



**Central Asia
Regional Economic
Cooperation**

Trade Policy Strategic Action Plan

TRADE EXPANSION THROUGH REGIONAL
COOPERATION

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**Endorsed by the Seventh Ministerial Conference
on Central Asia Regional Economic Cooperation
19–21 November 2008
Baku, Azerbaijan**

I. INTRODUCTION

1. The Comprehensive Action Plan (CAP) of October 2006 identifies the central goal of the Central Asian Regional Cooperation Program (CAREC)¹ as “development through cooperation,” with the objectives of increased economic growth and poverty reduction, expanded and diversified trade, and strengthened capacity for regional cooperation and integration. These objectives are to be achieved by promoting and facilitating transport networks, regional and global trade, customs modernization, and other areas of mutual interest. Customs and trade facilitation issues fall under the purview of the Customs Cooperation Committee (CCC), and trade policy with the Trade Policy Coordinating Committee (TPCC). Thus it is essential to recognize overlaps and complementarities and ensure close coordination between the two.²

2. This document presents the Trade Policy Strategic Action Plan (TPSAP) that will be submitted for endorsement to the 7th Ministerial Conference in Baku in November 2008. The first objective of the strategy is to achieve a more open economy, identified in CAP as a necessary step towards effective development and poverty reduction.³ Under this objective, there will be two main areas of action: (i) supporting efforts to achieve WTO membership; and (ii) simplifying and liberalizing the trade regime, including by equalizing differential domestic taxation, cutting tariffs and the number of tariff bands, abolishing quantitative restrictions, and reducing barriers to transit and border trade. The second objective is capacity-building and knowledge transfer related to trade and trade policy.

3. The TPSAP builds upon earlier work of the TPCC, including a large number of background studies prepared by the Multilateral Institutions (MI), and frequent discussions of trade policy issues and possible actions at regular meetings of the Trade Policy Coordinating Committee and Senior Officials. The TPCC Status Report for the Sixth Ministerial Conference, Dushanbe, November 3, 2007, gives a comprehensive summary of preceding work on trade policy issues, and provides a solid foundation for the strategy elaborated here. In addition to the CAREC work, there exist many relevant studies of trade policy in Central Asia, transition economies, and developing countries, which confirm the findings and recommendations of TPCC work; these have also been drawn upon.

¹ “Central Asia Regional Economic Cooperation: Comprehensive Action Plan,” (October 2006), CAREC Fifth Ministerial Conference Urumqi, XUAR, the People’s Republic of China.

² As outlined in the Implementation Action Plan for the Transport and Trade Facilitation Strategy (paragraphs 12 and 13) for consideration by the 7th Ministerial Conference, national joint transport and trade facilitation committees and a regional joint transport and trade facilitation committee will be established. The TPCC will, in future, also cooperate with these bodies.

³ “Trade Policy Coordinating Committee Status Report” (November 3, 2007), Sixth Ministerial Conference of CAREC, Dushanbe, Tajikistan. [www.adb.org/Documents/Events/2007/6th-Ministerial-Conference-CAREC/Trade-Policy.pdf]

4. It should be emphasized at the outset that the TPSAP is a living document. The policy actions contained in the document as well as the envisaged timeframes for their implementation may need to be revised in the future to reflect developments in CAREC countries and the global economy.

5. The document is structured as follows. Section II summarizes the findings of background studies and TPCC discussions regarding the current status of trade policy in CAREC countries. Based on this, Section III then defines the central aspects of the strategy building from CAREC goals. Section IV elaborates on CAREC goals on trade policy mentioned in paragraph 2 above, while Section V specifies the concrete actions agreed on each of these goals. Finally, Section VI summarizes the process for implementation and monitoring of results.

II. TRADE BARRIERS IN CAREC COUNTRIES

6. A large number of background papers reviewing trade policy in CAREC countries have been prepared by the Multilateral Institutions (MI) and discussed by the TPCC. The findings considered most relevant by TPCC and Senior Officials Meeting (SOM) discussions for establishing the TPSAP, are summarized here under three key areas:

- Trade taxes (including tariffs and domestic taxes) and quantitative restrictions (QRs).
- The impact of WTO accession and relation to regional trade agreements (RTAs).
- Border and transit trade impediments.

