



Central Asia Regional Economic Cooperation Program

Reference Document
For Session 4 of the Senior Officials' Meeting
June 2014

Trade Policy Sector Progress Report and Work Plan

**Senior Officials' Meeting
Central Asia Regional Economic Cooperation
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Manila, Philippines**

I. KEY DEVELOPMENTS

A. Sector Implementation

1. Since the previous trade policy sector progress report was issued in October 2013, further progress has been achieved in key areas of work of the Trade Policy Coordinating Committee (TPCC). 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) initiating the implementation of the Trade Policy Strategic Action Plan (TPSAP) by the Central Asia Regional Economic Cooperation (CAREC) member countries.

2. As agreed at the 11th CAREC Ministerial Conference, the TPCC was tasked to prepare an update to the 2008 TPSAP covering the period 2013–2017. The updated TPSAP was completed and approved by the 12th Ministerial Conference in Astana, Kazakhstan, on 24 October 2013.

3. The updated TPSAP builds on and encompasses the agenda of the 2008 TPSAP, and expands the agenda into important areas for the integration of CAREC countries into the world trading environment, namely through (i) expanding trade in services, and (ii) reducing and rationalizing non-tariff measures, including the trade impeding impact of sanitary and phytosanitary and technical barriers to trade measures. The new areas are more complex and difficult to address than the old command and control trade barriers that could be implemented simply by policy changes. But the evidence indicates that this is where large gains can be achieved in 21st century global trading system.

B. Addressing Actions Proposed in the 2012 CAREC Development Effectiveness Review (DEfR) and Ongoing Key Issues

1. Priority Actions Proposed in the 2012 CAREC DEfR

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

Action initiated:

4. The 19th TPCC meeting in Astana, Kazakhstan, was primarily devoted to the committee's endorsement of the draft updated TPSAP. Mr. David Tarr, lead author of the updated TPSAP, presented the key features of the new action plan. His presentation was followed by a roundtable discussion among country delegates who provided their final comments to the updated action plan. In addition, the WTO representative to the TPCC delivered a presentation entitled "The Vital Importance of Central Asia for the Rules-based Multilateral Trading System". The presentation focused on (i) the importance of the CAREC region for the multilateral trading system, (ii) the legal and policy framework for WTO accession negotiations, and (iii) the latest state-of-play for the four CAREC member countries currently involved in WTO accession negotiations. This was followed by a WTO presentation on the most recent developments with capacity building activities in CAREC countries. Finally, the United Nations Development Programme representative delivered a presentation entitled "Support to Trade Policy and Regulation in Central Asia." The presentation highlighted United Nations Development Programme's Aft3 project, key objectives of which include raising tax and export

revenue, promoting investments to reduce inequality and aid dependency, increasing cross-border trade, and contributing to regional cooperation.

Next Steps:

5. The program of capacity-building and knowledge-sharing continued at the 20th TPCC meeting on 25 June 2014. The meeting featured two presentations by the World Bank reviewing the latest developments and analytical tools in the areas of trade in services and non-tariff measures, which are paramount to the implementation of the updated TPSAP. An ADB presentation on a recent study entitled “Movement of People in the CAREC region: Business Travel and Tourism Development” provided a useful context to understand the challenges involved in the promotion of trade in services in the region. Finally, to support implementation of the updated TPSAP, USAID delivered a presentation on its regional trade activities.

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

Action initiated:

6. To enhance the effectiveness of WTO accession and strengthen the capacity development program of the TPCC, the International Monetary Fund and ADB 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. The WTO has also agreed to assist, as appropriate, in accession and post-accession activities, such as preparation of documents, market accession negotiations, and outreach. Following its inaugural participation as an observer in the 18th TPCC meeting (held in Almaty in June 2013), Ministers at the 12th Ministerial Conference unanimously welcomed CAREC’s enhanced collaboration with WTO, principally through TPCC-related activities, and its participation as guest observer in CAREC Senior Officials’ Meeting and Ministerial Conferences.

7. In the area of supporting WTO accession and post-accession adaptation, ADB’s technical assistance on “Strengthening Tajikistan’s Trade and Investment Regime” has initially identified the scope of the policy research on organizational reform of the standards agency of Tajikistan (Tajikstandart) through its inception mission in May. The research will explore alternative organizational forms with the aim of solving conflicts of interest that arise from Tajikstandart’s multiple functions. The research will also discuss (i) different organizational forms that could reduce the existing conflicts of interest; (ii) the building blocks of reform and the identification of missing links; and (iii) realistic time horizon for implementing reforms. The research report will be finalized by November after consultation with the key government agencies and development partners.

Next Steps:

8. The TPCC will continue to work closely with the WTO, ensuring WTO’s participation in capacity development activities organized by CAREC, and CAREC countries’ participation in capacity development activities organized by the WTO.

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

Action initiated:

9. Monitoring of the 2008 TPSAP implementation continued through the 18th TPCC meeting when the end-2012 results of the trade liberalization index (TLI) and the institutional quality index (IQI) were reported. The TLI had 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 previous TPSAP. The IQI showed there is a lot of variation in institutional quality between CAREC countries, and most have substantial room for improvement.

Next steps:

10. In order to address concerns raised by CAREC members about the reporting of both the TLI and IQI results, and allow time for member countries to initiate the implementation of the action items stipulated in the updated TPSAP, tabulation of progress results will resume at the 21st TPCC meeting. However, unlike the TLI and IQI, where the focus has been on developing standardized indices, the reporting of the progress made in the implementation of the updated TPSAP will reflect a simple recording of actions met (or partly met) by individual countries, in line with the targeted implementation date and consistent with the refined DEfR methodology.

2. Resolution of Ongoing Key Issues

11. As emphasized in several previous trade policy sector progress reports to CAREC Senior Officials' Meetings, 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 assessing progress in implementation of the TPSAP. Indeed, there is substantial room for improvement, based on the experience with data submission under the previous TPSAP; hence, CAREC senior officials are requested to ensure improved participation going forward. To help support the expansion of trade in services (and the implementation of related measures under the updated TPSAP), it will be important that member countries initiate stock taking of the degree to which their economies are engaged in trade in services.

II. KEY ISSUES FOR GUIDANCE BY THE SOM

12. The updated TPSAP builds on and retains the three objectives of the previous TPSAP, but adds two new key objectives: (i) reducing the trade impeding impact of sanitary and phytosanitary measures and technical barriers to trade 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. Still, the implementation of policies in these areas is more challenging than the simple removal or reduction of old command and control trade barriers; hence, close collaboration with, and assistance from the multilateral development institutions and the donor community is paramount to ensuring successful implementation of the new TPSAP.

III. CHANGES TO SECTOR ACTION PLAN

13. All items of the Trade Policy Sector Work Plan remain broadly on track as of June 2014. Aside from involving the multilateral development institutions and the donor community more closely to ensuring successful implementation of the new TPSAP, there are no changes to the sector work plan.