries
- absence of the right cooperation (intra-trade and investment) environment in national economies
- failure to focus on regional cooperation and joint action among neighbouring countries, including regional trade agreements, as incubators of OIC level projects and activities
- inadequacy of free trade and industrial zones for intra-trade and intra-investment
- lack of joint projects based on cross-border, transnational and inter-regional cooperation and

- lethargy in accelerating effective human resources development, technology development and support for social development

It is clear that the 57-member OIC community of nations dispersed over five continents, commanding a significant portion of the world population, natural resource endowments, and significant output potentials in various sectors, is well-placed to initiate, design and carry out to tangible ends cooperation schemes and projects that would be mutually beneficial to all involved. The issue seems to be how to find ways to muster the collective political will and determination to overcome the impediments that have been hindering joint action and projects among member countries so that they can embark upon concrete action that will enhance and expand economic and commercial cooperation among them at a global scale and for decades to come. For this, despite the shortcomings of the past, the COMCEC appears to be an essential umbrella, provided that the lessons of the past are properly heeded to go forward in the right directions. In this context, a practical review of the Plan of Action could be undertaken with a view to coming up with even a more focused and action-oriented document. It should be composed of specific, implementable, action-oriented and properly funded cooperation schemes and projects to be invigorated with an effective and stream-lined follow-up mechanism under the aegis of the COMCEC and supported by the relevant OIC institutions and co-opted international organisations as a part of the process.

APPENDIX 2



What is Ahead for OIC? A General Overview of the Regional Economic Integration Projects with a Focus on ANDEAN, ASEAN, MERCOSUR, ECOWAS, WAEMU and Gulf Cooperation Council (GCC)*

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*This paper is prepared by Mustafa Acar, associate Professor at Kırıkkale University. The views expressed in the paper are the Author's and do not necessarily reflect those of the SESRIC and the COMCEC.



1. Introduction

This paper looks into the experiences of some regional economic integration projects (REIPs) and aims at providing insights on the lessons to be taken from their experience. A general observation of our times is that the number and scope of REIPs has grown remarkably in recent decades. A closer look at the experience of some REIPs might provide insights and valuable guidance for the Organisation of the Islamic Conference (OIC), which has been working on the enhancement of economic and commercial cooperation among its member countries for more than three decades.

Both protectionism and free trade policies have found supporters in every period throughout history. Theoretically, there are a number of arguments raised for protectionism as well as free trade. Among the arguments for protectionism are national security, infant industries, unemployment, balance of payments difficulties, anti-dumping, equality of conditions, strategic trade policy, child labour, and environmental protection. However, supporters of free trade put forward many counter arguments arguing that protectionist arguments are not valid or that the benefits of free trade far exceed its costs.⁹⁴

Expected benefits of free trade in general, and of the REIPs in particular, are classified in two groups: static gains and dynamic gains. Static gains follow from increased volume of exports and imports, expanded supply, and reduced prices of the products. Dynamic gains have to do with increased competition over the long run, technology transfer, increasing investment flows, induced research and development activities, and innovation. A large majority of economists and decision-makers believe the merits of free trade and higher levels of economic cooperation. Fernandez (1997) examines whether there is more to regional trade agreements than just traditional gains from trade. He discusses several possible non-traditional benefits a country can get from a regional trade agreement. Some of these benefits include bargaining power, credibility, insurance, and signalling.

Even though forty years have already passed since its foundation, the level of economic cooperation among the OIC member states has remained rather limited in terms of coverage and concreteness. A quick comparison with the EU will show that the OIC is far from utilizing its huge potential: as of 2007, OIC accounts for 22.5 percent of world population, 6.6 percent of world GDP, and 9.1 percent of world trade. The GDP share and the trade share with respect to population share are much lower than in the EU. On the other hand, in terms of the world's most crucial resources, OIC's potential is quite striking: more than 70% of oil and nearly 50% of natural gas reserves of the world. It is obvious that OIC's contribution to world production and trade is less than satisfactory. The Intra-OIC trade is around 12% of the total trade as compared to 65% for the EU. In addition to the conventional gains from trade, free trade could also help accumulate resources to be used for reducing poverty, and alleviate the political disputes in the Muslim world (Acar, 2009).

In light of the above, this paper discusses the experience of some REIPs. The following section defines regional economic integration and talks about various types of trade policy reforms and integration. Section 3 looks into the historical background, areas of integration, successes and failures in 6 integration projects worldwide: ANDEAN, ASEAN, MERCOSUR, ECOWAS, WAEMU, and GCC. The paper concludes with a brief review of the lessons that can be drawn from the experiences of these projects for the benefit of future OIC/COMCEC economic and commercial cooperation activities.

⁹⁴ See Acar (2005) for a detailed discussion on the pros and cons of free trade, and the arguments on free trade vs. protectionism.

2. Regional Economic Integration: What is it for?

Economic integration generally stands for a process of removing or reducing restrictions and obstacles which limit international trade and investment flows between two or more countries. The main objective of an economic integration scheme or arrangement is to accelerate economic growth and improve welfare.

In a general framework, alternative trade policy reforms can be grouped into three categories: (i) Unilateral tariff reductions, (ii) Widespread multilateral negotiations, and (iii) Regional trading arrangements (RTAs).

Unilateral tariff reductions can take place any time, for any country or group of countries. As the name suggests, it requires a unilateral willingness to reduce or eliminate the barriers to trade. The second category calls for global free trade and it is the main motivation behind the General Agreement on Tariffs and Trade (GATT) and World Trade Organisation (WTO). The third category can be defined as free trade among a small group of countries, and it can take a variety of different forms:

- a. **Preferential Trade Arrangement (PTA)**, which proposes tariff reductions in certain products or sectors agreed upon by the trading partners
- b. **Free Trade Area (FTA)**, which requires the removal of tariffs among members. Each country is free to impose its own external trade policy against third countries
- c. **Customs Union (CU)** is composed of a FTA plus a common external tariff (CET) policy against non-members
- d. **Common Market (CM)** includes CU plus free factor mobility
- e. **Monetary Union (MU)** consists of CM plus a common monetary unit (single currency) within the region
- f. **Economic Union** is the highest degree of integration including MU and common fiscal and social policies implemented by the member countries

Since REIPs falls into RTAs, this study will focus on this 3rd category. Among the 6 different categories of RTAs, first three (PTAs, FTAs, and CUs) are the most commonly observed forms of regional integration. Using either one of the above forms, international trade has become increasingly more regionalized in the last few decades. One can even argue that international trade is mostly regional trade. As the regional trading blocs (particularly the EU, NAFTA, and APEC) emerged, a substantial portion of international trade became subject to RTAs. Baldwin and Venables (1995) stated more than a decade ago that 40% of world trade is directly affected by RTAs as a result of the initiatives of the EU and NAFTA alone. No doubt that this share has gone up since then. When APEC is also included, it is estimated that almost 70 percent of world trade today is accounted for by the RTAs.

As the RTAs have become more common and effective in international economic relations, new challenges arose for researchers on both theoretical and empirical grounds. Some of the important questions in this context can be stated as follows:

- 1) Are regional trade agreements good or bad for the multilateral trade liberalization process?
- 2) How does regional integration affect the member countries as well as the rest of the world?
- 3) How can we analyze/quantify the welfare effects of regional economic integration?
- 4) What are the effects of the RTAs on investments in the integrating countries?

There are not simple and straightforward answers to these questions. The answers will depend, to a great extent, on the particular rules and regulations on which the agreement is based and the surrounding economic and political conditions. Therefore, assessment of the effects of the RTAs remains essentially as an empirical question.

Baldwin and Venables (1995) evaluate the effects of regional integration projects in three main categories: allocation effects, accumulation effects and location effects. They provide a very comprehensive and flexible welfare decomposition framework in which welfare changes are decomposed into seven categories: trade volume, trade costs, terms of trade effects, output effects, scale effects, variety effects and accumulation effects. Global Trade Analysis Project (GTAP) model, a popular CGE modelling framework, decomposes welfare changes into 5 main components: allocative efficiency, changes in factor endowments, technological changes, terms of trade changes, and changes in investment flows (Hertel, 1997). Changing trade policy, removing trade barriers, increasing the level of economic integration is expected to improve welfare and accelerate growth through changes in prices, resource allocation, terms of trade, trade and investment flows.

In addition, developing countries which establish economic integration are likely to get some benefits in the area of foreign assistance and FDI as well (UNCTAD, 2007):

- Economic integration leads to increased volume of foreign assistance. Because large scale projects which integration allows are more likely to achieve optimal scale than small-scale national projects, hence funding possibilities would be higher for the former.
- Foreign direct investment (FDI) flows also would go up, since creation of a bigger market via integration is more attractive for foreign investors
- Therefore, integration of developing countries, which are exporters of labour-intensive goods, increases bargaining power of these countries in world trade

Believing in the merits of free trade and integration, various country groups have set up many REIPs all over the world today, most prominent examples of which are EU and NAFTA. In an effort to draw more insights for the OIC, we chose 6 of these to evaluate: ANDEAN, ASEAN, GCC, WAEMU, ECOWAS and MERCOSUR. These are relatively smaller projects, including developing countries as members, and reflect some geographical dispersion: Asia, Middle East, Africa, and Latin America.⁹⁵ The main objectives, historical background, members, basic economic indicators, working areas and achievements of each project are briefly evaluated below.

3. The Experience of Some Economic Integration Projects

3.1. The Community of Andean Nations (CAN)

The Andean Community or CAN is an integration scheme of four countries which voluntarily joined together to achieve economic and social development. The areas of cooperation included environment, energy, customs duties, common democracy and human rights policy, etc.

The members of the Community are Bolivia, Ecuador, Colombia and Peru. There are associate members as well: Chile, Argentina, Brazil, Paraguay and Uruguay. Mexico and Panama stands within the Community as observer countries.

3.1.1. Historical Background

The Andean Community's establishment dates back to 1969, the same year the OIC was created. Five countries (Bolivia, Chile, Colombia, Ecuador, Peru) signed the *Cartagena Agreement* in order to improve the living standards of these countries through integration and economic and social cooperation. Chile withdrew from the Community in 1976. Venezuela was a member from February 13, 1973, until April 22, 2006.

⁹⁵ No doubt that the most successful economic integration project is the European Union (EU). The EU has reached the last stage of economic integration, which is economic union. But given the huge differences between the OIC and the EU in almost every respect, we did not include EU in the list.

Almost all the Andean institutions were founded in the first ten years of the Community, except for the Andean Council of Presidents, which was set up in 1990.

In the early years of the Community, the policies were based on a protectionist, closed economy model called “import substitution”. Policies were designed primarily to protect national industries via high tariffs imposed on imported products. However, this model caused a crisis within the community during the eighties and all of the countries faced serious debt crises.

It was decided, at a meeting held in Galapagos (Ecuador) in 1989, to replace the inward-looking development strategy with an export-led, outward-looking one. Trade and the market became the driving forces and this was reflected in the adoption of a Strategic Design and a Working Plan in which trade occupied the leading position.

In 1993, the Andean members formed a FTA by eliminating tariffs on trade with one another, which positively affected trade within the Andean, creating new job areas. Trade in services was also liberalized, especially in transportation.

Since 2003, a social dimension was also inserted into the integration process. An Integral Plan for Social Development was established by the Presidential Mandate (Quirama, 2003) and some development issues that had been present early in the process, but later abandoned, were gradually reinstated.

In 2007, with the Tarija (Bolivia) Summit, the member countries declared that “it is necessary to develop and deepen the Andean Community integration process by taking more effective account of the visions and approaches of the Member Countries, in order to achieve unity within our diversity to serve our peoples’ well-being and our harmony with nature. It is necessary to forge a comprehensive integration movement in which social, cultural, economic, environmental and trade aspects are in better balance.” This vision is reflected later in the Working Plan for 2008, which proposed action in social, political and institutional affairs, environment, external relations, economic and trade area.⁹⁶

3.1.2. Objectives of the ANDEAN Community

The Andean Community has a broad spectrum in terms of its objectives, which are enumerated below.

- Promote the member countries’ balanced and harmonious development under equitable conditions through integration and economic and social cooperation
- Step up their growth and job creation
- Simplify their participation in the regional integration process, with a view to the gradual formation of a *Latin American common market*
- Reduce the Member Countries’ external vulnerability and improve their position in the international economy
- Strengthen sub-regional solidarity and reduce differences in development among member countries
- Search for a steady improvement of the living standards of the sub-region’s inhabitants

3.1.3. Areas of cooperation

Social and Political Area: The objective is to contribute to national efforts to overcome the problems such as poverty, exclusion, inequality and asymmetries by promoting civil society participation and boosting actions to deepen political cooperation, among others. Programs

⁹⁶ <http://www.comunidadandina.org/ingles/quienes/brief.htm>

include Social Development, Food Security and Regional Development, Migration and Labour, Civil Society, Communication and Culture and Political Affairs.

Environment: In an effort to respond effectively to global environmental threats, an Andean Environmental Agenda is being implemented. The Agenda consists of sub-regional actions in the area of climate change, biodiversity, water and disasters to promote sustainable development.

External Relations: The joint external projection within the framework of Andean's Common Foreign Policy (CFP) reinforces the Member Countries' negotiating capacity. The community aims to provide a stronger voice to its member countries in the international arena. Its programs are: Latin America and the Caribbean, European Union and Other Countries and Organisations.

Economic and Trade Area: The purpose is to liberalize the flow of goods and services within the area and enhance job creation opportunities. Programs include Goods, Macroeconomics, Small and Medium Enterprises (SMEs), Services, Investment and Intellectual Property.

Institutional Area: The objective is to achieve an efficient management of the integration process by programs addressing other areas of work. Related programs include Legal Counselling, Andean Integration System, Statistics, Technical Cooperation, Administration, Information Technology and Institutional Services.

3.1.4. Achievements and failures of the ANDEAN Community

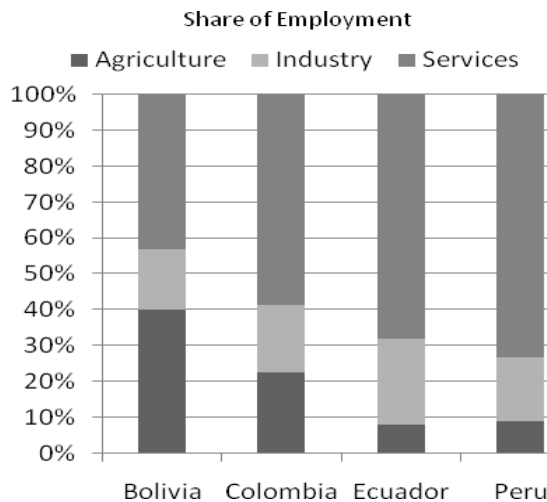
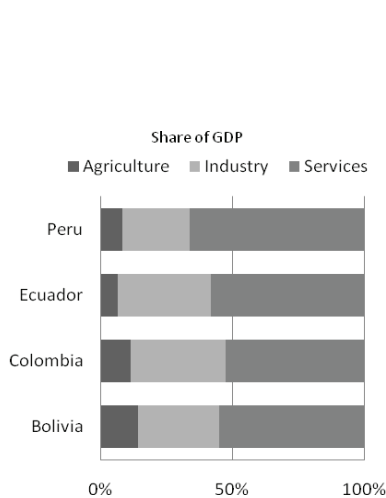
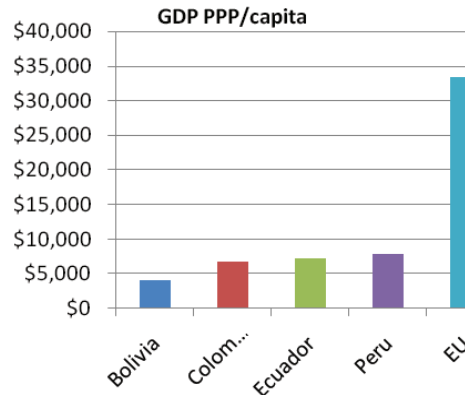
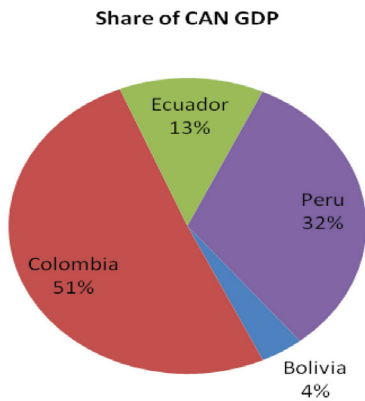
As mentioned above, the Andean members cooperated in social, economic and institutional areas. Major economic achievements of the Andean are listed below:

- A common external tariff has come into force since February 1, 1995
- The liberalization of transportation services with their different modes has been implemented
- Within member countries, exports reached \$9,1 billion in 2005. It was only \$111 million in 1970
- Among the Andean countries, the percentage of manufactured products reached 84 percentage of total trade in 2005
- Foreign direct investments also increased, jumping from \$3.4 billion in 1970 to \$127.3 billion in 2005
- An agreement has been signed between the Andean Community and the United States, establishing the Andean-United States Council that will boost exports and attract investments
- The Andean Community is the first regional group in the World to adopt a Community provision for the control and surveillance of chemical substances used in the illegal manufacture of narcotic drugs and psychotropic substances
- More firmly established and stronger mechanisms to guarantee the unimpeded movement of people throughout the Community with the approval of the participation of the Bolivarian Republic of Venezuela in Decision 503
- The South American Community of Nations is established as a major program of decentralized development that will be constructed through the progressive convergence of the Andean Community and MERCOSUR, with the addition of Chile, Guyana and Suriname (the latter two are OIC members as well)
- The Andean Community is on the way to entering into an Association Agreement with the European Union, as a result of the launching of the joint evaluation of the Andean integration within the framework of the meeting of the Mixed Andean-European Commission
- Adoption of a Community decision to protect and promote free competition in the Andean sub-region in response to the requirements of the current stage of integrated trade opening and globalization

- Approval of a Working Plan to deepen trade integration in the Andean sub-region. This is the Community's most important program on the subject in the last ten years.⁹⁷

Economic Indicators

- In 2007 the Andean Community (CAN)'s combined GDP totalled approximately €222 billion, where real GDP growth rates ranged between 4.9% and 6.8%. In terms of GDP level, Colombia ranks 1st, followed by Peru, Ecuador, and Bolivia, respectively.