7. While average tariffs in CAREC countries are generally below 10 percent, lower than the overall average of about 11 percent for developing countries in 2005, the trade policy regime in the region varies “widely in terms of restrictiveness, from very liberal... to quite restrictive.”⁴ Average tariffs, however, understate the degree of protection and distortion for two reasons: (i) a large number of tariff bands and a wide dispersion of tariffs result in high effective protection; and (ii) many domestic taxes—VAT, excise, import charges and fees—are applied to imports at rates higher than those applied to domestic goods. QRs have declined considerably and are not unusually high, but they are still harmful and distortive.⁵ They apply to both exports and imports and entail considerable documentation requirements—even in some cases where the QR is already abolished. Furthermore, they signal to domestic producers that it is possible to lobby for individual protection, and this contributes to the low rankings of CAREC countries in the World

⁴ “Trade Barriers in Central Asia,” paper prepared by the Asian Development Bank, January 2006.

⁵ “Quantitative Restrictions on Trade,” paper prepared by Richard Pomfret, Consultant, for Seventh TPCC Meeting, September 6, 2007, Manila.

Bank's "ease of trading" index. Thus, there is considerable room for gains from reforms of trade taxes and reductions of QRs.

8. Three of the CAREC participants—the Kyrgyz Republic, Mongolia, and the People's Republic of China—are already WTO members, while others are at various stages of the accession process, ranging from Kazakhstan for which the Draft Working Party Report has already undergone revisions to Afghanistan where Working Party meetings are just beginning. Estimates of WTO benefits vary, but except for some very short-run competitive impact on inefficient domestic producers, the welfare effect is always positive after some adjustment period.⁶ Many studies of WTO accession for Central Asian and other transition countries tell the same story: the immediate impact may cause some competitive pressure on less efficient producers; fairly soon adjustments take place and positive even if modest gains are registered; and in the long term, the gains continue to accumulate and can be quite substantial.⁷

9. Three additional conclusions related to WTO membership merit emphasis. First, the benefits are not automatic with formal membership, but depend on the extent of actual trade liberalization. Second, benefits increase over time, partly because of the indirect impact of improved domestic institutions. Third, historically small countries benefited most from WTO membership.

10. CAREC countries are also involved in a large number of overlapping Regional Trade Agreements (RTAs)—by one count, 9 RTAs and 21 bilateral agreements.⁸ Such agreements could in principle lead to trade creation in the region. However, most of them are far from fully implemented in practice, have narrow coverage, and complex rules of origin. Therefore, any potential benefits are quite small. More importantly, the possible negative effects from trade diversion risk being greater than the benefits.⁹ This does not mean that all RTAs for all countries

⁶ A World Bank study calculates for Kazakhstan a welfare gain of at least 7 percent in the medium term and 17.5 percent in the long term. Similar values are estimated for Russia. Jesper Jensen and David Tarr, "The Impact of Kazakhstan Accession to the World Trade Organization," World Bank paper WPS4142.

⁷ PowerPoint presentation to June 2007 Training Seminar, Almaty, "Potential Gains from Multilateral Trade Liberalization and WTO Membership," Katrin Elborgh-Woytek and Azim Sadikov, IMF. Two useful additional references supporting this are: ADB, "Central Asia. Increasing gains from Trade Through Regional Cooperation in Trade Policy, Transport, and Customs Transit," Manila 2006, Chapter 4; and P. Havlik, R. Grinberg, and O. Havrylyshyn, (eds), "Transition, Restructuring and Integration," Nomos Publishers, Baden-Baden forthcoming 2008—see Part III on integration arrangements, and estimates of WTO effects for Belarus, Kazakhstan, Moldova, Russia, and Ukraine.

⁸ PowerPoint presentation at Almaty Training Seminar, June 2007, "Design and Implications of Preferential Trade Agreements," Katrin Elborgh-Woytek and Azim Sadikov, IMF. Many analysts use the term "spaghetti bowl" to describe the complex web of RTAs.

⁹ Thus, for example, the ADB study cited earlier shows that the effect of Kazakhstan implementing Eurasian Economic Community Custom Union, which requires raising tariffs, would be a retardation of economic growth amounting to 31 percent of GDP over 10 years.

would have equivalent effects, but it is clearly illustrative of the reality that unlike WTO accession, the net effects of RTAs on trade creation are ambiguous.¹⁰

11. While cross-border trade and transit trade are not a large proportion of total trade of CAREC countries, they are subject to substantial barriers and impediments, many of them informal and non-transparent.¹¹ The most important regulatory and administrative impediments to cross-border trade are: visa requirements, their high cost, and the non-existence of consular offices near border regions; slow processing at borders due to limited lanes and customs officers, hours of operation, and periodic border closures; vehicular restrictions requiring load transfers at the borders; limitations on volume of goods per person; and fees and surcharges at border. As a result of so many administrative barriers, considerable margin for discretionary decisions by officials is created encouraging high levels of corruption and bribery—yet another additional cost to the traders. Transit trade is subject to many of the same problems in addition to inadequate implementation of TIR standards. The last important conclusion on these barriers is that, fortunately, they can be changed or reduced very quickly by administrative decisions.

