



Central Asia Regional Economic Cooperation Program

Reference Document
For Session 2 of the Senior Officials' Meeting
October 2013

Trade Policy Sector Progress Report and Work Plan (2013–2014)

**Senior Officials' Meeting
Central Asia Regional Economic Cooperation
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Astana, Republic of Kazakhstan**

I. KEY DEVELOPMENTS

A. Sector Implementation

1. Since the previous trade policy sector progress report was issued in October 2012, further progress has been achieved in key areas of work of the Trade Policy Coordinating Committee (TPCC), based on the 2008 Trade Policy Strategic Action Plan (TPSAP). Priority initiatives include (i) continued implementation of the capacity-building and knowledge-sharing Program, (ii) advancing the World Trade Organization (WTO) Accession Knowledge-Sharing Program, and (iii) monitoring the implementation of the TPSAP by the Central Asia Regional Economic Cooperation (CAREC) member countries.

2. As agreed at the 11th CAREC Ministerial Conference, the TPCC was tasked with preparing an update to the 2008 TPSAP covering the period 2013–2017. A first draft of the updated action plan was circulated to the authorities on 20 August 2013. Following the first round of comments, the updated TPSAP was presented and discussed at the CAREC National Focal Points meeting held in Bangkok on 25–26 September 2013. A second draft was circulated to the authorities for comments on 1 October 2013.

3. The updated TPSAP builds on and includes the agenda of the 2008 TPSAP, but expands the agenda into crucial areas for the integration of CAREC countries into the world trading environment, specifically through (i) reducing the trade impeding impact of sanitary and phytosanitary (SPS) and technical barriers to trade (TBT) measures, and (ii) expanding trade in services. The new areas are more complex and difficult to address than the old command and control trade barriers that could be addressed simply by policy changes. But the evidence indicates that this is where large gains can be achieved in 21st century economies.

B. Addressing Actions Proposed in the 2011 CAREC Development Effectiveness Review (2011 CAREC DEfR) and Ongoing Key Issues

1. Priority Actions Proposed in the 2011 CAREC DEfR

- Continue to implement the capacity-building and knowledge-sharing program among CAREC members.

Action initiated:

4. At the 18th TPCC meeting, the World Bank (WB) presented their latest research work on regional trade in Central Asia. A key finding from this study is that diversifying endowments in Central Asian countries could lead to greater product and market diversification, which in turn could help promote stronger regional trade and integration. At the same time, restrictions to trade remain, including quantitative restrictions, licensing of foreign trade activities, and non-tariff measures such as uneven tax treatment of imports and domestically produced goods and through SPS and TBTs measures. The International Monetary Fund (IMF) presented the latest results of its Trade Liberalization Index (TLI) and the first official set of results based on the Institutional Quality Index for CAREC member countries (see below, paragraph 10). These two presentations were followed by the Asian Development Bank (ADB) presentation discussing the latest workshop on WTO Accession Knowledge-Sharing Program (see below, paragraph 6).

Next steps:

5. The program of capacity-building and knowledge-sharing will continue at the 19th TPCC meeting on 23 October 2013, with the WTO presenting recent developments on their capacity-building activities in CAREC countries.

- Advance the WTO accession knowledge sharing program through training workshops.

Action initiated:

6. In the area of supporting WTO accession, a WTO Accession Knowledge-Sharing Program continued to be implemented, jointly sponsored by ADB and the World Bank. The third training seminar was successfully conducted in July 2012 in Shanghai. In addition, in May 2013, ADB approved the technical assistance for Tajikistan which will provide capacity building activities and related support to facilitate the government's strategic plan to comply with its WTO accession commitments. The project will undertake analysis on organizational reform of the Standards Agency in order to rationalize and reduce technical barriers to trade, along with capacity building on managing related organizational, policy and regulatory reforms.

7. To enhance the effectiveness of WTO accession and strengthen the capacity development program of the TPCC, ADB and IMF have tapped WTO for its expertise in trade policy and trade liberalization reforms. The WTO, through its Institute for Training and Technical Cooperation, agreed to collaborate with the IMF and ADB in developing and delivering capacity development products to CAREC countries as a group, as well as to individual CAREC countries as appropriate. Specifically, WTO agreed to support ADB's upcoming technical assistance to Tajikistan to implement its post-accession commitments, including participating in a proposed trade and investment conference. It has also agreed to assist as appropriate in accession and post-accession activities, such as preparation of documents, market accession negotiations, and outreach.