- Patterns of trade between the EU and the Andean Community showed significant growth during the last decade: bilateral flows have increased from €9.1 billion in 2000 to €15.8 billion in 2007, at an average annual growth rate of 8.25%
- Andean exports: natural resources including mineral fuels, ores, slag, ash and copper have maintained a major portion of the exports. Exports of fruits, coffee, pearls and precious metals have declined, in some cases significantly.
- European exports of high value-added industrial goods, such as machinery, electrical machinery or high-tech equipment have remained consistent. The EU's high value-added chemicals sub-sector of pharmaceutical products has notably experienced growth in its export share, while organic chemicals have declined.
- The exports of the Andean Community countries rose to \$76 billion in 2007, showing a steady increase of over \$10 billion a year over the previous four years

⁹⁷ More can be found at <http://www.comunidadandina.org/ingles/quienes/results.htm>

- Employment figures have been similarly favourable. Unemployment has been dropping within the Andean Community in recent years, falling down from 11.5 percent in 2004 to 9.8 percent in 2007.

Failures of the ANDEAN Community

In May 2003, the U.S. Trade Representative's (USTR) Office launched negotiations with Colombia, Ecuador, and Peru to establish a U.S.-Andean Free Trade Agreement (AFTA). Unlike other trade agreements that have taken years and even decades to negotiate, the USTR has announced that it plans to conclude AFTA by the end of January 2005.

Yet, the USTR's promises of increased foreign investment and market access are unlikely to materialize quickly for the Andean countries, given the playing field at the moment. The past 25 years in Latin America have been an economic disaster area marked by low rates of growth and slow progress on social indicators. While income per person in Latin America grew 80% from 1960 to 1979, it grew only 11% in the subsequent twenty years. The first half-decade of the 21st century seems even worse, with income per person growth of about 1% for the whole five years (Weisbrot and Rosnick, 2003).

The vast majority of the developing countries have done badly as measured by major social indicators. Progress on extending life expectancy, reducing infant mortality, and increasing literacy rates and education spending have slowed significantly for most of these countries since the 1970s (Weisbrot et. al, 2001).

The story is particularly stark for the Andean countries. Bolivia, Colombia, and Ecuador have experienced slow or negative growth in each decade since the 1970s -for Peru, since the 1960s.

The U.S. proposal for AFTA is unlikely to do much to improve this situation. Like most free trade agreements, the most economically important elements of the proposal have little to do with the exchange of goods. According to documents leaked to the Colombian media, some of its main provisions would extend the period of patent protection beyond current WTO requirements, and make it more difficult for governments to import generic drugs produced in third countries.⁹⁸ Both measures are in essence costly forms of protectionism. Public health expert Jamie Briehl predicts that poverty-related illnesses could well worsen if the agreement is signed, which would be the "the final blow of a neoliberal process that has led to the progressive deterioration of public health."⁹⁹

Agriculture is also a major concern for these countries, given that it accounts for much of their employment and anywhere from a quarter to half of the value of their export earnings.¹⁰⁰ AFTA offers few benefits for the Andean countries' agricultural sectors. Even Peru's internationally competitive sugar industry fears that the national market will be flooded by cheap and highly subsidized high fructose corn syrup from the United States.

3.2. The Association of Southeast Asian Nations (ASEAN)

3.2.1. History

The Association of Southeast Asian Nations or ASEAN was established as a geo-political and economic organisation on 8 August 1967 in Bangkok by the following five founding Member Countries: Indonesia, Malaysia, Philippines, Singapore, and Thailand. Brunei Darussalam joined on 8 January 1984, Vietnam on 28 July 1995, Laos and Myanmar on 23 July 1997, and Cambodia

⁹⁸ The full patent proposal from the U.S. was published by Colombia's La República newspaper (Santamaría Daza, 2004).

⁹⁹ Dr. Breilh is head of Ecuador's Health Research and Advisory Centre (CEAS).

¹⁰⁰ UNCTAD, "Handbook of Statistics," Structure of International Trade by Product, available at www.unctad.org

on 30 April 1999. Of these, Brunei Darussalam, Indonesia and Malaysia are also members of the OIC.

The ASEAN aims for acceleration of economic growth, social progress and cultural development among its members, protection of peace and stability in the region, and provision of opportunities for member countries to discuss issues peacefully. As of 2007, the ASEAN region has a population of about 575 million, a total area of 4.5 million square kilometres, a combined gross domestic product of almost \$1,3 billion, and a total trade volume of about \$1,4 billion.

3.2.2. Areas of cooperation

In the ASEAN community, it is decided to work and act together on various issues. So the community applies common policies on the issues such as politics and security, transnational issues and external relations. The community has achieved to establish a certain degree of economic and functional cooperation among its member states. Economic cooperation consists of a wide range of economic integration from a free trade area to cooperation in tourism and transportation. Functional cooperation also has a wide range of titles to implement common policies within member countries in areas such as social welfare and development, health, children, education, university networking, etc.

The ASEAN has several specialized bodies and arrangements promoting inter-governmental cooperation in various fields including the following: the ASEAN Agricultural Development Planning Centre, the ASEAN-EC Management Centre, the ASEAN Centre for Energy, the ASEAN Earthquake Information Centre, the ASEAN Foundation, the ASEAN Poultry Research and Training Centre, the ASEAN Regional Centre for Biodiversity Conservation, the ASEAN Rural Youth Development Centre, the ASEAN Specialized Meteorological Centre, the ASEAN Timber Technology Centre, the ASEAN Tourism Information Centre, and the ASEAN University Network.

In addition, the ASEAN promotes dialogue and consultations with professional and business organisations with related aims and purposes, such as the ASEAN-Chambers of Commerce and Industry, the ASEAN Business Forum, the ASEAN Tourism Association, the ASEAN Council on Petroleum, the ASEAN Ports Association, the Federation of ASEAN Shipowners, the ASEAN Confederation of Employers, the ASEAN Fisheries Federation, the ASEAN Vegetable Oils Club, the ASEAN Intellectual Property Association, and the ASEAN-Institutes for Strategic and International Studies. Furthermore, there are 58 Non-Governmental Organisations (NGOs), which have formal affiliations with the ASEAN.¹⁰¹

3.2.3. Achievements of the ASEAN: AFTA (Asian Free Trade Area)

The most remarkable achievement of the ASEAN is creation of a free trade area among some of its members. The ASEAN Free Trade Area (AFTA) has now been virtually established. In this context, the ASEAN Member Countries have made significant progress in the lowering of the intra-regional tariffs through the Common Effective Preferential Tariff (CEPT) Scheme for AFTA. More than 99 percent of the products in the CEPT Inclusion List (IL) of the ASEAN-6, comprising Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand, have been brought down to the 0-5 percent tariff range.

The ASEAN's newer members, namely Cambodia, Laos, Myanmar and Vietnam, are not far behind in the implementation of their CEPT commitments with almost 80 percent of their products having been moved into their respective CEPT Inclusion Lists. Of these items, about 66 percent already have tariffs within the 0-5 percent tariff band. Vietnam reduced tariffs

¹⁰¹ <http://www.ascan.org/147.htm>

imposed on the products in the Inclusion List to no more than 5 percent, Laos and Myanmar brought them down in 2008 and Cambodia is going to bring them down in 2010.

Some important economic and social indicators of the ASEAN have been presented in Table 1. GDP per capita as of 2007 is highest in Singapore (\$35 206), followed by Brunei (\$31 076) and Malaysia (\$6 880).

The ASEAN wants to expand free trade area in its neighbourhood: On 26 August 2007, the ASEAN stated that it aims to complete all its free trade agreements with China, Japan, South Korea, India, Australia and New Zealand by 2013, in line with the establishment of the ASEAN Economic Community by 2015. In November 2007 the ASEAN members signed the ASEAN Charter, a constitution governing relations among the ASEAN members and establishing the ASEAN itself as an international legal entity.

In line with the aforementioned plan, on February 27, 2009 a Free Trade Agreement with the ASEAN regional block of 10 countries and New Zealand and its close partner Australia was signed. It is estimated that this FTA would boost aggregate GDP across the 12 countries by more than US\$48 billion over the period 2000-2020.

Another positive outcome of the ASEAN that is worth noting is that through political dialogue and confidence building, no tension has escalated into armed confrontation among the ASEAN Member Countries since its establishment more than four decades ago.

Lastly, we should mention the Comprehensive Investment Area (ACIA), a project aiming at increasing investments through encouraging the free flow of investments within the ASEAN. The main principles of the ACIA are as follows:

- All industries are to be opened up for investment, with exclusions to be phased out according to schedules
- National treatment is granted immediately to the ASEAN investors with few exclusions
- Elimination of investment impediments
- Streamlining of investment process and procedures
- Enhancing transparency
- Undertaking investment facilitation measures¹⁰²

¹⁰²*Wikipedia*, "ASEAN," Retrieved, May 9, 2009, from <http://en.wikipedia.org/w/index.php?title=ASEAN&oldid=288691487>

Table 1: Selected indicators of ASEAN (as of 30 April, 2008)

Country	Total land area	Total population ^{3/}	Population density ^{3/}	Annual population growth ^{3/}	Gross domestic product ^{4/} at current prices	Gross domestic product per capita at current prices	Merchandise trade ^{6/}		Foreign direct investments inflow ^{7/}		
	km ²	thousand	persons per km ²	percent	US\$ million	US\$ PPP ^{5/}	Exports	Imports	US\$ million	US\$ million	
	2007	2007	2007	2007	2007	2007	2006	2006	2005	2006	
Brunei Darussalam	5.765	396	69	3.5	12,317.0	25,191.4	7,619.4	1,488.9	9,108.3	288.5	433.5
Cambodia ^{4/}	181,035	14,475	80	2.2	8,662.3	3,777.9	3,514.4	2,923.0	6,437.4	381.2	483.2
Indonesia	1,890,754	224,905	119	1.2	431,717.7	4,931.0	100,798.6	61,065.5	161,864.1	8,336.0	5,536.2
Lao PDR	236,800	5,608	24	2.8	4,128.1	736.1	402.7	587.5	990.2	27.7	187.4
Malaysia	330,252	27,174	82	2.0	186,960.7	6,880.2	157,226.9	128,316.1	283,543.0	3,964.8	6,059.7
Myanmar ^{2/}	676,577	58,605	87	2.3	12,632.7	215.6	3,514.8	2,115.5	5,630.3	235.9	143.0
The Philippines	300,000	88,875	296	2.0	146,894.8	1,652.8	47,410.1	51,773.7	99,183.8	1,854.0	2,345.0
Singapore	704	4,589	6,518	2.3	161,546.6	35,206.1	271,607.9	238,482.0	510,089.9	15,001.9	24,055.4
Thailand	513,120	65,694	128	4.6	245,701.9	3,740.1	121,579.5	127,108.8	248,688.3	8,957.0	10,756.1
Viet Nam	329,315	85,205	259	1.2	71,292.1	836.7	37,033.7	40,236.8	77,270.5	2,020.8	2,360.0
ASEAN	4,464,322	575,525	129	1.9	1,281,853.9	2,227.3	750,708.0	654,097.8	1,404,806	41,067.8	52,379.5

Sources: ASEAN Finance and Macro-economic Surveillance Unit Database and ASEAN Statistical Yearbook 2006 (compiled/computed from data submission and/or websites of ASEAN Member Countries'

national statistical offices, central banks, and other relevant government agencies)

ASEAN Trade Database as of 18 July 2007

IMF-World Economic Outlook Database as of October 2007

Symbols used

- not available as of publication time

x not available/not compiled

*Data in italic means it has been revised from the**previous posting*

Notes

1/ GDP per capita is preliminary figure computed using the latest/revised GDP estimate per Cambodia's submission as of 16 July 2007 and population projection (high estimated) from NIS, based on Intercensal Population Survey 2004.

2/ Myanmar's GDP is based on fiscal year from April to March of the following year, and computed using derived foreign exchange rate based on IMF-WEO database October 2007, which was Kyats 1274/US\$ (the official rate was Kyats 5.72/US\$)

3/ Refers to/based on mid-year total population from AMCs updates as of November 2007

4/ The 2007 Lao PDR and Myanmar GDP figures were estimated using respective GDP growth rate taken from IMF-WEO October 2007

5/ Recomputed based on IMF-WEO Database October 2007 estimates and actual country data

6/ Based on country updates as of 18 July 2007

7/ Figures include equity and inter-company loans. Brunei Darussalam, Cambodia, Malaysia, and Indonesia (2004-2006 Q1), Philippines (1999-2006 Q1) and Myanmar as well as Viet Nam (2003-2005) include reinvested earnings. Indonesia (2005), Philippines (2005), Singapore (2002-2005) and Thailand (2001-2005) had been revised due to their BOP survey.

Source: <http://www.asean.org/stat/Table1.pdf>

3.3. The Economic Community of West African States (ECOWAS)

3.3.1. Historical Background

The Economic Community of West African States (ECOWAS) is a regional group of fifteen countries, founded in 1975. Its mission is to promote economic integration in all fields of economic activity, particularly industry, transport, telecommunications, energy, agriculture, natural resources, commerce, monetary and financial issues, and social and cultural matters. Members of the community are Benin, Guinea, Niger, Burkina Faso, Guinea-Bissau, Nigeria, Cape Verde, Liberia, Senegal, Côte d'Ivoire, Mali, Sierra Leone, Gambia, Mauritania, Togo and Ghana. All of these countries, except Cape Verde, Liberia and Ghana, are also members of the OIC.

The idea for a West African community goes back to President William Tubman of Liberia, who made the call in 1964. An agreement was signed between Côte d'Ivoire, Guinea, Liberia and Sierra Leone in February 1965, but it did not work at that time. In April 1972, General Gowon of Nigeria and General Eyadema of Togo re-launched the idea, drew up proposals and toured 12 countries, soliciting their plan from July to August 1973. A meeting was then called at Lomé from 10-15 December 1973, which studied a draft treaty. This was further examined at a meeting of experts and jurists in Accra in January 1974 and by a ministerial meeting in Monrovia in January 1975. Finally, 15 West African countries signed the treaty for an Economic Community of West African States (Treaty of Lagos) on 28 May 1975. The protocols launching ECOWAS were signed in Lomé (Togo) on 5 November 1976.

In July 1993, a revised ECOWAS Treaty designed to accelerate economic integration and to increase political cooperation, was signed.

3.3.2. Objectives

Promoting cooperation and integration through establishing economic and monetary union to stimulate economic growth and development is stated as the main objective of the community. The ECOWAS aims to promote co-operation and integration in economic, social and cultural activity, ultimately leading to the establishment of an economic and monetary union through full integration of the national economies of the member states. It also aims to raise the living standards of its peoples, maintain and enhance economic stability, foster relations among member states and contribute to the progress and development of the African Continent. The ECOWAS integration policies and programs are influenced by the prevailing economic conditions in its member states, the need to take the principal provisions of the African Economic Community (AEC) Treaty into account, and relevant developments on the international scene.

The revised treaty of 1993, which was to extend economic and political co-operation among member states, designates the achievement of a common market and a single currency as economic objectives, while in the political sphere it provides for a West African parliament, an economic and social council and an ECOWAS court of justice to replace the existing Tribunal and enforce Community decisions. The treaty also formally assigned the Community with the responsibility of preventing and settling regional conflicts.

Originally it was founded to achieve "collective self-sufficiency" for the member states by means of an economic and monetary union creating a single large trading bloc. The very slow progress towards this aim meant that the treaty was revised in Cotonou on July 24, 1993 towards a looser

collaboration. The ECOWAS Commission and the Fund for Cooperation, Compensation and Development are its two main institutions to implement policies. The ECOWAS Fund was transformed into the ECOWAS Bank for Investment and Development in 2001.

3.3.3. Achievements of ECOWAS

- **WAMEU:** There is no doubt that the most important success or positive outcome of ECOWAS is the creation of West African Economic and Monetary Union (WAMEU), which is discussed separately in more detail below.
- **Trade and Customs:** Establishment of a common market in West Africa is the main goal. The common market implies a free trade zone and a customs union. In order to achieve this goal, the commission has already adopted a Trade Liberalisation Scheme (TLS).
- **Free Movement of People:** A travel certificate has been used within 6 member states: Burkina Faso, Ghana, Guinea, Niger, Nigeria and Sierra Leone. And also an ECOWAS passport has been operational in 3 members: Benin, Mali and Senegal. (All are OIC members except Ghana)
- **Agriculture:** “Seed production centres” have been established in 9 member states. Management of networks is designed to achieve efficient and risk-free production and use of pesticides.
- **Industry:** An ECOWAS industrial master plan has been amended and 64 projects approved at the Investors Forum.
- **Energy:** In order to implement the West African Gas Pipeline Project, an energy charter treaty within four members (Ghana, Togo, Benin, and Nigeria) has been adopted. (All OIC members except Ghana)
- **Regional Peace and Security:** A mechanism for conflict prevention and dispute settlement has been adopted by the Authority in 1998. A Protocol on democracy and good governance was also developed. Similarly, a protocol for fighting against corruption has been formed as well. A declaration adopted by the Authority in October 1998 about a moratorium on the importation, exportation and manufacture of light weapons.

Members of ECOWAS are relatively poor countries. As of 2005, combined GDP at current market prices was roughly \$142 billion and average GDP per capita was \$558.¹⁰³

3.4. West African Economic and Monetary Union (WAEMU)

3.4.1. Historical Background

The West African Economic and Monetary Union (WAEMU) is an organisation of eight states of West Africa established to promote economic integration among countries that share a common currency, the CFA franc. WAEMU was created by a Treaty signed at Dakar, Senegal, on January 10, 1994. The founding member states include: Benin, Burkina Faso, Côte d’Ivoire, Mali, Niger, Senegal, and Togo. On May 2, 1997, Guinea-Bissau became its eighth member state. (All are OIC members)

¹⁰³ National Accounts of ECOWAS, ECOWAS Handbook of International Trade

WAEMU is, in essence, a customs union and monetary union between some of the members of ECOWAS. Its objectives can be summarized as follows:

- Greater economic competitiveness, through open and competitive markets, along with the rationalization and harmonization of the legal environment
- The convergence of macroeconomic policies and indicators
- The creation of a common market
- The coordination of sectoral policies
- The harmonization of fiscal policies

In terms of its achievements, WAEMU members have implemented macroeconomic convergence criteria and an effective surveillance mechanism; have adopted a customs union and common external tariff (early 2000); have harmonized indirect taxation regulations; and have initiated regional structural and sectoral policies. A September 2002 IMF survey cited the WAMEU as "the furthest along the path toward integration" of all the regional groupings in Africa. The ECOWAS and the WAMEU have developed a common program of action on trade liberalization and macroeconomic policy convergence. They have also agreed on common rules of origin to enhance trade, and the ECOWAS has agreed to adopt the WAEMU's customs declaration forms and compensation mechanisms.