III. THE STRATEGIC APPROACH

12. The TPSAP strategy builds upon the CAREC program goals applying the principle of “pragmatism with results.” Furthermore, starting with the current status of trade policies described above, it proposes concrete actions that are meaningful and monitorable using realistic progress benchmarks. The main CAREC goals set the stage:

- increasing trade openness to stimulate stronger growth and development, contributing to poverty reduction;
- achieving WTO membership for all countries; and
- capacity building in the area of trade and trade policy.

13. To ensure that results follow from the above strategic approach, governments intend to base the concrete actions of the TPSAP on the CAREC Ministers’ “now well-established principles of pragmatism and results,” buttressed by efforts to “strengthen principles of country

¹⁰Yongzheng Yang and Sanjeev Gupta, “Regional Trade Arrangements in Africa: Past Performance and Way Forward,” IMF Working paper WP/05/36, February 2005, concludes that in Africa with small market size and poor transport connections, RTAs have fallen far short of their potential to expand intra-regional trade.

¹¹ “Cross-Border Trade Within the Central Asia Regional Economic Cooperation,” paper prepared by the World Bank, August 2006 and “Barriers to Transit Trade in Central Asia,” paper prepared by the Asian Development Bank, October 2005.

ownership and partnership with business and regional organizations.”¹² The juxtaposition of pragmatism and results is considered very appropriate for the TPSAP as it points the way to realistic and implementable actions. Relying on pragmatism alone might simply result in very slow or partial actions towards trade barrier reductions, as economic agents fall back on historically observed “reasons” for delay such as “it needs to be studied first,” “it is politically unpopular,” “it is administratively difficult,” and so on. Sole emphasis on pragmatism keeps open the path to lobbying for continued protection barriers by domestic vested interests as well as bureaucracies that gain from applying discretionary rules. On the other side, emphasis on results alone is not sufficient to achieve the historically known large benefits of trade liberalization. To avoid implementation failures, participant governments not only recognize the need to resist forcefully protectionist lobbying but will at the same time strive to address legitimate practical problems of modifying trade policies.

14. The combination of “*pragmatism and results... with ownership*,” ensures that legitimate practical concerns are considered, but unjustified protectionist lobbying is resisted. Under this tactical approach, ownership means each participant government will strive to achieve significant measurable results within a reasonable time frame. Delays or inability to implement due to legitimate administrative difficulties will occur. But nonimplementation due to pressure of vested interests lobbying for continued protection will be avoided. Furthermore, this approach by not requiring all CAREC countries to move forward at a uniform speed accommodates the different circumstances and strategies in member countries and prevents the speed of reforms from being dictated by slow reforming countries.¹³

15. The actions under the TPSAP will be monitored relative to clear benchmarks and timeframe for specific performance indicators. These are set out in Annex 1 tables for actions on WTO accession support, quantitative restrictions, tariffs, trade taxes, and capacity building and training. Benchmarks and timeframes for actions related to transit and cross-border trade, agreed in coordination with the CCC, are set out in Annex 2 tables. Neither the policy actions or the indicated timeframes are legally binding obligations. They are objectives that the authorities and the multilateral institutions will strive to achieve.

16. CAREC countries recognize that an important element of any successful trade liberalization policy is the public transparency of information on the proposed actions, their implementation, dissemination of new guidelines for traders, and publication of summary results. This is important for its own sake, but has also additional value of building up credibility which in turn stimulates more trade, and provides a check and balance on the commitments made by participant governments. Future TPCC meetings will address potential mechanisms for achieving such transparency and dissemination.

¹²CAP, October 2006, paragraph 2

¹³ Fast-reforming countries might also exert a “peer-pressure” effect of leading by example over their slower reforming neighbors.

IV. THE CAREC GOALS ON TRADE POLICY

17. To set the stage for concrete specification of recommended actions under the TPSAP, this section elaborates on each of the three broad trade policy goals of the CAREC program stipulated in paragraph 12: increasing trade openness, achieving WTO membership, and capacity-building.