8. During the 18th TPCC meeting, WTO participated as an observer for the first time in a CAREC event. Represented by Ms. Maika Oshikawa (Head, Asia-Pacific Desk of the Institute for Training and Technical Cooperation), the WTO outlined the range of technical assistance and capacity building support it can contribute to CAREC. CAREC officials unanimously welcomed WTO's involvement in the TPCC. They endorsed WTO involvement in the following three areas:

- a) Participation of WTO in capacity development activities organized by CAREC to advance trade policy and trade facilitation objectives;
- b) CAREC countries' participation in capacity development activities organized by WTO; and
- c) WTO participation as guest observer in upcoming CAREC SOM and Ministerial Conference.

Next Steps

9. The TPCC asked the ADB, IMF, and WTO to explore an appropriate modality to formalize WTO cooperation with CAREC.

- Monitor the implementation of the TPSAP to ensure sufficient progress in trade liberalization, including through improvements in the institutional environment for trade.

Action initiated:

10. Regarding the progress on trade liberalization, monitoring of the 2008 TPSAP implementation continued. Analysis of the TLI, as of end of 2012, shows that it remained on a positive trend, reflecting continued openness and simplification of CAREC countries' trade regimes. However, the rate of improvement in the TLI slowed in 2012 and the overall index fell short of the target set by the TPSAP. The index, which averages across six CAREC countries that have completed the questionnaire, rose from 12.8 in 2011 to 15.2 in 2012, vs. targets of 10 and 20, respectively. On a disaggregated level, only one country met the end-2012 target, while one other country came close to meeting that target. Regarding monitoring of improvements in the institutional environment for trade, the IMF compiled the first set of results based on the institutional quality index (IQI) (the IQI methodology was approved at the 17th TPCC meeting). As of end-2012, the IQI shows that there is a lot of variation in institutional quality between CAREC countries, and most have substantial room for improvement. Indeed, institutional barriers to trade remain, and the region generally ranks low in the "Ease of Trading Across Borders" component of the World Bank's Doing Business indicators. In particular, with a few exceptions, number of procedures, time and cost of importing and/or exporting are substantially higher than in other regions.

Trade Policy Sector Output

Indicator	2009 Baseline Value	2010	2011	2012	2012 Target
CAREC Trade Liberalization Index	(1.8)	5.5	12.8	15.2	20.0

() = negative, CAREC = Central Asia Regional Economic Cooperation.
Source: Trade Policy Strategic Action Plan monitoring questionnaire, 2012.

Next steps:

11. In order to measure progress in achieving the policy actions stipulated in the updated TPSAP, revised indices of trade liberalization and institutional quality will be developed. The precise computation of the indices (and how they are configured) will be determined once there is full agreement on the measures and indices to be included. It is expected that monitoring of the revised TLI and IQI will commence with the end-2013 data, and the results will be presented at the 20th TPCC meeting (June 2014). It will be important to ensure a degree of consistency in measuring progress under the 2008 TPSAP and the 2013 TPSAP.

2. Resolution of Ongoing Key Issues

12. As emphasized in several previous trade policy sector progress reports to CAREC Senior Officials' Meetings (SOMs), full participation of all member countries in the trade policy work is an essential condition for its success. Further efforts are required to achieve full participation of all member countries in providing information used for the calculation of the TLI and IQI, and to ensure that complete sets of responses to the questionnaires are submitted to the TPCC on time. There is still substantial room for improvement, and CAREC senior officials

are requested to ensure their country's participation in data submission for the compilation of the TLI and IQI.

II. KEY ISSUES FOR GUIDANCE BY THE SOM

13. The updated TPSAP builds on and retains the three objectives of the first TPSAP, but adds two new objectives: (i) reducing the trade impeding impact of SPS measures and TBT measures, and (ii) expanding trade in services. By including these two new objectives, the aim is that CAREC countries will be able to achieve more substantial benefits from trade expansion. The TPCC unanimously approved the draft updated TPSAP. The TPCC is asking the SOM to endorse the document and submit it for approval by the Ministers.

III. CHANGES TO SECTOR ACTION PLAN

14. All items of the Trade Policy Sector Work Plan remain on track as of October 2013. There are no changes to the sector work plan, which will be reviewed when implementation is initiated of the new TPSAP.