3.4.2. Weaknesses of the WAEMU

The current system has some crucial weaknesses particularly in the following areas:

- Limited number of participants
- Low operational security level
- Lack of control on the system's capacity
- Poor technological infrastructures
- High transactions costs
- Poor interbank relationship
- High use of cash
- Few automated operations¹⁰⁴

3.5. The Southern Common Market (MERCOSUR)

3.5.1. Historical Background

MERCOSUR is another Regional Trade Agreement (RTA) among Argentina, Brazil, Paraguay and Uruguay founded in 1991 by the Treaty of Asunción, which was later amended and updated by the 1994 Treaty of Ouro Preto. The history of MERCOSUR dates back to 1985 when Argentina and Brazil signed the Argentina-Brazil Integration and Economics Cooperation Program or PICE. Bolivia, Chile, Colombia, Ecuador and Peru currently have associate member status. Venezuela signed a membership agreement in 2006, but it has to be yet ratified by the Paraguayan and the Brazilian parliaments. Mexico is accepted as observer state. The founding of the MERCOSUR Parliament was agreed at the December 2004 presidential summit. It should have 18 representatives from each country by 2010.

¹⁰⁴ "Economic Community of West African States." *Wikipedia, The Free Encyclopedia*. http://en.wikipedia.org/w/index.php?title=Economic_Community_of_West_African_States&oldid=283725036 [10 May 2009].

3.5.2. Objectives and Areas of Cooperation

The main purpose of the MERCOSUR is to promote free trade and the free movement of goods, persons, and money. Its objectives can be enumerated as follows (Laird, 1997):

- Free transit of production goods, services and factors between the member states with the elimination of tariffs and non-tariff restrictions on the transit of goods
- Adopting of a common external tariff (CET) and a common trade policy against non-member states and the coordination of positions in regional and international commercial and economic meetings
- Coordination of macroeconomic and sectoral policies of member states relating to foreign trade, agriculture, industry, taxes, monetary system, exchange and capital, services, customs, transport and communications, and any others they may agree on, in order to ensure free competition between member states; and
- The commitment by the member states to make the necessary adjustments to their laws in pertinent areas to allow for the strengthening of the integration process. The Asuncion Treaty is based on the doctrine of the reciprocal rights and obligations of the member states. MERCOSUR initially targeted free-trade zones, then customs union and, finally, a common market, where the free movement of labour and capital across the member states is possible. During the transition period, as a result of the chronological differences in actual implementation of trade liberalization by the member states, the rights and obligations of each party will initially be equivalent but not necessarily equal. In addition to the reciprocity doctrine, the Asuncion Treaty also contains provisions regarding the most-favoured nation concept, according to which the member nations undertake to automatically extend--after actual formation of the common market--to the other Treaty signatories any advantage, favour, entitlement, immunity or privilege granted to a product originating from or intended for countries that are not party to ALADI.¹⁰⁵

3.5.3. Successes and Failures

The population of MERCOSUR countries totals more than 260 million people and members have a collective output of \$1.1 trillion (See Table 2 below), accounting for over 75 percent of South America's GDP. It is now the world's fourth-largest trading bloc, after the European Union (EU), North American Free Trade Agreement (NAFTA), and the Association of South East Asian Nations (ASEAN). Whether or not any reduction in poverty can be linked directly to MERCOSUR trade policies is unclear. However, Brazil's deputy UN envoy, Piragibe Tarragô, said in late 2006 that poverty reduction within MERCOSUR countries has been remarkable.¹⁰⁶

The process of trade liberalization among MERCOSUR members has been successful on many fronts, from increased trade flows and cross-country investments to consolidation of democratic regimes. Some of these achievements can be highlighted as follows:

- **Free trade area:** Most tariffs on goods were eliminated by 1995, although exceptions for some sensitive goods are still present. Economic integration led to a remarkable increase in intra-bloc trade flows, a nearly five-fold surge between 1990 and 1998. Intra-group exports

¹⁰⁵ The Latin American Integration Association, created in 1980. <http://www.cfr.org/publication/12762/#2> [10 May 2009].

¹⁰⁶ <http://www.cfr.org/publication/12762/#6> 10 May 2009.
<http://www.face.ufmg.br/novaeconomia/sumarios/v13n2/Paiva.pdf> 10 May 2009.

(only the four full members) jumped from less than 9 percent of the total exports in 1990 to 25 percent in 1998. However, due to the adverse effects of the Asian crisis in 1998 and subsequent Brazilian and Argentinean crises, the intra-bloc share of total exports declined substantially to a low 11.3% in 2001, starting an upward trend again in the following period.

- **Customs union:** The Common external tariff (CET) structure was introduced in 1995. Capital goods and many electronic goods were not included in the CET schedule. A common anti-dumping legislation has been developed and is being evaluated.
- **Common market:** Labour mobility is quite restricted; the Protocol of Montevideo proposed phasing out restrictions on trade in services in 10 years, and a faster pace for financial services, air transportation, satellite communications, insurance, and professional services (all under negotiation); in 1998 a memorandum of understanding called for mutual recognition of university diplomas with full implementation to allow university graduates to work in any member country (including Bolivia and Chile). It will require a common standard to evaluate the quality of universities; in 1999, Brazil and Argentina established groups to study the coordination of macro policies, harmonize statistical data and methodology of economic indicators; a “small Maastricht Treaty” has been thought of in order to establish fiscal balance among members.
- **FTA with third parties:** Recently, with the new cooperation agreement between the MERCOSUR and the ANDEAN Community, Argentina, Brazil, Paraguay and Uruguay were granted associate membership by the ANDEAN Council of Foreign Ministers meeting in an enlarged session with the ANDEAN Commission on 7 July 2005. This move reciprocates the actions of the MERCOSUR which granted associate membership to all the ANDEAN Community nations by virtue of the Economic Complementarity Agreements (Free Trade Agreements) signed between the ANDEAN community and individual MERCOSUR members. In 2005 Colombia passed a law that ratifies an FTA with the MERCOSUR.

Table 2: Indicators of MERCOSUR (2006)

	GDP (US\$ billion)	Population (millions)	Area (km²)	Goods trade (%GDP)
Argentina	183.3	38.7	2,780,400	37.5
Brazil	794.1	186.4	8,514,880	24.7
Paraguay	8.2	6.2	406,750	53.7
Uruguay	16.8	3.5	176,220	40.8
Venezuela	138.9	26.6	912,050	58.4
MERCOSUR Total	1,141.2	261.4	12,790,300	43.0 (*)

*Source: World Bank World Development Indicators, 2006. * Average for MERCOSUR countries.*

As to **the failures of the MERCOSUR**, one can underline the following:

- **Internal dissonance:** Aside from the contrasting sizes of their economies, Argentina, Brazil, Paraguay, Uruguay, and Venezuela have pursued different development policies. Venezuela is the most statist, while Argentina has been reverting to the old state-led mixed

political economy model. Brazil, the original developmental state of the continent, has privatized mining, metallurgy, airlines, and public utilities, but has kept oil, gas, health and pension services, and part of the financial sector in the hands of state. The country's two largest companies are the Bank of Brazil and Petrobrás (the oil monopoly), both state-owned and -managed enterprises. Similarly, Paraguay and Uruguay liberalized, deregulated, and privatized in the 1990s as external creditors pressured them. The common denominator among the five has, however, been the use and abuse of the state power and resources for economic development.

- **Failure of FTAA:** MERCOSUR played a key role in the failure of the FTAA (Free Trade Agreement of the Americas). Spearheaded by the United States, the FTAA was intended to unite Latin America and North America in one broad trade accord. The MERCOSUR members and then-autonomous Venezuela rejected the agreement at the Summit of the Americas in November 2005 over concerns that it would lead to increased inequality in the region (*Guardian*). The Proponents of the FTAA have not been able to make any significant progress in forging that deal since.¹⁰⁷
- **Unfinished FTA with the EU:** The MERCOSUR has been attempting to create a trade agreement with the European Union “since its creation,” says Wheeler, of the Council on Hemispheric Affairs. The deal appears to have stagnated, however. The problem is that with “so much internal division and internal disputes, [MERCOSUR] has lost some of its credibility abroad.”
- **Problematic ANDEAN-MERCOSUR relations:** Because MERCOSUR's charter does not allow its member nations to have FTAs with non-member nations, the MERCOSUR members are not permitted to join the Andean Community of Nations (CAN), a smaller trade bloc which includes Bolivia, Colombia, Ecuador, and Peru. When Venezuela joined the MERCOSUR, it was required to resign from the CAN, as Bolivia will have to do if it is admitted. Bolivia, however, has said that it will not leave the CAN. The CAN and the MERCOSUR leaders have discussed the possibility to form a South American Community of Nations, modelled on the European Union, but those talks have not progressed quickly.¹⁰⁸

As one last point, one should stress that the MERCOSUR has been focusing on the “harmonization of trade policies” instead of eliminating the existing built-in, technical and non-technical barriers as has been done successfully by the EU and the NAFTA. Unfortunately, the MERCOSUR has not yet launched a clear strategy of true integration that goes beyond just harmonization.

3.6. The Gulf Cooperation Council (GCC)

3.6.1. History

The Gulf Cooperation Council (GCC) is a trade bloc involving the six Arab states of the Persian Gulf with many economic and social objectives. Created in 1981, the GCC comprises the Persian Gulf states of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE). All of the countries are members of the OIC as well. The unified economic agreement between the countries of the GCC was signed on November 11, 1981 in Riyadh.

¹⁰⁷ See Miles (2003) for a discussion on the impact of FTAA for Andean Community.

¹⁰⁸ <http://www.cfr.org/publication/12762/#6> 10 May 2009

Not all of the countries neighbouring the Persian Gulf are members of the council. Iran and Iraq are currently excluded although both nations have a coastline on the Persian Gulf. The membership of Iraq in certain GCC institutions was discontinued after the invasion of Kuwait. The GCC States have announced that they support the Document of The International Compact with Iraq that was adopted at Sharm El-Sheikh on 4-5 May 2007. It calls for regional economic integration with the neighbouring states and accession of Iraq to the GCC.

Yemen is currently in negotiations for the GCC membership, and hopes to join by 2016. The GCC has already approved Yemen's accession to a number of the GCC institutions including the GCC Standardization Authority, the Gulf Organisation for Industrial Consultancy, the GCC Auditing and Accounting Authority. The Council issued directives that all the necessary legal measures be taken so that Yemen would have the same rights and obligations of the GCC member states in those institutions.

A GCC common market was launched on January 1, 2008. The common market grants national treatment to all GCC firms and citizens in any other GCC country, and in doing so removes all barriers to cross country investment and services trade.

The GCC members and Yemen (all OIC members) are also members of the Greater Arab Free Trade Area (GAFTA). However, this is unlikely to significantly affect the agenda of the GCC as it has a more aggressive timetable than the GAFTA and is seeking greater integration.¹⁰⁹

3.6.2. Objectives and Areas of Cooperation

The GCC has a wide range of objectives. Among the stated objectives of the GCC are the following:

- formulating similar regulations in various fields such as economy, finance, trade, customs, tourism, legislation, and administration
- fostering scientific and technical progress in industry, mining, agriculture, water and animal resources
- establishing scientific research centres
- setting up joint ventures
- encouraging cooperation of the private sector
- strengthening ties between their peoples; and
- establishing a common currency by 2010

Areas of Cooperation in the GCC covers a wide range, including political affairs, military cooperation, security cooperation, legal and judicial cooperation, media cooperation, and economic cooperation, cooperation in the field of human and environment affairs, Consultative Commission of the Supreme Council, Cooperation in the Field of Auditing, Economic Relations with the Other Countries and Economic Groupings.

Economic cooperation has a variety of fields within itself:

- Joint Economic Action Process
- Trade Cooperation
- Customs Cooperation

¹⁰⁹ Cooperation Council for the Arab States of the Gulf. (2009, May 4). In *Wikipedia, The Free Encyclopedia*. Retrieved 13:58, May 10, 2009, from: http://en.wikipedia.org/w/index.php?title=Cooperation_Council_for_the_Arab_States_of_the_Gulf&oldid=287923172

- GCC Common Market and Economic Nationalization
- Monetary Union and Single Currency
- Cooperation in the Field of Energy
- Cooperation in the Field of Electricity
- Industrial Cooperation
- GCC Patents Office
- Cooperation in the Field of Transportation
- Cooperation in the Field of Telecommunications
- Cooperation in the Field of Agriculture and Water
- Cooperation in the field of Planning and Statistics¹¹⁰

Economic Cooperation

The GCC Charter, the Economic Agreement and the resolutions of the Supreme Council represent the basic reference of the joint economic activity. The integration and coherence among the GCC States in the economic field represent one of the basic objectives set forth in the GCC Chart. Article (4) of the Chart identifies the main objectives of the GCC as follows:

1. Achieving coordination, integration and coherence among the GCC States in all areas with a view to reaching their unity
2. Deepening and strengthening the ties, links and the fields of cooperation already existing among their peoples in the various areas, and
3. Developing uniform laws (regulations) in the various fields, including the following:
 - Economic and financial affairs
 - Trade affairs, customs and communications
 - Educational and cultural affairs
 - Social and health affairs
 - Information and tourism affairs
 - Legislative and administrative affairs
4. Pushing ahead the wheel of the scientific and technological advancement in the fields of industry, mining, agriculture and water and animal resources, and establishing research centres and joint ventures, and encouraging the private sector cooperation that would bring about the good of their peoples

The Economic Agreement 1981

To achieve the objectives of the joint economic action in the economic area, the Supreme Council adopted the Common Economic Agreement at its 2nd Session (November 1981). The Agreement draws the plan for the joint economic action and the phases of the economic integration and cooperation among the GCC States. The said Agreement constitutes the core of the integration programs that have been developed in detail over the first twenty years following the establishment of the GCC, which includes, in particular:

- Achieving economic nationalization among the GCC citizens
- Achieving the economic integration among Member States in gradual steps, beginning with the establishment of the Free Trade Area, the Customs Union, the Common Market and ending with the establishment of the Monetary and Economic Union and the necessary common institutions

¹¹⁰ <http://www.gccsg.org/eng/index.php?action=Sec-Show&ID=47>

- Convergence and unification of laws, regulations and strategies in the economic, financial and trade areas
- Interconnecting the infrastructures in Member States, particularly in areas of communications, electricity and gas and promoting the establishment of joint ventures

The Economic Agreement 2001

Pursuant to the developments of the joint action over the first two decades since the establishment of the GCC and to the international developments and challenges in the economic field, the Supreme Council adopted the Economic Agreement at its 22nd Session (December 2001). The new Agreement has shifted the Joint Action approach from the stage of coordination to the stage of integration according to specific mechanisms and schemes. The Agreement has become more comprehensive in addressing the following topics:

- The GCC Customs Union
- The international economic relations between Member States and the other countries, economic groupings and international and regional organisations, and the provision of international and regional aids
- The GCC Common Market which specifies the areas of the economic nationalization,
- The Monetary and Economic Union
- Improving the investment climate in Member States
- The development integration across Member States, including the industrial development, development of oil and gas and the natural resources, agricultural development, environment preservation and joint projects
- Development of human resources, including education, eradication of illiteracy, compulsion of basic education, activation of the population strategy, nationalizing and training of Labour Force and increasing their contribution to the labour market
- Scientific and technical research, development of scientific, technological and informatics database and protection of intellectual property rights
- Integration in the infrastructure areas, including transportation, telecommunications and E-commerce

In addition, the Agreement contains (Chapter 8) mechanisms for implementation, follow-ups and dispute settlement. The Agreement provides for the formation of a judicial commission to adjudicate disputes arising from the implementation of the Agreement and the resolutions for its implementation.

Main Achievements

- **Trade promotion in the form of FTA and CU:** This has been achieved in 2 stages:
 - Establishing a Free Trade Area among Member States as of March 1983. This led to the free movement of national goods across Member States without customs duties and according such goods national treatment according to certain controls.
 - Establishing the GCC Customs Union as of January 1st 2003. This Customs Union provides for a common external tariff and the free movement of goods across member States without tariff or non-tariff barriers.
- **Common market:** Having completed all requirements, the GCC Common Market was declared in December 2007 to come into force as of January 2008

- **The Monetary Union:** Adopting a specific timetable for establishing the Monetary Union then leading to the Single Currency in 2010, according to a timetable that was approved at Muscat Summit (December 2001)
- **GCC Economic Agreement** in 2001 that was ratified by all Member States
- **Common policies:** Adopting general strategies and policies that would serve as the basis of national policies in Member States, such as the instruments issued by the Supreme Council in the planning, population, industry, oil and agriculture areas
- **Unification** of laws, regulations and procedures in the economic fields. The Supreme Council has adopted some 40 standard laws, some of which are binding while most of the other laws are for mere reference.
- **Joint institutions:** Establishing the GCC joint institutions with a view to stressing the technical and economic cooperation among Member States and cutting the costs. Some of these institutions include the Gulf Investment Organisation, the GCC Standardization Organisation, the Commercial Arbitration Centre, the Patents Office, the Technical Office for Telecommunications, the GCC ATM Network, The Electric Interconnection Corporation--organized as a joint-stock company in preparation for implementing the first stage of the Electric Interconnection Project across the Member States, the Office of the Technical Secretariat for Anti-Dumping.
- **Coordination** of stands in the international economic arena and the collective negotiation and economic dialogue with other countries and economic groupings, such as the EU, the USA, Japan and China
- **Infrastructure:** Cooperation and coordination in the field of the basic structures such as roads, communications and telecommunications and in the field of joint projects, and the agreement on the implementation of the first phase of the electric interconnection project
- **Financial and other fields:** Cooperation at various levels and in all economic fields, such as the banking technology, monetary and fiscal matters, statistical surveys, industry and business conferences, forums and studies in the field of oil, gas, petrochemicals and industry¹¹¹

Cooperation in the Field of Agriculture and Water

Objectives

Joint action in the field of agriculture and water aims at unifying member states' policies and laws and adopting joint projects in the field of agriculture, water and fish resources. The GCC Member States seek to achieve food security through the optimal utilization of the available natural resources. Over the past 25 years, significant achievements have been attained in this vital field.