A. Achieving More Trade Openness Prior to WTO Accession

18. TPCC discussions have concluded that greater trade openness is needed in CAREC countries to facilitate both intra- and inter-regional trade and stimulate more effective allocation of resources to reflect comparative advantage in available resources and low-cost labor. Increased trade and efficiency will in turn contribute to stronger economic growth, employment-creation, and poverty reduction. Policies and actions to achieve more open trade regimes are needed in several dimensions: simplifying and liberalizing the trade-tax regime, including unifying taxes on domestically produced and imported goods; cutting tariffs; reducing the number of non-zero tariff bands; abolishing quantitative restrictions and the administrative procedures used to enforce them; removing any remaining exchange restrictions; reducing regulatory and informal barriers to transit trade; and reducing impediments to border trade. For the last two, enforcing more strictly the application of existing regulations by officials and reducing bribery and corruption are also a critical objective for trade liberalization.

B. Achieving WTO Accession

19. WTO membership for all CAREC countries is a central goal of the CAP, and an integral part of achieving greater trade openness. The Sixth Ministerial Conference in Dushanbe in November 2007 formalized the objective of WTO accession for all countries as a key goal of the TPSAP, and it has done so in recognition of the unambiguous net benefits of WTO membership, in particular in the long term. The TPSAP targets WTO membership for all CAREC countries by end-2013 at the latest. Achieving this goal necessarily means the TPSAP must first focus on providing practical assistance to candidate countries, which is why the TPSAP includes several concrete knowledge-transfer and capacity-building actions.

C. Capacity-Building on Trade Issues

20. Capacity-building has been from the start one of the pillars of the CAREC program and is an explicit part of the trade policy work under the TPCC. To be effective, capacity-building will fully involve all participants, be well-focused on the needs of the region, and ensure timely delivery of any knowledge-transfer. TPSAP actions on capacity-building include focused studies to fill the most important gaps in knowledge about trade issues, training seminars, and workshops aimed at exchange of views among relevant country officials implementing trade

policy actions. An important example of the latter is the proposed forum for WTO candidates to discuss key issues they confront and to benefit from the experience of current WTO members.

V. POLICY ACTIONS TO ACHIEVE THE GOALS

21. This section summarizes the policy actions for endorsement at the 7th Ministerial Conference. They are based on recommendations resulting from TPCC review of relevant background studies, which were subsequently endorsed by the SOM and Ministers.

A. Supporting WTO Accession

22. Three of the CAREC participants—Kyrgyz Republic, Mongolia, and the People’s Republic of China—are already WTO members while others are at various stages of the accession process. As noted, the Ministers’ Statement of November 2007 has emphasized WTO accession as a key goal, and the background studies as well as SOM Status Reports concur that this should generally take priority over RTA negotiations. Actions under the TPSAP—detailed in Annex Table A.1.1—include provision of direct advisory services by MIs to support each candidate country’s efforts on WTO accession,¹⁴ regional training seminars on WTO accession and relation to RTAs, and workshops to exchange views on WTO-related issues among country officials, including those countries that are already members.

23. Regarding RTAs, it is important to ensure that they do not complicate WTO accession, and only those RTAs that minimize trade-diversion effects are pursued. As has been well detailed in the Almaty 2007 Training Seminar, RTA membership is not precluded for WTO members and in fact the number of WTO-consistent RTAs that are active and notified to WTO is over 200. Legal consistency with WTO rules is not automatic, however, and great care must be taken to ensure compliance, especially for countries on the candidacy track. The position of the TPSAP is to let individual countries determine their own policy on RTAs and concentrate the efforts under the CAREC program on support for WTO negotiations.

B. Pre-Accession Tarification of Quantitative Restrictions

24. Remaining QRs in CAREC countries are less prevalent than in early transition years. However, they are far from innocuous and have many negative effects, both directly through restrictive effects and distortions, and indirectly through the negative signals they give. It is therefore considered very important to reduce and eventually eliminate QRs without awaiting WTO accession. Given the above characterization of QRs, three essentially simultaneous actions, shown in Annex Table A.1.2, are envisaged: eliminating QRs and replacing them with a tariff equivalent; making any remaining QRs more transparent until eliminated; and as QRs are abolished, eliminating documentation and bureaucratic structures they had entailed. The

¹⁴ The World Bank’s *Handbook of Trade Policy and WTO Accession for Russia and the CIS* provides a basis and model for such activities.

performance indicators in these areas are set to support the objective of WTO membership for all CAREC countries by end-2013. Early implementation of these measures related to quantitative restrictions as well as those related to tariffs discussed below has the benefits of enhancing prospects of WTO accession by signaling strong commitment.

C. Pre-Accession Trade Tax Reductions and Simplifications

25. CAREC studies and discussions have made it clear that in addition to the formal tariff schedule, there exist additional effective taxes on trade as a consequence of differential application of the domestic tax regime to imported goods. Early action is envisaged to achieve uniform application of VAT and excise taxes on domestically produced and imported goods. This will follow a comprehensive and not a selective approach to avoid strong lobbying by protected producers for individual extensions of the differential taxation. In addition, other import charges, fees, and special taxes will be consolidated to a single rate and then converted to a tariff equivalent to allow its eventual reduction as part of tariff cutting timetables. The time needed to eliminate different types of charges will vary according to the complexity of the existing laws and regulations. Hence, a flexible time-frame is envisaged in Annex Table A.1.3.a.

26. Actions on direct trade taxes are shown in Annex table A.1.3.b. The *first* objective related to trade taxes is for all countries to attain an average rate of 10 percent or less (calculated after tariffication of QRs and miscellaneous charges).¹⁵ While achieving this lower average would put CAREC countries well below the developing country average, the degree of effective restrictiveness may remain high due to tariff dispersion. In several countries, there are high maximum tariffs and/or a large number of non-zero tariff bands. Thus the “cascading” effect results in very high effective rates of protection.¹⁶ Therefore, the *second* objective (which by arithmetic definition will contribute to the first) is to reduce the maximum tariff to 20 percent. Clearly those countries with much higher maxima may not be able to make large immediate cuts. Hence the process will follow a step-wise formula by cutting each year half of the gap between the maximum tariff and 20 percent, and completing the process in 2–3 years. *The third* objective is to reduce the number of tariff bands. Non-zero tariff bands, which currently range from 2 to 58, will be reduced to about 3. This too can be done step-wise over a period of 2-3 years. The indicative time-frame is shown in Annex Table A.1.3.a.

¹⁵ Countries already below this average will concentrate their early actions on cutting maximum tariffs and reducing the number of non-zero tariff bands.

¹⁶ The ADB paper of January 2006 shows that even if the nominal tariff average is below 10 percent, a large number of non-zero bands and a high maximum tariff means that the ERP formula (Effective Rate of Protection) yields values that can approach 100 percent—or even higher if differentiated VAT or excises apply to imports.

D. Capacity-Building and Knowledge Transfer Activities

27. A key objective of the CAP is capacity-building and many background studies, training seminars, and workshops have already been delivered. The TPSAP will continue to support this objective with a number of new actions, including those already noted above related to WTO accession. In addition, further actions will be taken to deepen the understanding of the way in which the general institutional environment can be improved to support intra and inter-regional trade. These will be designed and delivered with direct involvement of the CAREC Institute facilities, so as to further promote the Institute's evolution. Annex Table A.1.4 lists two broad areas deserving of further efforts: first, preparation of a study led by one of the MIs on the main institutional shortcomings in CAREC countries which create impediments to trade; and second, organization of a training seminar to discuss the above paper as well as global experiences with trade and institutions.

E. Reducing Barriers to Transit and Border Trade

28. Transit and border trade barriers are recognized in the background work of the TPCC as an important impediment to trade expansion in CAREC countries. Fortunately, they can be addressed by measures that can be undertaken fairly quickly and at relatively low cost. This is also true for actions on customs harmonization and simplification procedures which have been studied and discussed by the CCC. This overlap necessitates close coordination between the TPCC and CCC in setting actions and achieving results in these areas.

29. To reduce transit trade barriers, the following recommendations were endorsed earlier by the TPCC and the SOM.

- ensuring full compliance with the provisions of the TIR Convention by customs service and other agencies;
- reduction in the rate of charges for customs convoy, and simultaneous reductions in list of goods subject to such convoys;
- abolition of all other charges and fees on foreign road carriers;
- reduction of cost of entry visas for foreign drivers and simple issuance of visas at border points;
- harmonization of transport, customs, and border documentation to minimize time at border;
- measures to prevent and eradicate cases of unofficial payments from road carriers in transit possibly involving inspections and audits.