Achievements

I. The GCC Revised Common Agricultural Policy

The Supreme Council (17th session, Doha, December 1996) adopted the GCC Revised Common Agricultural Policy with a view to achieving agricultural integration among Member States according to a common strategy based on the optimal utilization of available water resources, provision of food security from national sources, increasing production and encouraging joint enterprises with private sector contribution. The Agricultural Cooperation Committee and the respective technical committees thereof are implementing the programs of this policy. Many relevant programs, projects and studies have been implemented so far.

¹¹¹ <http://www.gccsg.org/eng/index.php?action=Sec-Show&ID=54>

II. Water Grid

The detailed study of the project has been completed. Some member states proposed that an analytic study be conducted to ensure the feasibility of the project. At its 9th consulting meeting (Riyadh, May 2007), the Supreme Council instructed the Secretariat to conduct such an analytical study. The Secretariat completed the said study. Results of the study will be submitted to the next meeting of the Electricity and Water Cooperation Committee in preparation for submitting a recommendation in this connection to the 29th Summit to be held in Muscat later this year.

III. Laws and Regulations

- The adoption of a mechanism for facilitating the flow of the imported agricultural and animal products in agreement with the Customs Union Committee
- The agricultural quarantine law (binding)
- The veterinary quarantine law (binding)
- The Fertilizers law (binding)
- The Pesticides law (binding)
- The Law for Registration of the Veterinary Medicaments
- The Law of Seeds, seedlings and cuttings
- The Forests and Pastures Law

IV. Development of the Capacities of Agricultural Quarantines

In 2006, an agreement was made with the FAO on implementing a technical program for the development of the agricultural quarantines at Member States with a view to raising their technical efficiency and developing staff's skills and capabilities so that they can handle the agricultural consignments in the light of the international laws, conditions and requirements to protect the GCC nationals and residents, as well as environment and plants from plant epidemics and diseases, which would contribute to the facilitation and flow of trade. The second phase of this program is currently being implemented.

V. Joint Projects

Several joint projects have been set up that have contributed to the development of the GCC joint action in these fields, with private sector's contribution in certain cases. The most important projects are the following:

- The Seeds and Seedling Company, Riyadh
- Breeding Poultry Company, Riyadh
- Utilization of the services provided by the Viral Disease Diagnosis Lab and the Veterinary Vaccinations Lab; both labs belong to the Kingdom of Saudi Arabia and will soon provide their services to the other GCC States.
- The project for manufacturing the poultry and dairy equipment at Fujairah.
- Establishing a model agricultural project at the UAE
- Conducting a comprehensive survey of the prawn fishing
- A comprehensive survey of the sea bottom fish is currently being prepared
- A project for the observation of the Can'ad fish through the geographical information system has been completed
- The agreement on unified tariffs of the agricultural and veterinary quarantines at GCC border points
- Specifying the ports of entry for the agricultural and animal products in implementation of the requirements of the customs union
- The Palm Research Project

VI. Conferences, Forums and Training

- Organizing joint workshops and forums on various agricultural and water topics, such as the forum on conservation and development of the fish resources, the agricultural epidemics forum, the forum on the conservation and development of the water resources, the forum on meat control and the forum on the genetically modified agricultural products
- Organizing a number of training courses
- Member States are coordinating their positions in relevant regional and international conferences¹¹²

Failures of the GCC

The Twenty-eighth GCC summit which was held in the Qatari capital of Doha in December 2007 agreed to launch the Gulf Common Market (GCM) from January 2008. The GCM allows for free movement of factors of production amongst member states.

The Summit produced no breakthroughs with regard to either the customs union or monetary union projects. The GCC commenced customs union status at the start of 2003 hoping to complete the requirements by 2005. However, implementation was delayed due to numerous obstacles till 2007. Technical officials have now been entrusted with the task of coming up with a formula for distribution of customs revenues taking into account issues such as final destination of goods.

Interestingly, the UAE revealed in June that it has transferred a sum of \$360 million in the form of custom revenues as per the unified clearing system to the other five GCC countries. The amount covers the period of January 2003 to September 2006. The extraordinary announcement was possibly one of few positive developments with regards to implementation of the customs union project.

Likewise, the final communiqué made no mention about dates for the likely implementation of the monetary union. If all things work according to schedule, the project should be implemented in 2010. As of now, Oman remains the only GCC member-state opting out of the planned monetary union.

Also, another challenge relates to Kuwait unilaterally linking its currency to a basket of currencies, ending the practice of linking its dinar solely to the US dollar starting from May 2007. The Kuwaiti authorities opted to make the move as part of efforts to contain the decline in the value of the US dollar.

An emerging threat to the planned monetary union relates to growing inflationary pressures impacting on the condition that inflation in a member country not exceed the average rate plus 2 per cent. This is due to the widespread gap in inflation rates amongst GCC countries. According to the IMF, inflation rates amounted to 14 per cent and 4.1 per cent in Qatar and Saudi Arabia in 2007 respectively.¹¹³

The most urgent issue that need to be addressed is the challenges facing the goal of integrating GCC economies. These would largely relate to the implementation of the monetary union by 2010 and exploring ways for overcoming the adverse effects of ever growing inflationary pressures.

¹¹² <http://www.gccsg.org/eng/index.php?action=Sec-Show&ID=54>

¹¹³ Jasim Husain Ali http://www.oeronline.com/php/2008_july/closeup.php

4. Conclusion: What Lessons Do We Take?

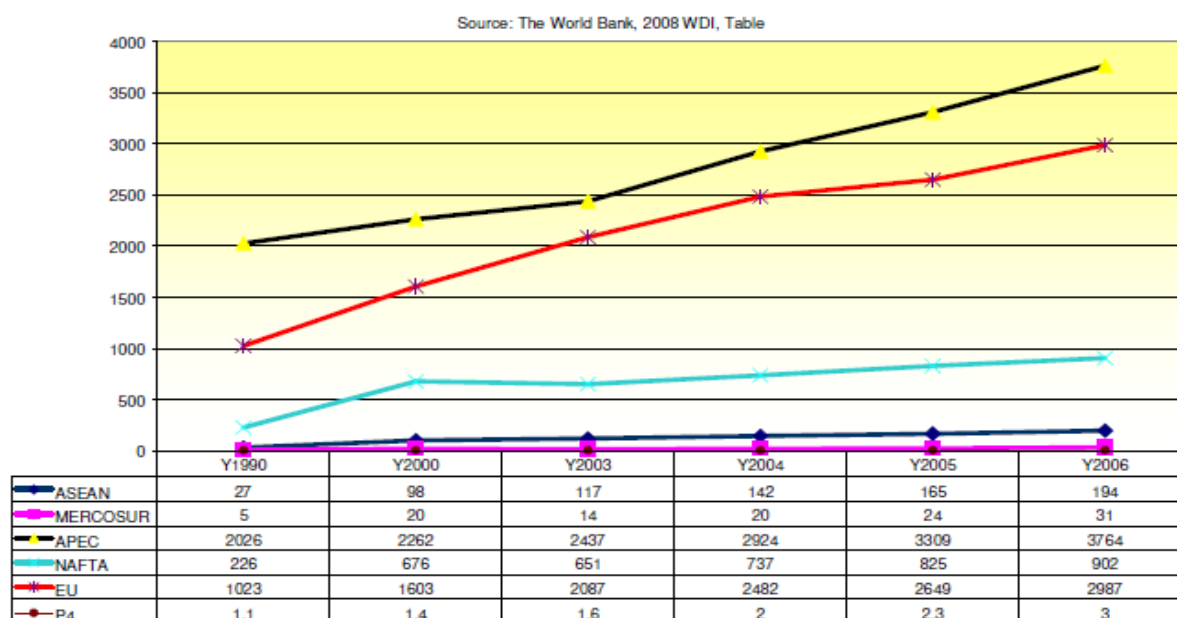
Even though the idea of protectionism dates back to Mercantilist period, and can find supporters in almost every time period and geography, free trade seems to be the dominating preference among both economists and policy makers. As such, regional economic integration projects based on free trade have been emerging all over the world in the last few decades. It is estimated that around 70% of world trade today is directly affected by the RTAs.

Among the benefits of free trade are cheaper prices, higher product variety and quality, more competition leading to innovation, technological advancements, culminating in improved welfare. Equally important, free trade can play an instrumental role in alleviation of political tensions and disputes. As Frederic Bastiat said more than hundred-and-fifty years ago, “if you do not allow goods to cross the borders, soldiers will cross.”

There are many different forms of regional economic integration: preferential trading arrangements (PTAs), free trade areas (FTAs), customs unions (CUs), common markets (CMs), monetary union (MUs), and economic union. Most of the existing regional trading blocs are either in the form of FTAs or CUs. It is said to observe that the OIC could not achieve even the most preliminary stage of economic integration even though four decades have passed since its inception.

We must underline the fact that the most important ingredient for a successful integration is political will, i.e. how determined are the political leadership of the member states to work together, eliminate all barriers to trade, allow free flow of goods, services, investments, and factors of production. This political will is most apparent in the EU, which by all means is the most successful of all trading blocs in the world.

Figure 5 ASEAN VS MERCOSUR: Intra-Regional Trade, 1990-2006



Another important indicator for a successful regional economic integration is the volume of intra-regional trade. The most visible feature of the three leading REIPs -EU, NAFTA and APEC- is the high volume of intra-bloc trade, as clearly shown in Figure 5.

As one can see from Figure 5, APEC is way ahead of other RTAs in terms of intra-regional trade, followed by the EU and the NAFTA. Among the 6 RTAs analyzed in this study the ASEAN performs slightly better than the MERCOSUR. Nevertheless, there is an upward trend in both blocs' intra-trade volume over time.

We can describe the overall picture as follows:

- All the REIPs were instrumental in increasing the trade volume: volume of exports and imports remarkably increased over time in all blocs
- All the REIPs started with free trade agreements, pursuing higher levels of integration over time. Some of them led to creation of even monetary union: the ECOWAS gave way to the WAEMU; the GCC is heading for a monetary union, too.
- All projects have their own successes and failures; it is hard to make clear-cut generalizations. But taking various aspects into account, the GCC seems to be the most successful one, followed by the ECOWAS-WAEMU, and the ASEAN. The MERCOSUR seems to be least successful one, mostly due to some political complications and quite different development policy options the members have adopted.

Based on the above analysis, we can propose the following as to the future prospects for OIC member states:

- Economic cooperation and integration in the form of free trade, free flow of goods, services, capital, and investments across borders are instrumental for promoting higher economic growth, creation of wealth, expanding job opportunities, faster technology transfer, expansion of innovation capacity, and improving welfare. Integration is also instrumental for peace and stability, increasing the chance to pursue peaceful solutions for regional and international conflicts.
- Therefore, regional economic integration seems to be the way to go in the foreseeable future; hence it is highly recommended for the OIC to take concrete steps to achieve higher levels of cooperation and integration
- The first concrete step in this direction would be to make preferential trading arrangements immediately, and push for higher levels of integration towards FTAs, CUs, Common Market, and even single currency and economic union in the long run
- One should note that there are concrete examples before OIC of regional economic integration. The intersection of several REIPs analysed in this study and OIC is not an empty set. In particular, all GCC members (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) are also OIC members; 3 of ASEAN (Indonesia, Brunei Darussalam, and Malaysia) members are also OIC members; all WAEMU members (Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal, Togo, and Guinea-Bissau) are also OIC members; all ECOWAS countries (Benin, Guinea, Niger, Burkina Faso, Guinea-Bissau, Nigeria, Cape Verde, Liberia, Senegal, Côte d'Ivoire, Mali, Sierra Leone, Gambia, Mauritania, Togo and Ghana), with 3 exceptions (Cape Verde, Liberia and Ghana), are also members of the OIC. In other words, OIC can work closely with all these organisations to make use of their experiences.
- One can suggest that the best example for OIC over the long run is the EU as the most successful and highly institutionalized project. (The APEC does not seem to be a role model for the OIC in that it is not a well-structured, well-defined project.)
- However, tremendous amount of long lasting, stable, continuous efforts is needed to get to the level of EU. Smaller concrete, interim steps would be necessary. Taking into account of the fact that all or some of the REIPs mentioned above are at the same time OIC

members, the OIC can keep a close eye on the cooperation and integration efforts of these organisations, adopting the most feasible mechanisms first, getting into more complicated ones over time.

- As part of this gradual transition, one might even suggest forming small-scale, sub-regional groupings within OIC: Gulf States (GCC which is already there), East Asia (ASEAN Members Indonesia, Brunei, Malaysia and other OIC Members in the neighbourhood), Middle East (Turkey, Iraq, Syria, Jordan, possibly Iran), West Africa (ECOWAS-WAEMU and some other OIC members in the neighbourhood), North Africa (Egypt, Libya, Tunisia, Morocco). In the medium and long run, these small groups negotiate for further cooperation to include whole OIC as a single bloc.
- Taking into account the current and possible future trends, there are certain key areas for cooperation: finance, energy, agriculture, tourism, and information and communication technologies. Special work groups can be set up to conduct research and come up with proposals for the right policies to be adopted and implemented.
- Adopting a single currency might be too early for the entire OIC for the time being. But using local currencies (or accepting the leading economy's currency) as a medium of exchange to finance intra-regional trade is quite feasible, which would lift the burden of seignorage payments by OIC members to non-OIC countries. Also, it is never too early to think about adopting a single currency over the longer run, discuss its feasibility, costs and benefits, and advantages and disadvantages, by taking Euro as an example. A *clearing house* would be quite instrumental to reduce transaction costs of intra-regional payments and financial flows. Central Banks of the OIC members can work together to come up with a concrete proposal in this direction.
- As mentioned above, political will to further cooperation and integration is key. But one should keep in mind that it is a two-way road: political will and economic integration –both in theoretical and empirical grounds- efforts can support one another, clearing the way out.
- In this regard, it might be difficult to get a strong political will needed at the beginning. In an effort to convince political decision-makers for a stronger integration and cooperation, it will be quite instrumental to undertake quantitative research and economic analyses showing the possible benefits of integration. To achieve this, it is important to invest in capacity building in the OIC countries: i.e. educate and train researchers and increase the number of experts who can conduct quantitative economic analyses.

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APPENDIX 3



Cooperation among the OIC Member Countries in Selected Sectors: Agriculture and Tourism*

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* This paper is prepared by Erdal Karagöl, associate professor at Balıkesir University. The views expressed in the paper are the Author's and do not necessarily reflect those of the SESRIC and the COMCEC.



1. Introduction

Food security, food shortage and agricultural development have been recognized early on as important issues in Islamic countries. It was also realized that the food issue was closely linked with agricultural production, productivity, input use, infrastructure, agricultural policies, trade and related issues. This realization was well reflected in the provisions of the OIC Plan of Action to Strengthen Economic Cooperation. Tourism has also been very important for the OIC countries, not only on account of their existing and potential tourism resources, but also because their citizens travel outside in large numbers for business, leisure and other purposes. Consequently, tourism, with its realized and potential contributions to overall economic growth, figures significantly in the economic development aspirations and plans of many of these countries. Yet, one can readily observe that the actual shares that the OIC countries are able to command in the global tourism revenues remain quite low.

This paper is organized as follows. The second section discusses cooperation work in agricultural development. Basically, we will try to explain what has been done in the OIC ministerial conferences on food security and agricultural development and the coverage of the OIC Plans of Action with respect to the same sector. Moreover, this section also provides information relating to cooperation in agricultural development in the non-OIC countries. The third section discusses cooperation work in tourism. Basically, we try to explain what has been done in the OIC ministerial conferences, as well as other meetings on tourism, lastly, food security, agricultural development and tourism agendas are reviewed in detail and assessed.

2. Cooperation in Agricultural Development

2.1. The Ministerial Conferences on Food Security and Agricultural Development

Food deficiency and food security in Islamic countries have been recognized as basic problem areas very early on within the OIC. In fact, between the Six Islamic Conference of Foreign Ministers in July 1975 and the Second Expert Group Meeting on Food and Agriculture in November 1979, the OIC focused quite extensively on agriculture, specifically on the food problem. It was realized that the food issue was closely linked with agricultural production, productivity, input use, infrastructure, agricultural policies, trade and related problems. This realization was also well reflected in the provisions of the 1981 OIC Plan of Action.

Eventually, the First Ministerial Conference on Food Security and Agricultural Development was held in Ankara on October 20-22, 1981. This conference was not only to determine and define the problems existing in agriculture but also try to effectively solve them. Therefore, the Ministers resolved to adopt a "Program of Action" in the field of Food and Agriculture for the OIC member countries. A detailed decisions formula was also drawn up. Several member countries were individually assigned studies in important areas as a preliminary step for the initiation of the Program. Although considerable progress could be achieved in pinpointing the issues, and in directing the member countries to prepare in-depth studies on them, it was soon realized that certain factors were delaying the implementation of these decisions. Although Expert Group Meetings were conceived for the purpose of deliberating upon each study when completed, the need to further refine and elaborate the technical and administrative details for these meetings, compounded by heavy financial constraints, also impeded progress. Therefore, three of the

original studies were completed during the first two years, and only one expert group meeting on Forestry could be held after the First Ministerial Conference.

A second important historical development relating to OIC cooperation activities was the establishment of the Standing Committee for Economic and Commercial Cooperation (COMCEC) by the Third Islamic Summit Conference in January 1981 and its activation as an annual conference of the ministers of economy and trade under the Chairmanship of the President of Turkey in November 1984. In line with the mandate assigned to COMCEC to follow up and review the OIC resolutions in the six priority areas, including those on Food Security and Agriculture, the Turkish Government organized the Second Ministerial Conference in this sector under the aegis of COMCEC, in Istanbul in March 1986, concurrently with the Second Session of the COMCEC. The Second Ministerial Conference reviewed the implementation of the decisions adopted by the First Conference and streamlined its research program by adopting the recommendations of a Working Group, and by narrowing down the number of studies initially assigned to a total of seven. In addition to further developing the resolutions of the First Conference, the Second Ministerial Conference also took the initiative to deliberate upon possible new areas of cooperation, including fisheries and fishing technology, seed industry, irrigation and livestock and animal husbandry. It was hoped that, in view of the importance of the issues deliberated upon and the wealth of ideas generated in this Conference, some progress will have been achieved by the time the Follow up Committee of the Second Ministerial Conference meets in December 1987.