30. Some of the above actions to reduce barriers to transit trade will also contribute to easing border trade. A number of recommendations very specific to particular border-crossing points have been discussed and endorsed by the TPCC and the SOM. They comprise four categories:

- operational procedures with five specific actions;
- movement of motor vehicles with two specific actions;
- movement of populations in border areas, with three actions to ease visa requirements and two for simplifying goods regulations; and
- movement of goods in border areas involving two concrete actions.

31. Performance indicators and indicative time-frames for these transit and border trade measures have been set jointly by the TPCC and the CCC and are detailed in Annex 2.

VI. IMPLEMENTATION AND MONITORING RESULTS

32. It bears reemphasizing that the Ministers' principle of "pragmatism *and* results" leads to a Trade Policy Strategy that is ambitious in scope and timing, but recognizes the differential capacity of governments to make changes in policy, regulations, administrative procedures, and even minor infrastructural upgrades. Therefore, the actions are formulated to allow countries to prioritize actions taking into account their national circumstances. These actions may need to be revised in the future taking into account the developments in the region as well as in the world economy.

33. The trade policy strategy actions have been drawn up to reflect both the TPCC's background studies and relevant associated literature, as well as the deliberations of the TPCC over the course of the CAREC program. They also follow the endorsements of Ministers concerning key goals, priorities and principles. Thus, the emphasis on WTO accession activities as a medium-term aim is supplemented by emphasis on immediate efforts to deal with impediments to transit and cross-border trade. Actions to be taken focus on those changes that are simple and can achieve large short-term benefits, including early build-up of mutual trust, confidence, and credibility within the population.

34. The broad sequencing implied by this strategy (with the expected benefits shown in brackets) is as follows:

- Reduce impediments to transit trade (*a very large trust and credibility effect with virtually zero import-threat effects*).
- Simplify border trade logistics and reduce impediments (*visible increase in intra-trade in border areas and significant credibility among population*).

- Uniform application of taxes to imported and domestic goods (*increased trade, but also credibility of policy*).
- QR reductions before WTO accession (*meaningful trade expansion, but given that in most participants QRs are not extremely high, size of first round impacts should not be so large as to create adjustment problems and opposition by lobbies*).
- Pre-accession simplification of tariffs in particular lowering maxima and reducing the number of tariff bands (*this not only generates early trade-creation benefits, but improves transparency and signals a strong commitment to WTO membership*).
- Complete tariff liberalization under WTO accession, and in parallel development of institutions for financial and other trade-supporting services (*visible benefits, mutual trust and credibility gained in earlier actions will pave the way to easier adaptation to WTO, and create a climate attractive to greater FDI inflows*).

35. Effective and timely implementation of the TPSAP will necessitate the commitment of all participant countries and the multilateral institutions. It is clear in the proposed actions that this is a mutual and multisided strategy needing not only time but also devoted resources from all parties.

36. CAREC countries consider it essential to have a framework that is results-oriented and establishes benchmarks for monitoring. For this purpose, policy actions and performance indicators are presented in the Annexes 1 and 2 for endorsement by the 7th Ministerial Conference.

37. After endorsement by Ministers, including any modifications indicated, the TPSAP actions will begin to be implemented by participant countries and MIs starting in 2009, with subsequent meetings of the TPCC providing a forum for elaboration and interpretation of procedural aspects, as well as for monitoring the progress in the implementation of the TPSAP. In the course of implementation and monitoring of the strategy and the related actions over the coming years, the TPCC will also devote close attention to coordination with the CCC.

**ACTIONS FOR WTO MEMBERSHIP, TRADE OPENNESS, AND
CAPACITY BUILDING**

A.1.1. SUPPORTING WTO ACCESSION PROCESS

| OBJECTIVES | POLICY AND ACTIONS | PERFORMANCE INDICATORS |
|--|---|--|
| Advisory services on WTO accession | Non-WTO countries request advisory missions | <ul style="list-style-type: none"> – during 2009 agree on advisory mission scope/timing for each country – during 2010-12 advisory missions take place |
| Training Seminars on WTO Accession (including discussion of strategy towards RTAs) | Arrange training seminars modeled on World Bank <i>Handbook on WTO Accession</i> , possibly in three phases: Overview of WTO issues; Global experiences; and specific issues related to CAREC countries | <ul style="list-style-type: none"> – in 2009 on overview of WTO issues – in 2010 on global experiences with WTO accession – in 2011 on specific issues related to CAREC countries |
| Workshop on experiences during WTO negotiations | A lead MI coordinates a workshop for CAREC WTO members to discuss their experiences with candidates | <ul style="list-style-type: none"> – in 2010 the workshop is held |