The Third OIC Ministerial Conference on Food Security and Agricultural Development took place in Islamabad on 18-20 October 1988. The Ministers reviewed the food issues in the Islamic Countries and adopted indicators for the purpose of monitoring the level of the food security situation in the Member States. Additionally, it was requested that a report on the Food Security Situation in the OIC countries based on these indicators be prepared by the Ankara Centre in collaboration with the FAO for presentation at each of the future Ministerial Conferences on Food Security. The member countries also recommended collaboration in livestock among Islamic countries and agreed to establish an OIC Food Security Reserve based on the principle of collective self-reliance.

The Fourth Ministerial Conference on Food Security and Agricultural Development was held in Tehran from 14 to 16 January 1995. In this conference the Iranian delegation suggested to establish a new Standing Committee only for Agriculture, but the majority of the member countries expressed the view that this subject was already contained within the 1994 COMCEC Plan of Action. The Declaration issued by this Conference emphasized the need to explore ways and means to increase agricultural production and decided to periodically review the situation of food security in all OIC Member States. It also expressed a firm determination and political will to expand cooperation among the concerned member states in developing food security and agriculture.

The main resolutions that were agreed upon in these conferences all aim to determine a scientific and a technological strategy for food security in the Islamic World, recommending precautions and suggesting policies for increasing live animal production, including poultry and fishery, and for increasing foodstuff trade among OIC Member Countries, and for building up a food security reserve.

2.2. OIC Plans of Action on Food Security and Agricultural Development

2.2.1. Islamic Development Bank (IDB)

Due to the fact that the problem of food security remained unresolved in a number of OIC Member States, particularly in Africa, the General Secretariat, in cooperation with the IDB, the African Development Bank and the Government of Senegal organized a symposium on Food Security in Dakar, Senegal, in December 1991. This symposium was organized in conjunction with the Sixth Islamic Summit Conference. Subsequently, the Sixth Islamic Summit Conference adopted a declaration on "the Food Security Decade" calling for additional resources to be extended to the OIC African Member States. These resources would be used for the speedy and effective implementation of national strategies for food security in African member countries. In order to help implement the recommendations of the Dakar Symposium, an ad-hoc follow-up committee was established. Thus, there have been meetings on this issue at the expert level and several countries were visited by The Islamic Development Bank and the African Development Bank to evaluate their respective programs in the area of food security.

The Fourth OIC Ministerial Conference on Food Security and Agricultural Development was held in Teheran, Iran in January 1995. The Declaration issued by the Ministers emphasized the need to expand agricultural production and to keep under periodic review the food security situation in all of the OIC member countries.

The OIC General Secretariat participated in the World Food Summit at the FAO Headquarters in Rome in June 2002. Furthermore, during the UN-OIC Cooperation Meeting held in Vienna in July 2002, the OIC and the FAO agreed to foster their cooperation in the field of preparation and implementation of food security programs at on regional and national levels and on rehabilitation and rebuilding of the agricultural sector in Afghanistan and Palestine.

2.2.2. The 1981 Plan of Action

The Third Islamic Summit Conference meeting in Mecca Al Mukarramah, Kingdom of Saudi Arabia, in 1981 adopted the Plan of Action to Strengthen Economic Cooperation among Member States of the Islamic Conference, which included the following on food and agriculture¹¹⁴:

- *To take necessary measures towards the implementation of the provisions of the General -Agreement regarding maximum utilization of potentials for food production within the Islamic Countries and to cooperate for meeting their food requirements*
- *With a view to creating balanced development of the agriculture and industrial sectors of the economies of Member States, greater accent be placed upon agro-based and agro-related industries such as the production of tractors, fertilizers, seed industry, pesticides as well as the processing of the agricultural raw materials*
- *To ensure food security in the Islamic World, regional food reserve stocks must be created*
- *Necessary measures be taken to improve the agricultural infrastructure and the transport facilities*
- *Consideration be given towards assisting the Islamic countries affected by natural calamities such as droughts and floods*

¹¹⁴ <http://www.oic-oci.org>, the Third Islamic Summit Conference (Palestine and Al Quds Session) meeting in Mecca Al Mukarramah, Kingdom of Saudi Arabia, from /9th to 22nd Rabi Al Awal 1401 H. (25-28 January 1981) Reports & Resolutions on Economical Affairs.

- Consider to devise ways and means for tackling such natural phenomena as desertification, deforestation, water logging and salinity
- The Islamic Development Bank and other financial institutions should play more active roles in financing food and agricultural projects of Member States both at national and communal levels

2.2.3. The 1994 Plan of Action

The 1994 Plan of Action constitutes, at the level of sectors and areas of cooperation, a policy document with detailed indicative action programmes, to serve as an operational complement of the Strategy to Strengthen Economic Cooperation among the OIC Member States, which was already adopted by the COMCEC. The major problems facing the OIC community in the field of food and agriculture are hunger, malnutrition, famine, widespread and mass poverty, desertification and under utilization of the existing potentials. The insufficiency of food production, together with the impacts of natural phenomena that adversely affect agricultural production as a whole brings a great number of OIC member countries face to face with the need to import the greater part of their food requirements from other countries. This, in turn, means for them heavy food import bills that put a strain on the foreign exchange that is vitally needed for overall development, as well as increase dependence on the major food suppliers. There are also major structural, institutional and policy weaknesses, as well as formidable financing problems that need to be addressed.

Therefore, programs of action are listed as follows:

- Promoting and expanding cooperation in the area of agricultural research and development of joint activities, by giving a pivotal role to the private sector. Developing modalities of cooperation and joint action among the member countries to enhance food security, to promote collective self-reliance and ensure continuity of supply in food for the OIC community.
- Overcoming major threats to food production caused by plant and animal pests and diseases through Early Warning Systems and other coordinated mechanisms among interested member countries
- Identification and implementation of joint ventures in the area of food and agricultural production, with the active participation of the private sector, that will optimally utilize the existing resources and potentials in the OIC member countries in order to expand output and improve productivity in various sub-sectors
- Promotion of investments in rural infrastructure by making use of the existing facilities within OIC including those at IDB, and development of agricultural credit systems
- Improving the functioning of the overall market systems through appropriate economic policies and measures to help overcome the biases that impede agricultural production, development and foreign investment in agriculture (COMCEC, 1994)

The new Action Plan of COMCEC was ratified in the 7th Islamic Summit Conference held in Casablanca on the 13th -14th of December in 1994 and became a final document. The Conference also recognized the importance of agriculture and its vital role in socio-economic development of the countries of the Islamic Ummah and appreciated the close cooperation between the OIC, **Food and Agriculture Organisation** (FAO) and **International Fund for Agricultural Development** (IFAD). It was requested that member countries should closely cooperate with

these institutions in the implementation of their programs. The proposal of the FAO to organize a World Summit on Food Security in 1996 was supported by the Member countries of the OIC¹¹⁵.

2.3. Role of International Organisations

2.3.1. Food and Agriculture Organisation (FAO)

Food and Agriculture Organisation (FAO) has 192 Member Nations. The FAO has focused on four main areas. Firstly, FAO serves as a knowledge network. Thus, this organisation employs agronomists, foresters, fisheries and livestock specialists, nutritionists, social scientists, economists, statisticians and other professional to collect, analyze and disseminate data. These activities aim to help the development of member countries. Secondly, the FAO lends its experience to member countries in drawing up agricultural policy, supporting planning efforts, drafting effective legislation and creating national strategies. These policies will help to achieve rural development and hunger reduction objectives. Thirdly, the FAO provides a meeting place for member countries and rich and poor nations to come together. With these facilities, policy makers and experts from all over the World gathered on major food and agriculture issues at the FAO headquarters. Fourthly, the FAO brings the knowledge to be put to the test in thousands of field projects throughout the world. The FAO mobilizes and manages millions of dollars provided by industrialized countries, development banks and other sources to make sure the projects achieve their goals. The FAO provides the technical know-how and, in a few cases, a limited source of funds. In crisis situations, the FAO works side-by-side with the World Food Program and other humanitarian agencies to protect rural livelihoods and help people rebuild their lives (www.fao.org).

The FAO has the following programs on Food and Agriculture;

The FAO Initiative on Soaring Food Prices: The FAO is currently engaged in 95 countries, in most cases supporting food production with supplies of improved seeds, fertilizers and other agricultural inputs for different planting seasons through. The FAO has also significantly scaled up its monitoring of food prices at consumer and wholesale levels, the degrees of food insecurity in vulnerable countries and the impact of rising food prices at the global, regional and country level.

The FAO and Emergencies: The FAO, together with other UN agencies, research and training institutions and governments, helps countries to prevent and prepare for disasters in agriculture, livestock, fisheries and forestry sectors; emergency relief and rehabilitation, disaster risk reduction and hazard emergency types.

The Food Security Programs: The FAO acts as a catalyst and facilitator, and its main role is to help countries identify, formulate and implement national and regional food security programmes, drawing on FAO's corporate capacities and engaging other partners and donors. The Food Security Programs initially targeted limited numbers of small-scale farmers, showing them how to increase production and profits by using low-cost technologies. Today, the special Food Security Programs help governments replicate successful practices on a national scale. It also encourages investment in rural infrastructure, off-farm income generation, urban agriculture and safety nets.

The Investment Centre: It promotes greater investment in agriculture and rural development by assisting developing countries to identify and formulate effective and sustainable agricultural

¹¹⁵ <http://www.oic-oci.org>, Seventh Islamic Summit, Resolutions & Reports

policies, programmes and projects. It does this with funding from multilateral institutions such as the World Bank, regional development banks and international funds as well as the FAO resources.

2.3.2. International Fund for Agricultural Development (IFAD)

The International Fund for Agricultural Development (IFAD) has several activities in support of agricultural development. In order to increase the welfare of the poorest of the poor small farmers, artisanal fishermen, rural poor women, landless workers, rural artisans, nomadic herdsmen and indigenous populations production, raise their incomes, improve their health, nutrition, education standards and general well-being on a sustainable basis, the IFAD provides funds for rural development projects. With these projects, agricultural development, financial services, rural infrastructure, livestock, fisheries, capacity-and institution-building, storage/food-processing/marketing, research/extension/training and small and medium scale enterprises are supported.

The IFAD has the following projects;

Country Strategic Opportunities Programme (COSOP): A COSOP is a framework for making strategic choices about IFAD operations in a country, identifying opportunities for IFAD financing, and for facilitating management for results. The central objective of a COSOP is to ensure that IFAD country operations produce a positive impact on poverty. The document reviews the specific rural poverty situation as the basis for determining geographic sites and related thematic areas where IFAD would operate and highlights the innovation it intends to promote in the country programme. The COSOP discusses policy and institutional aspects that affect the outcome of the IFAD operations and their impact on the poor, including, *inter alia*, local governance and the participation/empowerment of the poor as main determinants of an enabling environment for the success of the pro-poor projects. The COSOP also includes an overview of IFAD's previous operations and the lessons learned particularly from evaluation studies, and integrates these lessons into future operational directions. To ensure strong country ownership, the COSOP design and implementation process is characterized by wide stakeholder consultation. It is also designed to be aligned with the country's poverty reduction strategy and planning framework.

Rethinking Debt: The IFAD has taken a significant step in its efforts to enable the world's poorest people to escape poverty through eliminating loans and introducing a grant-only scheme for poor countries. The debt sustainability framework is part of a unified effort by the world's biggest multilateral financial institutions to ensure that essential financial assistance does not cause undue financial hardship for those countries most in need. Debt sustainability is part of a broad debt management approach to ensure that borrowing countries can manage their debt. It not only frees very poor countries from the burden of interest payments, it also allows them to take money that would have had to go to interest payments and use it for other essential services, such as clean water, health and education.

The IFAD has adopted the International Development Association's debt sustainability model. Poor countries with low debt sustainability ("red light" countries) now receive assistance on 100 per cent grant terms; poor countries with medium debt sustainability ("yellow light" countries) receive assistance on 50-50 grant/loan terms; poor countries with high debt sustainability ("green light" countries) receive assistance on 100 per cent loan terms. The ratings have been determined using the country debt sustainability analyses of the World Bank and the International Monetary

Fund. Previously, poor countries received aid mainly in the form of highly concessional loans. IFAD's member states have agreed to compensate IFAD for the value of principal repayments that are being lost as a result of the shift from loans to grants for some countries. The objective is for the new approach to have zero financial impact on IFAD.

Over the past 20 years, multilateral financial institutions have learned that high levels of external debt can severely hamper the poverty-fighting efforts of poor countries. The debt sustainability framework is the logical extension of the Debt Initiative for Heavily Indebted Poor Countries, which was launched by the World Bank and the International Monetary Fund in 1996 to make sure that no poor country was saddled with an unmanageable debt burden. Since then, about US\$35 billion of debt from 30 countries, mainly in Africa, has been forgiven. The Debt Initiative for Heavily Indebted Poor Countries addressed the existing debt. The aim of the debt sustainability framework is to look to the future and prevent the development of a lend-forgive cycle, while ensuring the poorest nations still to receive the funds necessary to increase the pace of poverty reduction.

2.3.3. World Bank (WB)

The World Bank has 185 member countries. It specifically focuses on middle income creditworthy poor countries and on the poorest countries in the world. It provides low-interest loans, interest-free credits and grants to developing countries for a wide array of purposes that include investments, agriculture, and environmental and natural resource management. World Bank's Agriculture and Rural Development Department (ARD) is responsible for the formulation of the corporate rural strategy. The rural strategy is one of the several thematic and sector-specific strategies developed and implemented by the World Bank in partnership with the client countries (World Development Report, 2008).

2.3.4. World Food Program

The World Food Program(WFP) aims to save lives and protect livelihoods in emergencies, prevent acute hunger, invest in disaster preparedness and mitigation measures, restore and rebuild lives and livelihoods in post conflict, post-disaster or transition situations, reduce chronic hunger and under nutrition, strengthen the capacities of countries to reduce hunger, including through hand-over strategies and local purchase.

The World Food Program undertakes the following activities:

Responding to Emergencies: As soon as the local government requests WFP's help, the emergency response mechanisms go into action. Time saved means lives saved, so the Emergency Preparedness team makes sure the WFP is ready to go, anytime. They use ground-breaking technology to direct assistance to where it is most needed. In the early days of an emergency, while the first food supplies are being delivered, Emergency Assessment teams are also sent in to quantify exactly how much food assistance is needed for how many beneficiaries and for how long. They must also work out how food can best be delivered to the hungry. The WFP draws up an Emergency Operation (EMOP), including a plan of action and a budget. This lists who will receive food assistance, what rations are required, the type of transport the WFP will use and which humanitarian corridors lead to the crisis zone.

Appeal for Funds: The WFP launches an Appeal to the international community for funds and food aid. The agency relies entirely on voluntary contributions to finance its operations, with

donations made in cash, food or services. Governments are the biggest single source of funding. As funds and food start to flow, WFP's logistics team works to bridge the gap between the donors and the hungry.

Enhancing Food Procurement: Over the recent years, the WFP has received an increased amount of cash contributions from donors, making procurement activities increasingly important. Many donors impose conditions on their donations (the money must be spent in a certain country or the aid must go to a certain country). But the freer from constraints and the more flexible a contribution is, the greater the likelihood that the WFP can make a cost effective purchase.

3. Economic Cooperation in Tourism in OIC Countries

3.1. Tourism in OIC Cooperation, the OIC Plans of Action and the Earlier Meetings on Tourism

References to economic cooperation in Tourism among the OIC countries began in the 1970's. In order to develop cooperation in the area of tourism, several other meetings have also been held and activities organized prior to the adoption of even the 1981 OIC Plan of Action, but as a subsection of the composite area named Transport, Communications and Tourism. Much later, starting with the year 2000 six Ministerial Conferences held one after the other. In this context, the Meeting of the Group of Experts and Representatives on Possibilities of Strengthening Transport, Communications and Tourism held in 8-21 February, 1978 started things off. The meeting adopted some suggestions and recommendations pertaining to the sector of tourism;

- It is recommended that as a first step towards promoting tourism, information regarding existing facilities should be collected and exchanged and thereafter plans and programmes for expanding facilities should be undertaken.
- It is noted that tourism could be an important foreign exchange earner for member states but stressed that this should not be the sole motive for its promotion. Tourism within the Islamic World should contribute to mutual understanding and cultural integration and it could serve as a means of depicting Islamic civilization and culture to the rest of the world.
- It is suggested that the seminars on promotion of tourism be held, one in Asia, one in the Arab countries and one in Africa, and recommended that these seminars be financed by the Islamic Solidarity Fund (ISF).

Additionally, to foster investment in OIC countries, First Meeting of the Consultative Committee on Joint Ventures held in 1980. It is recommended that joint ventures should be undertaken in the fields of tourism, besides shipbuilding, transportation vehicles, transportation and telecommunications networks. The Sixth Session of the Islamic Commission for Economic, Cultural and Social Affairs (16-19 November, 1980), while considering the Draft Plan of Action, referred to the proposal contained for strengthening economic cooperation in the field of transport, communications and tourism, and supported the on-going activities that are being carried out in these fields within the framework of the OIC, as well as the harmonization of activities among member states in the said fields, including tourism.

The Third Islamic Summit Conference (25-28 January, 1981) adopted the OIC Plan of Action, where a composite chapter was devoted to Transportation, Communications and Tourism. The Plan encouraged the member countries harmonize the activities in the field of tourism with the existing sub-regional, regional and global agencies. The High-Level Inter-governmental Expert

Group Meeting on the Plan of Action to Strengthen Economic Cooperation among Member States (9-11 November, 1981) emphasized the importance of tourism and the relevant recommendations contained in this field in the Plan of Action. It is also requested that the General Secretariat should collect information and data related to the field of tourism from member states to be submitted to an expert group meeting to formulate specific recommendations in the tourism cooperation field.

The Second Meeting of the Follow-up Committee of the COMCEC (8-10 September, 1986) was informed that the COMCEC Coordination Office, in close collaboration with the General Secretariat and in consultation with the member states, had started the preparations for a draft agenda for the First Ministerial Consultation on Transport, Communications and Tourism, which took place concurrently with the Third Session of the COMCEC in Istanbul.

The Seventh Islamic Summit Conference held in Casablanca in 1994 stressed on the importance of intra-OIC cooperation in tourism and adopted, for the first time, a separate resolution on cooperation in the field of tourism. The Twenty-third ICFM held in Conakry in 1995, reiterated the earlier resolution and, expressing the conviction that tourism formed a main pivot in the economic development, cultural exchange and rapprochement between nations, invited the Member States to cooperate in a number of areas, including exchange of information, cooperation in tourism events and investment in the tourism industry. The subsequent Islamic Summit Conferences and Islamic Conferences of Foreign Ministers adopted similar resolutions on cooperation in the field of tourism.

The 1994 Plan of Action, devoting a separate chapter to Tourism, argued that it was very important for the OIC countries not only due to their existing and potential tourism resources, but also because their citizens travelled in large numbers for business, leisure and other purposes. Information on the tourist venues and facilities of the OIC countries was generally missing with minimal promotion activity being carried out in the countries from where most of the tourists originate. The accommodation facilities and their capacities in many of them were insufficient, and trained personnel for quality service were mostly missing. Transport and communications facilities in many OIC countries were substandard. Their links to the major metropolitan areas in the developed World were mostly determined according to needs in those areas. Furthermore, there was room for improvement in the trade, visa and customs procedures, as well as the legal and educational framework in the member countries. In terms of tourist exchanges amongst the OIC countries themselves, not only were the impediments even greater in terms of the already enumerated shortcomings in various spheres, but also these countries remained effectively disjointed from one another due to the highly restricted and inefficient nature of the existing transportation and telecommunications links amongst the majority of them.

In order to promote and develop tourism in the OIC countries, support and develop joint action, at bilateral and multilateral levels, to establish new facilities and activities in the member countries, to develop modalities of co-operation and co-ordination and to encourage and promote extensive private sector involvement and co-operation in tourism, the 1994 Plan of Action under its chapter on Tourism, included action programs along the following lines:

- *Increasing the public awareness in the OIC countries about the existing tourist resources and facilities in the Islamic world with a view to encouraging tourist visits to other Islamic countries by providing full information to potential visitors*
- *Establishment of direct contacts among the relevant parties concerned with tourism in the member countries on promotion of tourism in the sub-regions, regions and the whole of the Islamic world*

- *Creation of the appropriate legal, institutional and administrative conditions and environment in the member countries in support of an expanded tourist activity among the member countries*
- *Encouraging and facilitating joint tourism ventures and other investments in the member countries by the private sector in the expansion and upgrading of the existing tourist capacities and activities and for the construction of new facilities of appropriate quality and service standards, using up-to-date technologies*
- *Encourage and support the activities relating to the development of the necessary human capital in the area of tourism to ensure the availability of managerial and service personnel of international standards (SESRIC , 1997)*

It is clearly observable that cooperation in the area of tourism development in the OIC member countries was one of the important areas of cooperation. In order to develop cooperation in this area, several other meetings have also been held and activities organized besides those that had taken place prior to the OIC Plan of Actions as was summarized earlier and the six Ministerial Conferences reviewed below. These were as follows:

- Expert Group Meeting for “Implementation of the OIC Plan of Action in the Area of Tourism” was held in Tehran, Islamic Republic of Iran in 2005
- First Tourism Fair of Islamic Countries was held in Istanbul, Republic of Turkey on November 24-26th, 2005
- Under the exchange of views session held during the 21st Session of the COMCEC on the theme of “Role of Tourism in the Promotion of Economic Cooperation among the OIC Member Countries”, the member countries shared their experiences
- The International Conference on Tourism and Handicraft was organized on 7-13 November 2006 in Riyadh, Saudi Arabia, jointly by the Supreme Commission of Tourism of the Kingdom of Saudi Arabia and the Research Centre for Islamic History, Art and Culture (IRCICA)
- The Second Experts Group Meeting on Tourism Development to undertake the preparation of a Strategic Plan for Tourism Development of OIC Member Countries was held in Istanbul, Republic of Turkey on 9-11 May 2007
- The International Scientific Conference on the Role of Tourism in the Economies of OIC Countries was held on 21-22 June 2007 in Baku, Republic of Azerbaijan (COMCEC, 2008)

3.2. The Ministerial Conferences on Tourism

The First Islamic Conference of Ministers of Tourism was held on 2-4 October 2000 in Isfahan, Iran. The Conference recognized the importance of tourism as an area of cooperation among OIC Member States and agreed on the need to have a strategy for collaborative action for enlarging their shares in the global tourism market. The Ministers of Tourism also agreed on a number of areas of cooperation assigning priority to the development of tourism infrastructure. They also decided to set up a follow-up committee, which met in Tehran on 27-28 August 2001. The report of the Follow-up Committee along with the Tehran Communiqué on Tourism was submitted to the Second Islamic Conference of Ministers of Tourism on 10-13 October 2001 in Kuala Lumpur. The Conference adopted a resolution on tourism development along with the Kuala Lumpur Program of Action for the Development and Promotion of Tourism in the OIC Member States, calling for an expert group meeting to elaborate on the means and modalities of implementation of the Program of Action. Then, the meeting of the Follow-up Committee of the Second Islamic Conference of Ministers of Tourism was held in Kuala Lumpur on 5-6 September 2002. The Follow-up Committee examined the means and modalities of implementation of the Kuala

Lumpur Program of Action and enlisted in a Matrix an elaborate list of practical action to be undertaken by the Member States, both individually and collectively.

The Third Islamic Conference of Ministers of Tourism was held in October 2002 in Riyadh. The Conference adopted a resolution on tourism development, as well as the Riyadh Declaration. The Government of the Islamic Republic of Iran hosted the first experts group meeting on tourism in Tehran in May, 2003. All the above activity in this sector has to be commended as a reflection of the political will of the countries involved to promote cooperation in an area of vital importance to many of the OIC member countries. Yet, it is interesting to note that all these ministerial meetings appear to have developed agendas that were independent of the Tourism chapter of the 1994 OIC Plan of Action, and the follow-up action appears to have ignored the dictates of the Implementation and Follow-up Mechanism set forth in the Plan document, approved by the OIC Summit. In fact, the only expert group meeting so far held on the subject was convened only after three Ministerial meetings have already been concluded. Such a line of action eschews the supervisory role assigned by the OIC Summit to the COMCEC over OIC economic cooperation activities, at least in the area of tourism (COMCEC, 2003).

The Fourth Islamic Conference of Tourism Ministers was held in Dakar, Republic of Senegal in March 2005. This conference was inspired by the Makkah Al-Mukarramah Declaration adopted by the Third Islamic Summit Conference in January, 1981 and committed to the spirit and the letter of Isfahan declaration reaffirming Riyadh and Kuala Lumpur declaration.

OIC Tourism ministers have decided as follows;

- (a) To do everything possible to translate into facts the member countries' common ambition to increase the tourism flow in the OIC space through both internal and external demand
- (b) To stimulate, accordingly, the emergence of new national and inter-State tourism products and to ensure their optimal promotion through new communication technologies and on networks that are proper to the OIC region
- (c) To strengthen, as may be defined by a study, cooperation in multi modal destination services, particularly in favour of the least developed member countries
- (d) To stimulate the emergence of a flow of public-private partnerships on the basis of feasible projects which would involve the OIC specialized institutions, as well as other funding sources

The Fifth Islamic Conference of Tourism Ministers took place in Baku in September 2006. This conference was also inspired by the Declaration adopted by the Third Islamic Summit Conference held in Makkah Al-Mukarramah in January 1981 the new revised OIC Plan of Action adopted by the 7th Islamic Summit Conference, held in Casablanca, Kingdom of Morocco, in December 1994, as well as by the relevant resolutions and declarations adopted by the past Islamic Summit Conferences and the Islamic Conferences of Foreign Ministers aimed at strengthening cooperation among the Member States in the area of tourism (COMCEC, 2003).

The Conference concluded that¹¹⁶:

- The member countries were committed to a policy of openness and close cooperation with the world's relevant international organisations operating in the field of tourism and cultural exchanges, such as UNWTO and UNESCO

¹¹⁶ Fifth Islamic Conference of Tourism Ministers held in Baku, Republic of Azerbaijan on September 11-12, 2006), Baku Declaration.

- The member countries were encouraged by the continued growth in the world tourism industry, which if sustainably developed and managed, can serve as an efficient means for poverty eradication and achievement of the Millennium Development Goals by the Member States
- Moreover, the member countries should recognize the strong inter-linkage between tourism and many other sectors of national economies, as well as the vital role the tourism can play in integrating the economies of the Member States

The Ministers, therefore, agreed to¹¹⁷:

- *Incorporate the tourism development in the national development plans of the Member States in order to ensure the peoples' right to travel and to leisure recognized by the international community*
- *Join efforts towards increasing the tourism flow among the Member States and development of transport routes and strengthening cooperation in multimodal destination services in this regard*
- *Create a favourable environment for and elaborate investment projects of intra- and inter-regional scope in the sector of tourism and related activities and fulfil their realization, inter alia, through wide dissemination of the necessary information for broader attraction of relevant OIC and international financial institutions and private sector for partnership in their implementation*
- *Call upon the Member States to actively participate in tourism fairs held in OIC countries in order to promote the development of the tourism market*
- *Pay special attention to the policy of promotion and development of youth tourism, including establishment of national committees on youth tourism in the Member States, and creation of necessary affordable facilities towards this end*
- *Strengthen policies for the development of rural, ecological, cultural and other types of tourism that would embrace the principles of sustainable tourism, contribute to conservation and protection of natural and cultural heritage, and serve economic and social development of and poverty reduction in local communities of the Member States*
- *Implement projects aimed at sustainable tourism development of coastal and other areas in Member States*
- *Establish and implement policies at all levels aimed at sustainable human resource development in the area of tourism and promote greater exchanges among the relevant educational institutions of the Member States*
- *Call upon the non-OIC countries to facilitate visa issuance procedures in order to serve development of tourism and cultural exchanges, which are indispensable elements for better mutual understanding and sustainable dialogue among civilizations*
- *Condemn any manifestation of terrorism and aggressive separatism and stress the importance of expeditious solution of conflicts, all of which have detrimental impacts on tourism and on the exercise of peoples' right for leisure and travel, in accordance with the norms and principles of international law, particularly those related to the territorial integrity and inviolability of internationally recognized borders of a state*
- *Strongly condemn the illegal exploitation of natural resources and the destruction of cultural and historical monuments in the territories of Azerbaijan occupied by Armenia, as well as the deliberate destruction of Islamic cultural and historic monuments in the territory of Armenia*
- *Call upon the relevant OIC subsidiary, specialized and affiliated organs or institutions and invite the private sector to support the development of tourism for the sake of its greater contribution to economic and social development of the Member States*

¹¹⁷ Fifth Islamic Conference of Tourism Ministers held in Baku, Republic of Azerbaijan on September 11-12, 2006), Baku Declaration.

The Sixth Islamic Conference of Tourism Ministers (ICTM) was held in Damascus, Syrian Arab Republic on 01-02 July 2008. It was preceded by a two-day Meeting of the Senior Officials on 29-30 June. Representatives from 32 member countries, the World Tourism Organisation (WTO), the Arab Tourism Organisation, Iran Cultural Heritage, Handicrafts and Tourism Organisation, the General Secretariat of the OIC attended the Conference. After adopting the Agenda and the Work Program of their meeting, the Senior Officials reviewed and discussed the progress achieved in the implementation of the resolutions and decisions of the 5th Session of the Baku ICTM. They also reviewed and discussed a set of common issues of concern to the member countries with a view to enhancing their cooperation in the field of tourism. During the Meeting, the Senior Officials examined the Strategic Plan for Development of Tourism in OIC Member States. The Meeting approved the document with amendments and changing its title as “Framework for Development and Cooperation in the Domain of Tourism between OIC Member States” and approved the Draft Resolution on Tourism Development. During the general debate, statements were made by representatives of several member countries and the Conference took note of a number of issues and proposals raised during the discussion concerning the ways and means of strengthening cooperation among OIC countries in this vital field of economic and social activity.

Finally, the Ministers adopted the Report of the Senior Officials, “Framework for Development and Cooperation in the Domain of Tourism between OIC Member States”, the Resolution on Tourism Development, together with the report of their Meeting.

3.3. Role of International Organisations

3.3.1. UNWTO (World Tourism Organisation)

The World Tourism Organisation (UNWTO) is a specialized agency of the United Nations and the leading international organisation in the field of tourism. It has 161 member countries and territories and more than 370 affiliate members representing the private sector, educational institutions, tourism associations and local tourism authorities. The UNWTO has activities on technical cooperation, sustainable tourism, and projects on eliminating poverty among members. Technical cooperation includes projects which are usually of long duration and they aim to assist countries in acquiring technical know-how in the formulation of tourism policies and strategies, in planning, product development, and marketing and human resource development. The projects are based on a policy of sustainability and they focus on tourism master planning at all levels, establishment of tourism training institutes, formulation and regulations, preparation of marketing programs, and national capacity-building.

The sustainable tourism and eliminating poverty (ST-EP) program projects cover a wide range of activities. These activities are:

- Projects at the local level that focus on training of guides and local hotel employees, on facilitating the involvement of the local people in tourism development around natural and cultural heritage sites
- Projects at district level focusing on establishing business linkages between poor producers and tourism enterprises in an area
- Projects at national level aiming to provide business and financial services to small, medium and community-based tourism enterprises
- Projects at regional level focusing on the joint marketing of community based tourism initiatives (www.unwto.org)

In accordance with the UN Millennium Development Goals, UNWTO will also promote sustainable livelihoods and combat poverty through the implementation of projects within its ST-EP Program (UNWTO, 2008). The UNWTO also gives development assistance to raise awareness, among national tourism administrations and local communities of member countries, of the socio-economic importance of tourism and to improve their capacities through dissemination and replication of best practices so as to enable them to manage their tourism sector without any external assistance. UNWTO provides a friendly and encouraging competition environment. It brings into the picture the tourism enterprise and hence trade in tourism services, as well as tourism destinations whose “quality tourism product” is the sum of contributions and processes resulting from many stakeholders, both private and public (www.unwto.org).

4. Conclusion and Suggestions

This paper investigated cooperation in selected sectors such as agriculture and tourism in the OIC member countries. As we look at the cooperation among OIC countries, they have not succeeded to establish a leading specialized organisation in each of these two sectors to help member countries with projects. These countries, nevertheless, managed to organize Ministerial Conferences (four in Agriculture, six in Tourism) and other meetings and activities to help foster cooperation in agriculture and tourism sectors.

One general conclusion may be that in order to increase cooperation, member countries should liberalize their domestic economies, create an environment that is more secure and conducive for investment and capital movements, and reduce the bureaucratic impediments.

In order to increase cooperation among member of OIC countries in food and agriculture, the OIC conferences and meetings have shown, but not yet realized, ideas to enhance cooperation in the following areas;

- Collaboration in major livestock among Islamic countries
- Cooperation in fisheries and fishing technology, seed industry, irrigation and livestock and animal husbandry
- Strengthening their cooperation in the field of preparation and implementation of food security programs on regional and national levels and in rehabilitation and rebuilding of the agricultural sector in poor countries
- Financing food and agricultural projects of member countries at national and communal level
- Solving the financial constraints on food production
- Sharing agricultural technology among OIC member countries

On the other hand, in order to increase cooperation in tourism among member of OIC countries, the followings are suggested¹¹⁸;

- *The member countries should establish an OIC alliance among the airline companies of the OIC countries and initiate direct flights between their capitals and major cities*

¹¹⁸ SESRIC (2008) International Tourism in the OIC Countries: Prospects and Challenges, Statistical, Economic and Social Research and Training Centre For Islamic Countries, Ankara.

- *In order to enhance intra-OIC tourism, tourism visa and other legal and administrative travel procedures should be simplified among the OIC countries*
- *Public and private joint venture investments in tourism projects should be encouraged through providing special facilities and preferential treatments for investors from the OIC countries*
- *This could also include the joint dissemination and exchange of information on tourism investment*
- *Joint training/vocational programs on various aspects of the tourism industry should be developed and organized by the relevant training institutions in the OIC countries*
- *Linkages or networks among tourism training institutions in the member countries should be established to facilitate the exchange of experts and research on tourism development*
- *The OIC member countries, particularly those with high tourism potential but low technical know-how, should take advantage of the various technical and financial programs of the relevant international organisations*
- *Linkages in air, land, rail and sea transportation should be facilitated and established with a view to easing access from one destination to the other within the OIC region*
- *The OIC countries, should take advantage of the various technical and financial programs of the relevant international organisations*
- *Scientific methods of joint tourism marketing and advertisement should be developed and opportunities in the OIC member countries to help increasing intra-OIC tourism activities*
- *Alliances between tourism stakeholders in the OIC countries, particularly between the official tourism promotion bodies, should be established with a view to strengthening tourism marketing and promoting cooperation at the sub-regional level as well as at the level of the OIC region as a whole*

The Food and Agriculture Organisation (FAO) has been helping developing countries and countries in transition modernize and improve agriculture, forestry and fisheries practices and ensure good nutrition for people. FAO supports food production with the supply of improved seeds, fertilizers and other agricultural inputs, helps countries to prevent and prepare for disasters in the agriculture, uses funds for greater investment in agriculture and rural development. The IFAD has Country Strategic Opportunities Programme (COSOP). The main aim of the COSOP is to produce a positive impact on poverty. The debt program of the IFAD has aimed to eliminate loans and introduced a grant-only scheme for the world's poorest countries that are unable to sustain their debts. Moreover, the World Food Program uses ground-breaking technology to direct assistance to where it is most needed. The WFP also launches an appeal to the international community for funds and food aid. Through the Enhancing Food Procurement Program, the WFP undertakes procurement activities. Finally, the World Bank provides low-interest loans, interest-free credits and grants for developing countries in the agriculture sector.

In the case of the tourism sector, the World Tourism Organisation (UNWTO) serves as a global forum for tourism policy issues. It also plays a central and decisive role in promoting the development of responsible, sustainable and universally accessible tourism, paying particular attention to the interests of developing countries. The UNWTO sets up conferences. The program for "Destination Management", which is committed to respond positively to the growing need for systematic, multidisciplinary and inter-sectoral strategies for tourism at local, regional and national levels. The UNWTO will also promote sustainable livelihoods and combat poverty through the implementation of projects within its ST-EP Program. The UNWTO also has a program that gives grants for education and training. Moreover, the main mission of the Risk and Crisis Management program of the UNWTO is to assist members to assess and mitigate risks, where travel and tourism is concerned, through development, planning, and implementation of crisis management systems that will reduce the impact of, and assist in the recovery from crises.