A.1.2. PRE-ACCESSION TARIFICATION OF QRs

| OBJECTIVES | POLICY AND ACTIONS | PERFORMANCE INDICATORS |
|--------------------------------|--|---|
| Eliminate export QRs | – | – during 2009-10 any country with export QRs eliminates them |
| Eliminate or tariff import QRs | Eliminate import QRs or calculate tariff equivalent and tariff | – during 2009-10 half of import QRs eliminated or tariffed – during 2011-12 remainder of import QRs eliminated or tariffed |

A.1.3. PRE-ACCESSION TARIFF SIMPLIFICATION

a. MISCELLANEOUS TAXES AND CHARGES ON TRADE

| OBJECTIVES | POLICY AND ACTION | PERFORMANCE INDICATORS |
|---|--|--|
| Uniform application of VAT and excises | VAT and excise tax rates on imports reduced to same levels as on domestic goods in relevant category | – during 2009–10 domestic-taxes applied to imports set at same rate as for locally produced goods |
| Elimination of miscellaneous charges, fees, taxes on imports and exports in collaboration with other CAREC committees | <p>Miscellaneous taxes and fees applied to imports should be consolidated into one single equivalent rate and eliminated or converted into part of the tariff applied to the good</p> <p>For exports any such charges should be eliminated</p> | <p>– during 2009–10 miscellaneous charges, fees, and taxes on imports to be eliminated or incorporated into tariffs to be applied</p> <p>– during 2009-10 such charges on exports are to be eliminated</p> |

A.1.3. PRE-ACCESSION TARIFF SIMPLIFICATION

b. TARIFF REDUCTIONS, CAPS, BANDS

| OBJECTIVES | POLICY AND ACTIONS | PERFORMANCE INDICATORS |
|---|---|--|
| Average tariff (after QR tariffication) 10 percent or less | Tariff reductions to achieve the objective | <ul style="list-style-type: none"> – during 2009–11, the average tariff (after QRs converted to tariff equivalents and various fees and charges are included in the tariff) brought down to 10 percent or less |
| Maximum tariff rate capped at 20 percent, with only a few exceptions if essential | Proportional cuts of maximal tariffs in three steps | <ul style="list-style-type: none"> – during 2009–10 the maximum tariff in each country cut by half of distance to 20 percent cap – during 2011, any tariffs still above 20 percent cap, cut an additional half of the new distance to cap – during 2012 final tariff cuts to the 20 percent cap |
| Number of non-zero tariff bands around 3 | Reduce non-zero bands in steps | <ul style="list-style-type: none"> – countries with 6+ non-zero bands: reduce them to 6 in 2009 to 5 in 2010, and to 3–4 in 2011¹ – countries with 5 or less non-zero bands: reduce them by one band during 2009–10, and one more band in 2011, as needed |

¹ For countries with more than 10 non-zero tariff bands, the reduction will be more gradual.

A.1.4. KNOWLEDGE TRANSFER ON INSTITUTIONAL ENVIRONMENT SUPPORTING TRADE

| OBJECTIVES | POLICY AND ACTION | PERFORMANCE INDICATORS |
|---|--|---|
| Identify the most important institutional development shortcomings that affect trade in CAREC countries | One of the MIs to prepare a focused study to assess what institutional problems create the greatest impediments to trade expansion | – in 2009 complete the study on institutional environment and trade |
| Knowledge transfer seminar on institutions and trade in CAREC countries | Organize a seminar to discuss the above paper, as well as other more general presentations on global experiences with trade and institutions | – in 2010 hold the seminar |