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APPENDIX 4



Questionnaire on Enhancing Economic and Commercial Cooperation among OIC Member Countries

Questionnaire on Enhancing Economic and Commercial Cooperation among OIC Member Countries

Brief Project Description

A project entitled 'Enhancing Economic and Commercial Cooperation among the Organization of Islamic Conference (OIC) Member Countries' was recently launched. The aim is to enrich the agenda of the Standing Committee for Economic and Commercial Cooperation (COMCEC). The project was initiated by COMCEC Coordination Office, and PGlobal Advisory Services Ltd. (PGlobal) was mandated by the Statistical, Economic and Social Research and Training Center for Islamic Countries (SESRIC) to implement the project. PGlobal will conduct the project under a participatory process based on background reports, surveys, interviews and the outcome of an international brainstorming workshop among a small group of selected experts. In this context, the prospective contributors to the surveys, interviews and the workshop will be selected in a manner to ensure a balanced representation of the member countries according to certain attributes, such as income levels, land-lockedness, population density, infrastructure and natural resource endowments. The contributors will be drawn from different sectors, public and private entities and national and international institutions. Your response to the present survey will constitute a valuable contribution to the project whose final report and conclusions will be taken up as a new main agenda item pertaining to the 'Enrichment of the COMCEC Agenda' by the Twenty-fifth Meeting of the COMCEC Ministers in November 2009.

*Your answers to the questions in this survey will be a valuable contribution to the process.
You may skip the questions whichever you don't feel yourself ready or willing to answer.*

Name	
Title/ Position	
Institution/ Firm	
Country	
Phone	
Fax	
E-Mail	

1.a) In your opinion, what are the most important economic and commercial cooperation sectors / areas / subsectors among OIC member countries? Please list from 1 to 10 in order of importance.

- | | |
|---|---|
| Food, agriculture and rural development | Tourism |
| Industry | Monetary, financial and capital flow |
| Energy and mining | Technological and technical cooperation |
| Foreign trade | Human resources |
| Transportation and telecommunication | Environment |

b) In which of the above areas/sectors/ subsectors have the most progress been thus far recorded under the Standing Committee for Economic and Commercial Cooperation (COMCEC)?

Your Answer:

2. What is or has been the experience of your country in terms of economic and commercial cooperation within the OIC framework?

Your Answer:

3. Site examples, if you know any, of economic or commercial cooperation projects and fora outside of the OIC that your country has been or is currently a part of?

Your Answer:

4.a) Which of the following regional organizations can provide additional insights and examples for enhancing economic and commercial cooperation under OIC and COMCEC?

- ANDEAN GCC ASEAN ECOWAS- WAEMU APEC ECO MERCOSUR Any Other:.....

b) If you have checked one or more of the organizations in 4 (a) above, please briefly explain in what sense such an insight/example can contribute to enhancement of OIC/COMCEC cooperation activities?

Your Answer:

c) Provide specific project example(s), if you know any, which have been successfully implemented under any of the schemes in 4 (a) above.

Your Answer:

5. Can you provide successful examples of economic or commercial cooperation projects in different areas/sectors/subsectors that you know of which involve countries other than your own?

.....Agriculture

.....Tourism

..... Trade

..... Finance

.... Any Other

6. Can you suggest specific and concrete project proposals in different areas/sectors/subsectors among OIC member countries or its subgroups?

.....Agriculture

.....Tourism

..... Trade

..... Finance

.... Any Other

7. What are your suggestions to help enrich the agenda of COMCEC in order to enhance economic and commercial cooperation activities of the OIC?

Your Answer:

APPENDIX 5



Evaluation of Survey and Interview Results

Survey and interviews with eminent persons and experts have been planned to constitute one of the main parts of the project entitled 'Enhancing Economic and Commercial Cooperation among OIC Member Countries,' along with the background reports and the brainstorming workshop. The objective behind this set of activities is to collect information and ideas from various groups of personalities, drawn from different sectors, OIC members, non-member countries, OIC and non-OIC international organisations, etc. The survey participants have been selected from relevant government bodies and the private sector in the member countries, international regional organisations, academia, OIC bodies and other countries. Within this context, a survey format was developed which consisted of 7 questions (See Appendix 4) that aimed to collect and collate the required information by seeking written responses to the questionnaire by the participants or asking the same questions to others directly in interviews.

The questionnaire started by asking (Question 1.a) which sectors were the most important ones for economic and commercial cooperation sectors among the OIC member countries, as enumerated in 1994 OIC Plan of Action.

- The majority of the participants have chosen foreign trade; food, agriculture and rural development; and monetary financial and capital flows as the most important economic and commercial cooperation sectors among the OIC member countries. The rest was listed in the following order: industry; transportation and telecommunication; technological and technical cooperation; energy and mining; tourism; human resources; and environment.

As a part of the above question (Question 1.b), the survey sought to find out in which of the above areas/sectors/ subsectors have the most progress been thus far recorded under the Standing Committee for Economic and Commercial Cooperation (COMCEC).

- Foreign Trade has been pointed out by most of the participants as the field in which most progress had been achieved in the context of economic and commercial cooperation activities of the COMCEC. Monetary, Financial and Capital Flow has been marked as the second area in which important progress was recorded thus far under COMCEC. These two fields were followed by food, agriculture and rural development and tourism, respectively.

The questionnaire continued (Question 2) by seeking the participants to answer as to what the experience of their countries had been in terms of economic and commercial cooperation within the OIC framework.

- In this connection, the respondents mentioned the following:
 - Establishment of contacts among the OIC member countries
 - Improvement of commercial relations with other OIC countries
 - Projects funded by the IDB in various fields such as agriculture, technology, infrastructure
 - Joint-projects
 - Progress in the field of finance
 - Investments
 - Aid

The next question (Question 3) sought the participants to site examples of economic or commercial cooperation projects in schemes outside of the OIC that their countries had been or continued to be a part of.

- In this part, participants from different countries mentioned about the projects that had been initiated within the other regional organisations which could have been possible to be carried over to the context of the OIC/ COMCEC.
 - Black Sea Economic Cooperation (BSEC)
 - Fiber-Optic Projects
 - Economic Cooperation Organisation (ECO)
 - Trade and Development Bank
 - Baku-Tiflis Pipeline Project
 - Common Railway Projects
 - Highway Projects
 - D-8 Organisation for Economic Cooperation
 - Automotive;
 - Aerospace;
 - Energy; and
 - Transportation Projects
 - Furthermore, participants mentioned that several international organisations that initiated many projects, including those in their countries, without specifically giving details about the projects:
 - European Union (EU) Projects
 - Projects with International Bank for Reconstruction and Development (IBRD)
 - Organisation for Economic Co-operation and Development (OECD)
 - Economic Commission for Europe (ECE)
 - General Agreement on Tariffs and Trade (GATT)
 - Turkish International Cooperation and Development Agency (TIKA)
 - Food and Agriculture Organisation (FAO)
 - Independent Commission against Corruption (ICAC)
 - Arab Organisation for Agricultural Development (AOAD)
 - International Centre for Agricultural Research in the Dry Areas (ICARDA)
 - Grain and Feed Trade Association (GAFTA)
 - Gulf Cooperation Council (GCC)

The fourth question enquired which of the regional organisations could provide additional insights and examples (Question 4.a), and in what sense such an insight/example could contribute to enhancement of OIC/COMCEC cooperation activities (Question 4.b).

- Most of the respondents suggested that the Association of Southeast Asian Nations (ASEAN), the Gulf Cooperation Council (GCC) and the Economic Cooperation Organisation (ECO) could provide additional insights and examples for enhancing economic and commercial cooperation under the OIC as follows:
 - ASEAN- A good example of peoples of different cultures working together
 - successfully implemented the ASEAN-FTA and a complementary trade facilitation measure
 - Established the Single Window (Electronization of Customs)
 - Developed the Mutual Recognition Agreement
 - Harmonization of Customs Valuation with very diverse member country profiles, including Indonesia, Philippines, Thailand, Myanmar, etc., which are religiously diverse, and with different public management structure

- GCC- Excellent trade& monetary relations
 - Economic and commercial integration
 - Free movement of human resources
- ECO- Gained momentum despite the difficulties faced by its leading member countries
 - Trade Cooperation
- European Union (EU), Asia-Pacific Economic Cooperation (APEC), ECOWAS-WAEMU, NAFTA, MERCOSUR, ANDEAN and D-8 were also suggested by some of the survey participants in this context:
 - EU
 - An excellent example of strong political will
 - Custom Unions
 - Common trade policy
 - Unification in technical areas
 - Standardized practices and adoption of a standardized industrial policy, coordination of industrial policies through a single institution that set board guidelines to the complementary industrial policies, promotion of efficiency, increased specialization, bridging production gaps among member countries, improving the competitiveness of industrial sectors in member countries, and developing the ability to design and implement innovative industries, which will influence the development of industrial sectors on a complementary basis, and achieving industrial growth and its contribution to the output and the development of trade among Islamic countries.
 - APEC
 - Although it is not formally an organisation, the OIC can learn a lot from the APEC programs in various, sectors and areas. Also the loose arrangements under the APEC programs/schemes can serve well for the OIC which is a heterogeneous organisation with widespread membership and varied characteristics.
 - NAFTA-
 - NAFTA can serve as a model for economic cooperation among the OIC countries. But it may not be feasible to lump together all OIC countries as they span a large geographic, economic and political spectrum.
 - The economic cooperation efforts may be limited to countries which are more alike, at least at the outset, to ensure the viability of projects. Gradually, the geographic and activity sphere of such an organisation can be extended. Restricting jurisdictions may also help in resolving future conflicts.

As a step further (Question 4.c), respondents were expected to provide specific examples of projects/programmes which had been or continued to be successfully implemented under the above mentioned schemes.

- EU
 - Euro-med Heritage Program
- GCC
 - Power interconnection, connecting GCC member countries with electricity, electric grid among GCC countries
 - Transport inter-linkages, road network and suan train network
 - Unified external tariff

- Monetary union & central bank Project, common currency (in GCC to be in place soon), etc.
- Free movement of labour
- Trade policy
- Investment law
- Labour law
- ECO
 - ECO Trade and Development Bank
- ECOWAS
 - Programme de Développement pour l'Afrique (EPA-EU)
- ASEAN
 - Energy cooperation program between EU and ASEAN which aims to generate common projects in the energy sector and accelerate institutional reforms
 - Up until today, an amount of 38.500.000 EUR credit has been constituted between EU and ASEAN and more than 500 firms have been financed by this source

In Question 5, the participants were asked to provide successful examples of economic or commercial cooperation projects in different areas/sectors/subsectors which involve countries other than theirs. The responses were as follows:

- Euro-Mediterranean Energy Market Integration Projects
- Cooperation in Industrial ownership territory under the leadership of the Turkish Patent Institute
- The Silk Road project between various CIS countries
- Pan-European Cumulation System for rule of Origin by the European Union
- UNIDO projects (Industrial energy efficiency, SME clusters, etc.)
- AIRBUS for EU
- Certain aerospace and energy projects between Russia and Turkey
- Projects to build Qualified industrial zone by USA
- Network of electricity among Turkey, Egypt and some other countries, which consists of building an electric tower
- Sugar projects in Kanana town
- Oil Seeds projects
- Economic bodies and projects which are established under the Kyoto Protocol

In the latter portion questionnaire under Question 6, the survey participants proposed a wide spectrum of projects to enhance economic and commercial cooperation among OIC member countries. These proposals were concentrated on trade, finance, energy, agriculture, infrastructure and R&D projects.

Project Proposals

• Foreign trade

- Adopting unified mechanisms for the entry of goods into the Islamic countries, such as the unification of customs procedures, inspection procedures, inspection and control, and standardization of documents and papers, etc.
- Creating an online portal of intra-regional trade among OIC member countries via the Internet at the level of Muslim countries to provide information on exports, imports, investment opportunities and full data relating to them, which assist in the

implementation of such opportunities and increase trade exchanges and investment among Muslim countries

- Establishing sub-groups of the groups of commodities that contain data on production, consumption, production capacities, exports, imports, marketing, prices, production seasons, the producers and exporters
- Creating a Business R&D unit. Free movement should take place among the OIC member countries
- Lowering the visa restrictions among member countries
- Creating an OIC Certificate for preferential movement of goods and services among OIC member countries
- **Food agriculture and rural development**
 - Working on spreading organic cultivation and biological control of pests
 - Developing joint agricultural projects for production of seeds, livestock, non-traditional agro-businesses (Sesame, Cashew), dairy farming and agro-industries
- **Monetary financial and capital flows**
 - Removal of barriers to investment in stock markets, etc.
 - Establishing a regional Islamic Industrial Finance Institution
 - Establishing an investment bank to develop new projects
 - Establishing a joint venture financial institution operating on the Islam principles
 - Establishing an agency for credit rating
 - Coordinating micro-credit finance systems
 - Standardization of taxes
- **Industry**
 - Initiating intra-industries projects e. g. Pakistani fabrics used to develop a garment industry in Saudi Arabia to substitute imports from non- OIC countries
- **Transportation and telecommunication**
 - Creating a common visa
 - Infrastructure projects on highways, railways, shipping lines
 - Freight and passenger (railway) linkages
- **Technological and technical cooperation**
 - Revitalizing the project on the Standardization and Metrology Institute among the OIC member countries
 - Revitalizing the project of establishing a common observation satellite for the OIC member countries
- **Energy and mining**
 - Vast cooperation in renewable energy (solar energy power plants)
 - Gas pipelines
 - Power lines
- **Human resources**
 - Establishing international Islamic universities (with scholarships for new students and scientific exchange programs between institutions, professors and students)
 - Vocational Training programs
 - Diploma equivalence
- **Research projects**
 - Analyzing the trade statistics of the member countries through which problems be possible to be determined and working on the possible solutions that help overcome the problems of intra-OIC trade

- Making inventory analysis among the OIC member countries especially in the fields of industry and tourism
- Undertaking research on what can be produced by using the best seed and technique in which regions/countries/basins

Finally, as required of them by question 7, the participants made recommendations and suggestions of a more general nature, as well as more specific proposals, to help enrich the agenda of the COMCEC and improve its workings, which were aimed at enhancing the economic and commercial cooperation activities of the OIC.

Recommendations

• **General**

- The COMCEC should focus on the immediate needs of the member countries
- The COMCEC meetings should involve representatives of the private sector
- Creating the required mechanism to turn “good ideas” into “concrete projects,” and eventually to “implementations.” Such a mechanism as an agenda item has to be discussed and a form of it adopted for the viability and practicality of the COMCEC projects.
- The COMCEC needs to be strengthened in its resources: staffing, funding, and other organisational infrastructure
- Effective following up of the implementation of the numerous recommendations already made under OIC/COMCEC since the earlier years
- There is a need for rationalization of the agenda items and resolutions adopted by the COMCEC
- Reducing the length of the agenda and focussing on one or two landmark initiatives. If the COMCEC had focused on implementing only one major initiative per year, we would have had 25 such initiatives by now. Also, attention should be paid to development effectiveness and coordination. There is a need to leverage the work of other sub-regional groupings, such as GCC, ECO, etc. within the OIC
- Agenda of the COMCEC should cover innovative items
- The Agenda of the COMCEC should not be concentrated with too specific projects. The Ministers should discuss new, common issues of interest to their countries. It should be remembered that the financing issue is basic and highly important in cooperation schemes.
- There should be only one agenda item in the COMCEC meetings each year
- It is better to convene expert committee meetings before official meetings to draw up the agenda and provide the needed information
- Continuous working groups made up of eminent persons and people with experience and expertise may be established to develop strategies and development programmes on concrete subjects and to help implement them in different areas
- The COMCEC should establish expert groups that could work on the potentials of countries to come up with mutual projects among the group of countries
- Specific sector meetings should be organized and committees formed among businessmen, traders and investors of the OIC countries, and representatives of the sectors should be brought together as and when needs arise as it was in the case of TUSKON
- Conferences on different current subjects should be organized each year among proper authorities and experts of the OIC countries
- The COMCEC should work on a visa similar to that in the EU

- **Foreign trade**

- The agreement on trade liberalization among the Member States of the Islamic Conference should not be the main target in the framework of the COMCEC, but a tool for promoting growth and development and to achieve a convergence of income levels in the member states. This is because trade liberalization does not necessarily lead to deeper integration and economic cooperation in fields such as the main structures or the financial sector or social development, especially after the removal of tariff and non-tariff trade barriers and those on investment among the Member States, and without taking into account the wide differences between the economies of the member states.
- Achieving economic integration among Islamic countries requires action on facilitation of trade through measures such as, joint border operations, mutual recognition of licenses, documents relating to trade and transit and transit transport to cross among the Islamic countries, and the mutual documents, and customs procedures through the border crossings.
- The COMCEC should support the establishment of new institutions working for the promotion of intra-OIC economic cooperation
- Intra-trade is a good concept, but also export promotion should be seen as an engine of economic growth on its own right
- Tax incentives should be created to increase competitiveness, and free zones should be created among the member countries. Technological improvements in customs procedures should be pursued in all the OIC members.

- **Food agriculture and rural development**

- Achieving further mutual cooperation in the development and growth of fisheries wealth whether in the natural sea coasts or fish farms, as this is an area of vital resource for the production of fish and fishery industries

- **Monetary financial and capital flows**

- Financial cooperation will play an important role in the establishment of infrastructure projects among the Islamic countries, including the transport and energy projects, telecommunications, water to emphasize their importance in promoting economic integration among Islamic countries
- Adoption of mechanisms to encourage joint and direct investments in the Islamic countries, and mechanisms for promoting and financing such projects, and the intraregional trade among the Islamic countries
- Foreign Direct Investment (FDI) should be discussed among the countries in the context of comparative advantage such as in the areas of energy, construction, utilities and education
- Money transfers can take place among the OIC member countries with a system other than the usage of the system in the USA
- Creating a mechanism that will facilitate cross-border payments
- Cooperation in the field of payments and credits among the Islamic banks, in order to facilitate the intra-regional trade among member states
- Establishing Islamic Venture Capital or Private Equity firms under the leadership of the Islamic Development Bank
- Establishment of an Islamic Insurance System and/or organizing the utilization of the existing private pension funds according to Islamic principles for the benefit of the less developed OIC countries making good use of the example of the European Investment Fund

- **Industry**
 - Working for the establishment of joint productive projects to increase the production of goods for the needs of the Islamic countries' markets, coordinating industrial policies and production to achieve industrial integration and production, and strengthening specialization of production for export to the Islamic and international markets
 - Cooperation among OIC member countries in the areas of logistics supplies in trade, transportation, energy, electricity, water, telecommunications and industrial policy for the coordinated role of the cooperation to improve terms of trade of Islamic countries, and to generate and improve technological and productivity capabilities and to improve trade dynamics and trade logistics among Islamic countries
- **Transportation and telecommunication**
 - The establishment of physical infrastructure for transport, communications, and electricity, or its improvement requires cooperation among member states and coordinated financial efforts, and assembling of financial resources to address common challenges such as deepening of production processes in the dynamic productive sectors, improving the industrial structures and increasing agricultural productivity
 - The COMCEC should concentrate on transportation as a key sector.
- **Energy and mining**
 - Initiating cooperation in renewable energy and undertaking investments for developing advanced technology in renewable energy resources on a priority basis
 - Establishing an OIC carbon market may provide a turning point for the member countries in fighting global warming and in helping to produce clean energy through appropriate investments. Such initiatives would also gain prestige for the OIC countries, while contributing to their development
- **Tourism**
 - Similar to the UEFA, a football league should be established to enhance Tourism among member countries
- **Human Resources**
 - Developing cooperation with the EU countries through the Erasmus Programme would encourage relations among the institutions of higher learning in various countries and those in Europe. In that context, large numbers of students and teaching staff would be engaged in exchange programmes with other countries, while it would also be possible in this way to improve the quality of the local institutions, bring together different cultures, help develop human capital more in line with the employment requirements of the countries involved, especially the less developed ones among the OIC members.. The required funds for the students can be provided through the IDB, similar financial institutions or a funding pool to be provided by the relatively richer member countries.
 - Initiating programmes to accept student from the member countries into the universities in the relatively more developed OIC countries
 - Developing internship and graduate programmes in the area of trade and economics among chambers of member countries. In this context, 1-3-6 month exchange programmes for technicians and experts could be programmed to benefit private firms in member countries.
- **Social issues**
 - Cooperation for poverty alleviation in OIC member states is essential.

APPENDIX 6



Report of the Brainstorming Workshop on ‘Enrichment of the Agenda of the Standing Committee for Economic and Commercial Cooperation (COMCEC)’

Within the framework of the project entitled ‘Enhancing Economic and Commercial Cooperation among the Member Countries of the Organisation of the Islamic Conference (OIC)’ a Brainstorming Workshop on ‘Enrichment of the Agenda of the Standing Committee for Economic and Commercial Cooperation (COMCEC)’ was held on 20-21 July 2009 in Istanbul.

At the start of the opening session of the Workshop, Mr. Nabil Dabour, Director of the Research Department of SESRIC briefed the house about the mandate and the varied activities of the Centre. In his opening statement, Mr. Ferruh Tıǧlı, the General Director of the General Directorate of Foreign Economic Relations of the State Planning Organisation Turkey and the Head of the COMCEC Coordination Office, welcomed the distinguished participants, and briefly talked about the COMCEC and its activities. He went on to explain the nature and importance of the said Project entitled that aimed to contribute to the enhancement and expansion under the COMCEC umbrella of economic and commercial cooperation among the OIC member countries. After Mr. Tıǧlı, Dr. Savaş Alpay, the Director General of SESRIC, had the floor. After welcoming the participants to Istanbul, he stated that the aim of this meeting was to come up with practical and feasible ideas and project proposals that would help expand regional and global cooperation among the OIC member countries, especially in tourism and agriculture, but not limited to them. He also stressed the importance of improving economic linkages among the member countries besides the historical, social and cultural ties that already exist.

After the inaugural addresses, Dr. Murat Yülek presented an overview of the project, as well as of the brainstorming workshop, and stated that the workshop participants were expected to produce new ideas to help enrich and expand the agenda of the COMCEC Ministerial Session to be held in November. He also informed the house that they had sent questionnaires to over 600 prospective respondents in 57 countries, while also conducting a number of interviews with selected eminent people and experts in relevant fields. He concluded by going over the programme of sessions in detail.

After the opening session, the presentation of the first background report on ‘Economic and Commercial Cooperation among the OIC member countries: COMCEC Experience’ was made by Dr. Murat Yülek. He started out by giving a brief expose on different stages of economic integration extending from preferential trade agreements to economic union. He went on to point out that, although the OIC was established as an international political organisation, based on the UN model, later on it was realized that joint political action needed to be based upon active economic cooperation among the members. As a result, economic concerns of the day were soon introduced to the agenda of the OIC. Dr. Yülek went on to brief the audience about the establishment of the COMCEC by the Third Islamic Summit Conference in 1981 and its organisational structure. He then continued to briefly review the structures and the implementation experiences of the 1981 and 1994 Action Plans, mentioning also the complementary nature of the economic section contained in the 2005 Ten-Year Programme of Action. Dr. Yülek went on to review the COMCEC agenda and mentioned its major achievements. He concluded by going back to the table of integration schemes he gave in the beginning and stating that the status of the OIC economic cooperation activities remained at the

beginning stages of the initial step of ‘preferential trade agreements’, as presently the member countries were trying to implement a Trade Preferential Scheme for the OIC.

Following the presentation, the participants discussed the ‘COMCEC Experience’ in terms of achievements and shortcomings in initiating, designing, implementing and following up OIC economic cooperation activities/programmes/projects. The views that were expressed by the participants were the following:

- OIC, through COMCEC, seemed to have developed all the basic administrative and operational structures to help provide the necessary technical inputs in support of OIC economic cooperation activities and projects, but they don’t appear to be effective in terms of concrete and tangible results. This was because (1) there wasn’t a strong enough political will to carry out and follow up the decisions taken; (2) there was a need for a rule-based system, so that any decision taken at the top levels should have been implemented at the lower levels of the decision-making echelons; (3) there was a need for regional models and project-related integration models for effective action, where some countries might have functioned as a locomotive, while others could follow as it had happened in EU.
- COMCEC agenda should cover means/modalities/policies that would make trade easier for the private sector by facilitating customs procedures, transportation and financing
- Guarantee issue is very important in trade and must be emphasized
- Measures should be developed to increase the public awareness about the work of the OIC and the COMCEC. There can be a system similar to Euro barometer for the OIC, which could provide up-to-date and correct information about the activities of the OIC and COMCEC.
- The priority should be to promote the private sector through appropriate government policies and supportive IDB action since the private sector is a major engine of growth and development in the member countries. The appropriate policies should be adopted to help the private entrepreneurs and traders to overcome the substantial problems they face in areas of proper legal framework, protection of investors, customs facilitation, existence of transport routes and facilities, availability of the required financing, and repatriation.
- COMCEC focal points in the member countries could help in effective monitoring of COMCEC resolutions and projects, following the examples of the IDB regional offices and country representatives
- COMCEC should continue to follow up its projects being successfully implemented, with a view to expanding and enhancing their effectiveness and capacities
- COMCEC should establish an ‘Assessment Committee’ for effective follow up
- COMCEC should organize a special meeting every five-years in which all the member countries would be invited to review the existing projects and their implementation status

During the next session, Dr. Mustafa Acar presented the second background document on ‘What is ahead for the OIC? A General Overview of the Regional Economic Integration Projects with a Focus on ANDEAN, ASEAN, MERCOSUR, ECOWAS, WAEMU and Gulf Cooperation Council (GCC).’ In his presentation, Dr. Acar first explained the motivation and the reasons behind economic integration as the expected gains from and benefits of free trade. He went on to analyze in some detail the Andean, the MERCOSUR, the ASEAN, ECOWAS-WAEMU and the GCC as examples of the Regional Economic Integration Platforms, which comprised developing countries, even many OIC countries, as members. He then sought the answer to the question as to what the OIC/ COMCEC can learn from the experiences of these other international/regional cooperation schemes. He concluded his presentation with a number of suggestions in this regard.

The views that were expressed by the participants during the ensuing discussion were the following:

- There are lessons to be learnt from the difficulties and obstacles faced by the various Regional Economic Integration Platforms analyzed.
- Geography, proximity and regional placement matters in securing success.
- The main lesson from the EU experience is that political will is vitally important for progress in integration. It is also true that some countries join integration schemes mostly for non-economic reasons, since they don't want to or cannot afford to be left out politically.
- When there is a large group of countries joining a scheme, it is not realistic to expect quick, easy and smooth-paced policy integration from these diversified countries. A group of core countries may and usually do lead. Also some countries are likely to benefit more from cooperation than others.
- On the other hand, there has to be some kind of redistribution mechanism in favour of the less developed countries in order to create incentives for them to join such schemes.
- It would be interesting to have a study to assess how and when binding obligations can be met. The debate is not about "if we are for or against trade" but it is about "if one model is good for all countries or not". It has to be clarified as to what sort of a competing block the OIC as a group would end up and/or what it could offer to world trade.
- The evaluation of the EU policies must be done in a specific way. About the common currency: it should not be that there is only one concrete way to proceed. Now the Asian Development Bank is promoting regional currencies. There may be some intermediate measure to better finance the private sector.
- Political will may sometimes be a victim of lack of information and misunderstanding.
- The current objective of the OIC is not integration but coordination. Only when the member countries decide that economic integration is necessary, it can be discussed in detail. The aim at this point is to build free trade areas first rather than harmonizing policies among OIC members.
- The ECOWAS is a typical case of "political will" and "regulation of mind". The West African Union (WAEMU), unlike EU, started out from a common currency, and then went towards economic integration. Yet, the common currency, CFA Franc, was the legacy of the French colonization, rather than a policy decision by the Union. As for the ECOWAS, although it was created in 1975, it did not achieve much other than peace-keeping. Nevertheless, the literature on ECOWAS and WAEMU contain a lot of good lessons for the OIC.

At the latter part of this session, Dr. Erdal Karagöl made the presentation of the third background document on 'Cooperation among the OIC Member Countries in Selected Sectors: Agriculture and Tourism.' Dr. Karagöl investigated in relatively greater detail what had been happening within and outside of the Organisation of the Islamic Conference (OIC) in terms of economic and commercial cooperation, with a particular focus in the sectors of agriculture and tourism. At the end of the session, due to the time constraint, the discussion of this paper was carried onto the beginning part of the first moderated session.

The Brainstorming workshop continued with the moderated sessions which were designed so as to benefit from the views and experiences of the distinguished participants to the greatest extent. To do this, the participants were divided into three different tables with comparable representations in terms of sectors, geographic areas and experiences of their members. At the beginning of their

deliberations, each group selected a speaker, who made note of the results of the discussion and reported them to the rest of participants by a power point presentation at the end of each moderated session. Moreover, one staff member from the organizers of the workshop were assigned to each group as facilitators, while the representatives of the COMCEC Coordination Office were available for any inquiries by the participants.

In the first moderated session, the discussions among the participants were started with, but not limited to, the following question:

In the light of the past impediments to closer OIC economic and commercial cooperation, what may be the prime sectors and measures for the future cooperation agenda keeping in mind the following?

- Immediate Needs of the OIC Member Countries
- Common Interests of the OIC Member Countries
- Ease of Achievement of Proposed Sectors and Measures
- Possible Impact of the Proposed Sectors and Impacts

The first day of the brainstorming workshop ended with the discussions held among all the participants that followed the presentations made by the speakers of the three tables.

The second day of discussions started at 9:00 am. Before passing on to the deliberations of the moderated session itself, upon requests made by the participants of the Workshop, Messrs Samir Mannai, the Managing Director of the Investment Banking Group, FALCOM Financial Services, and Mohamed Hedi Mejai, the chief investment officer overseeing the Investment and Business Development activities of the International Investment Bank as an Executive Director, made presentations on the policies and activities of their respective institutions, and based on their personal experiences as investment bankers and financiers of projects in and out of the OIC countries, gave a review of the factors that affect the decision-making processes of the investors as they extend funds for various types of projects.

After the presentations, the second moderated session was started, where the participants were expected to suggest new concrete, feasible and implementable cooperation ideas and project proposals, together with justifications, risks/benefits, potential partners and estimated costs given for each, with a view to enhancing OIC economic cooperation in different areas/sectors/sub-sectors among member countries or their sub-groups. A systematic regrouping and recasting of the recommended ideas, measures and project proposals raised in the various sessions of the Brainstorming Workshop are attached as Annex I.

The brainstorming workshop ended with the concluding remarks made by both Mr. Tighi and Dr. Alpay, who both thanked the participants for their active contributions and valuable ideas.

ANNEX 1



Recommendations and Projects Proposals raised during the Brainstorming Workshop on “Enrichment of the Agenda of the Standing Committee for Economic and Commercial Cooperation (COMCEC)”

1. Food, Agriculture and Rural Development

- Establishing an Agro-Business Fund to encourage food sector investments and food security
- Channelling resources into the production of strategic commodities
- Encouraging investment in agricultural infrastructure, technologies and production support services (storage and processing) and research capabilities
- Addressing the issue of water shortage in the context of irrigation, public health and sanitation, and to help improve access to safe drinking water
- Creating well-known global food brands in the OIC countries through well-developed value chains by providing sufficient financing to the private sector
- Raising the quality for food and agriculture commodities in order to compete in the global markets and not to remain dependent on the non-OIC countries and developing appropriate value chains for improved food security
- Setting a priority on the immediate needs of member countries in advocating cooperative action in the area of food and agriculture
- Viewing agriculture and food security as one of the most important sectors and projects relating to food security as a priority issue of common interest for the OIC countries, since very few of the OIC members are self sufficient, thus secure, in food.

2. Industry

- Diversification of productive capacity
- Increasing the value added content of OIC tradable goods
- Building, upgrading the productive capacity of LDCs from the OIC: Aid for Trade
- Promotion of cooperation between SMEs from OIC member countries
- Promotion of agro-food industry in manufacturing and of development of Transnational Companies from OIC countries are important issues

3. Foreign Trade

- Enhancement of Trade and Investment Forums among the OIC member countries (through establishing OIC trade and investment promotion agencies, business associations and the like)
- Promotion of common standards and harmonization of regulatory frameworks

4. Tourism

- Developing cooperation modalities and programmes through which the OIC countries which are well-placed and more developed in tourism sector could help out the other OIC countries to improve their tourism activities and cultivate their potentials
- Establishing an OIC forum for tour operators to enhance intra-OIC tourism activities
- Establishing and implementing Vocational Training Programs for tourism

5. Transport and Communications

- Upgrading the existing infrastructures (roads, telecommunication facilities, etc.)
- A specific infrastructure fund targeting long term infrastructure investments like shipping should be developed and enhanced

6. Money, Banking and Capital Flows

- Creating a body within the OIC community for mergers and acquisitions where potential investors and companies in OIC countries can be matched
- Improving the business environment with emphasis on the promotion of OIC investors in member countries
- Promotion of joint trade and investments programmes and strategies
- Introduction of specific measures like preferential treatment to OIC investors, in national regulatory frameworks to promote intra-OIC investments, especially in the LDCs
- Establishment of an OIC investment facility for economic diversification, with focus on productive investments (agriculture, agro-processing and manufacturing industries, infrastructure)
- Establishment and management of private equity funds by private investment banks in association with national and regional development institutions with a total size of at least USD 5 billion (through public & private partnership)
- Promotion of co-investment approaches through joint entries into OIC markets led by investment banks and private sector investors
- Finding ways to attract OIC investors to invest in OIC countries (SME banks, venture capital, sovereign funds, micro finance facilities)
- Establishing Islamic Venture Capital Funds to promote financing of SMEs and other strategic investments
- Setting up an Investors Forum that will meet annually with an objective to facilitate interaction among investors to attract funds to the member countries
- A multi-lateral investor protection agency, like MIGA at World Bank Group, should be established
- Providing advisory services to OIC investors through a new OIC body (e.g. OIC Investment Promotion Agency) or through diplomatic representations and the network of national investment promotion agencies
- Establishing an OIC investment promotion portal that will include information on
 - Investment education
 - Investment opportunities
 - Institutional framework
 - Doing business
 - Focal points
- Promotion of an OIC Investment Dispute Settlement Framework
- Revitalizing the Export Financing Scheme (EFS) within the ITFC at the IDB Group
- Scaling up the operations of the ICIEC
- Setting up a clearing house (BIS)
- Establishment of a Common Central Banks Framework
- Concentrating on Islamic banking
- Establishment of a platform for Islamic Banking with the aim of strengthening the network of Islamic banks

- Scaling up of intra-regional trade financing and investment schemes: strengthening the capacity of and expanding the network of Islamic Banks; with a specific focus on the SMEs
- Establishment of a Platform of Capital Market Authorities in the OIC member countries
 - Creating an OIC index of stock exchange. The components of the index will be the major companies like banks, financial institutions, civil engineering companies, trading companies. This index will be located in one of the major stock exchanges in the Muslim world like Riyadh, Jeddah, Istanbul, Dubai, Manama, Kuala Lumpur
- Improving marketing and public awareness. This should be studied under all its parameters such as communication, advertising, networking
- A prize program should be established to recognize the best entrepreneur of the year, best company of the year, best banker, etc.

7. Technology and Technical Cooperation

- Enriching cooperation in the IT sector among OIC member countries by exchanging experience and know-how, as well as transferring of technologies and sharing capacity building programs in this important area
- Establishment of a development volunteer corps from the OIC countries made up of retired executives in all fields. Such programs exist in many advanced countries
- Setting up an international trainee program for the OIC countries like AIESEC
- Increasing social mobility of people among Muslim countries, through tourism, exchange programs among businessmen, students, scientists, young business leaders

8. Human Resource Development

- Promotion of health care and education services through private & public partnerships and transfer of know-how among member countries
- Improving education at all levels, in particular in the least-developed member countries
- Promotion of OIC investment in education sectors, including the OIC universities in Malaysia, Pakistan, Uganda and Niger
- Establishment of new joint universities, since today's students are tomorrow's businessmen, executives, etc.
- Establishment of a top school to focus on Business and Finance, International Relations and Policy, and Law
 - The school can have headquarters in Istanbul and campuses on three other sites in different OIC member countries
 - The case studies and program will be based on issues concerning the OIC member countries. Students will be rotated in the different sites during their studies and should do at least two practical training programmes before graduating. Training could be in international organisations and private sector.
 - The school will be run as a profit-making organisation, with its capital to be contributed mainly by the private sector. The student intake could be about a total of 500 a year. The school is to have top class teaching faculty from academics and business people. The board of trustees should comprise prominent academics/politicians and business people.
- The COMCEC should propose to ease visa procedures for students, scientists, businessmen, sportsmen, and cultural people in order to enhance human resources mobility among OIC member countries

- Establishing a Forum Gate Way for OIC people to be located within the OIC website

9. **Services:**

- Cooperate in the services sector in order to tap the potentialities that exist in the OIC countries (telecom, banking, transport, consultancy services, logistics, etc.)