ACTIONS TO REDUCE IMPEDIMENT TO TRANSIT AND BORDER TRADE
A.2.1. REDUCING IMPEDIMENTS TO TRANSIT TRADE

| OBJECTIVES | POLICY AND ACTION | PERFORMANCE INDICATORS |
|---|--|--|
| Full compliance with TIR convention | Develop instructions to customs, transport ministry, traffic police, and others that TIR convention must be fully implemented and consistently applied | <ul style="list-style-type: none"> – by end 2009 draft instructions for internal review prepared – during 2010 instructions finalized and issued |
| Remove or reduce convoy charges | Governments will decide on removal or reduction of convoy charges, in the latter case calculated to reflect actual costs | <ul style="list-style-type: none"> – during 2009 actual convoy costs calculations done – during 2010–11 convoy charges reduced to calculated actual costs |
| Simplify any fees for road permits | Establish actual “paperwork” costs for any road transport permits and reduce all fees to this level | <ul style="list-style-type: none"> – during 2009 calculations of actual costs done – during 2010–11 all road transport fees reduced to actual costs |
| Remove all other miscellaneous charges and fees applied to foreign vehicles | — | <ul style="list-style-type: none"> – during 2009–10 each country eliminates a meaningful portion of miscellaneous charges on foreign vehicles. – during 2011–12 any remaining ones are eliminated |
| Stronger discipline over corruption by trade-related officials | Governments will establish regular inspections by non-local senior officials to review procedures and records, as needed to investigate possible corruption. In addition, a system of random annual audits will be developed to verify compatibility of income and assets of relevant regional officials | <ul style="list-style-type: none"> – during 2009–10 all countries will develop a system of inspections and audits – during 2010–11 inspections begin at least twice a year – during 2011 audits begin |

A.2.2. REDUCING IMPEDIMENTS TO BORDER TRADE

| OBJECTIVES | POLICY AND ACTIONS | PERFORMANCE INDICATORS |
|--|--|--|
| Reducing complexity of border crossing for local traders | <ol style="list-style-type: none"> 1. China: keep the Korgas crossing open during weekends, and extend opening of Kulma by a full month in the period May-October 2. Uzbekistan: reopen crossings closed with Kazakhstan, Kyrgyz Republic, and Tajikistan¹ 3. Uzbekistan: allow the opening of bazaars adjacent to crossings² 4. Kazakhstan and Kyrgyz Republic: seek donor support and undertake infrastructure improvements to remove Kordai bottlenecks | <ol style="list-style-type: none"> 1. During 2009-2010 Korgas opening some weekends with increasing frequency; gradual extension of Kulma opening during 2009-10 2. During 2009-2011 gradually complete process 3. During 2009-2011 gradual opening of bazaars 4. During 2009-10 arrange donor support for Kordai improvements; during 2011 begin construction |
| Simplify crossings by foreign vehicles | <ol style="list-style-type: none"> 1. Afghanistan, China, Uzbekistan, and Tajikistan: remove any restrictions on light vehicle crossings by residents of border areas 2. Kazakh, Kyrgyz, Tajik, and Uzbek authorities: enforce more vigorously anti-corruption discipline in border areas | <ol style="list-style-type: none"> 1. Over period 2009-10 vehicles of border-area residents gradually allowed to cross freely 2. During 2010 authorities begin to implement procedures described in Table A.2.1 |

¹ Uzbekistan noted that all border crossing points with Kazakhstan, Kyrgyzstan and Tajikistan (except for **Gisht-Kuprik**) are open. Customs post **Gisht-Kuprik** was closed for reconstruction and will be reopened in the near future.

² Uzbekistan noted that bazaars in the proximity of the border crossing points were not closed and that main bazaars close to the border crossing points are located in Uzbekistan's neighboring countries.

| OBJECTIVES | POLICY AND ACTIONS | PERFORMANCE INDICATORS |
|---|--|--|
| Eliminate or simplify substantially visa and other requirements for border-area residents | <ol style="list-style-type: none"> 1. Kyrgyz and Tajik authorities: implement “local-area Identification Card” for border crossing 2. Uzbekistan: terminate stamping each entry of EURASEC citizens, or do so in separate sheet 3. Afghanistan, China, and Tajikistan: allow residents in adjacent Afghan, Kyrgyz, and Tajik districts visa-free entry for at least 1-2 days (no less than two into China where urban centers are remote) | <ol style="list-style-type: none"> 1. During 2009-10 “local-area Identification Cards” issued for Kyrgyz and Tajik crossings 2. During 2009-10 Uzbekistan changes stamping procedure for EURASEC citizens 3. By end-2010, visa-free entry for at least 1-2 days in crossings between Afghanistan, China, Kyrgyz Republic and Tajikistan |
| Increase individuals’ limit on goods in cross-border trade | <ol style="list-style-type: none"> 1. Kazakh, Kyrgyz, and Tajik authorities: increase exemption limit on agricultural goods to 100 kg. 2. Uzbekistan: revise regulations for imports of personal goods allowing US\$1,000 of goods and raising the weight limits to 50 kg for industrial goods and 100 kg for agricultural goods | <ol style="list-style-type: none"> 1. During 2009 the three countries raise exempt limit on agricultural goods to 100 kg. per person. 2. During 2009-10, as feasible, Uzbekistan gradually revises regulations on goods at border crossings |