

TRADE POLICY STRATEGIC ACTION PLAN
FOR
THE CENTRAL ASIA REGIONAL ECONOMIC COOPERATION
PROGRAM
(TPSAP/CAREC)

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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. This paper presents the Trade Policy Strategic Action Plan (TPSAP) for discussion at the Spring 2008 meeting of the TPCC. 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.² Under this objective there are two main areas of action: (i) supporting efforts to achieve WTO membership; and (ii) simplifying and liberalizing the trade-tax regime including equalizing differential domestic taxation, cutting tariffs and the number of tariff bands, and abolishing quantitative restrictions. The second objective is capacity-building and knowledge transfer related to trade and trade policy.

3. The TPSAP builds upon the 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.³ 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 above, 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 in defining the TPSAP.

4. The paper is structured as follows. Section 2 summarizes the findings of background studies and TPCC discussions regarding the current status of trade policy in CAREC countries. Based on this, Section 3 then defines the central aspects of the strategy building from CAREC goals. Section 4 elaborates on each of the trade-barrier reduction goals mentioned in paragraph 2 above, while Section 5 goes on to specify concrete actions to be taken on each of these. Section 6 summarizes the process for monitoring results using appropriate benchmarks. Finally, Section 7 points the way to next steps for implementation.

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

² “Trade Policy Coordinating Committee Status Report” (November 3.2007), Sixth Ministerial Conference of CAREC, Dushanbe, Tajikistan.

³ Several training seminars in the region also provide valuable inputs to devising the most appropriate strategy.

II. TRADE BARRIERS IN CAREC COUNTRIES

5. 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. Their findings are summarized here under three key areas:

- Trade taxes (including tariffs and domestic taxes) and quantitative restrictions (QR's)
- The impact of WTO accession and relation to Regional Trade Agreements (RTA's)
- Border and transit trade impediments

6. While tariff averages 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 also 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 differing from those applied to domestic goods. QR's 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 Bank's “ease of trading” index. Thus there is considerable room for gains from reforms of trade taxes and reductions of QR's.

7. 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

⁴ “Trade Barriers in Central Asia,” ADB paper CAREC/SOM, January 2006.

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

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. For China, the very high export and FDI growth before 2001 (17 percent, 7 percent) all of these increased after accession 27 percent, 14 percent).

producers but fairly soon adjustments take place and positive even if modest gains are registered; in the long term, the gains continue to accumulate and can be quite substantial.⁷

8. Three additional conclusions on WTO benefits merit emphasis. First, the benefits are not automatic with formal membership, but depend on the extent of actual trade liberalization. Second, they increase over time, partly because of the indirect impact on improved domestic institutions. Third, historically small countries benefited most from WTO membership.⁸

9. CAREC countries are also involved in a large number of overlapping RTA's—by one count, nine RTA's and twenty-one bilateral agreements.⁹ 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.¹⁰ Thus the net effects of RTA's on trade creation are ambiguous. This does not mean that all RTA's for all countries would have equivalent effects, but it is clearly illustrative of the reality that unlike WTO accession, RTA effects are ambiguous.¹¹

10. 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.¹² The most important regulatory and administrative impediments to cross-border trade are: visa requirements, their high cost and the non-existence of consular office 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; 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

⁷PowerPoint 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, Ch. 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 See page 8 in Elborgh-Woytek and Azimov, “Potential Gains...”

⁹ 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 RTA's.

¹⁰ Thus, for example, the ADB study cited earlier shows 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.

¹¹ Yongzheng Yang and Sanjeev Gupta, “Regional Trade Arrangements in Africa: Past Performance and Way Forward,” IMF Working paper WP/05/36, February 2005, conclude that in Africa with small market size and poor transport connections, RTA's have fallen far short of their potential to expand intra-trade.

¹² World Bank, “Cross-border Trade Within the Central Asia Regional Economic Cooperation, August 2006 and ” The Asian Development Bank, “Barriers to Transit trade in Central Asia,” October 2005.

implementation of TIR standards. The last important conclusion on these barriers is that, fortunately, they can be changed or reduced very quickly by administrative decision.

III. THE STRATEGIC APPROACH

11. The TPSAP strategy builds upon the CAREC program goals applying the principle of “pragmatism with results” and starting with the current status of trade policy environment described above and recommends concrete actions that are meaningful and subject to monitoring using realistic progress benchmarks. The main goals can be clearly restated as:

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

12. To ensure 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 ownership and partnership with business and regional organizations.”¹³ 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.¹⁴ 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

13. It is the combination of “*pragmatism and results... with ownership,*” which will ensure that legitimate practical concerns are considered but unjustified protectionist lobbying is resisted, so that in the end significant measurable results come about quickly. In this tactical approach each participant government accepts the onus to achieve significant results. Any delays or inaction will be due to legitimate administrative difficulties, and not to governments yielding under pressure of vested interests lobbying for continued protection..

¹³CAP, October 2006, para. 2

¹⁴ It should not be forgotten here that these theoretical lessons are in general confirmed by historical evidence.

14. In order to ensure steady implementation progress, the actions under the TPSAP will be monitored relative to clear benchmarks indicating achievements in a specific time schedule. The present paper proposes potential performance indicators as benchmarks for each action; these will be discussed by the Delegates at the Spring and Fall 2008 TPCC meetings and submitted with modifications for endorsement by the Ministers. A precise time-table will be prepared by the TPCC after the endorsement.

15. 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, publication of summary results, etc. This is important for its own sake, but has also additional value of building up credibility which in its turn stimulates more trade, and provides a check and balance on the commitments made by participant governments.

IV. THE CAREC GOALS ON TRADE POLICY

16. To set the stage for concrete specification of recommendations under the TPSAP, it is useful to elaborate on each of the three broad trade policy goals of the CAREC program stipulated in paragraph 5: WTO membership, increasing trade openness, and capacity-building.

A. Achieving More Trade Openness Prior to WTO Accession

17. Greater trade openness is still needed in CAREC countries to facilitate both intra- and inter-regional trade, 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 apply 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 limiting related illegal bribery and corruption is also a critical objective for trade liberalization.

B. Achieving WTO Accession

18. WTO membership for all CAREC countries is a central long-term goal of the CAREC CAP, and an integral part of achieving greater trade openness. The Sixth Ministerial Conference in Dushanbe, November 2007, has already 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 membership, in particular in the long term. Achieving this goal necessarily means the TPSAP must first focus on providing practical assistance to candidate countries. To this end, the TPSAP includes several concrete knowledge-transfer and capacity-building actions. Given the primary focus on WTO, the TPSAP actions attempts to formulate a common approach for

candidates to manage carefully any RTA discussions with a view to minimizing trade diversion and ensuring accession is not hindered.

C. Capacity-Building on Trade Issues

19. 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 both in designing actions that are well-focused on the needs of the region, and timely delivery of any knowledge-transfer. TPSAP recommendations 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 candidate countries to discuss key issues they confront, and to benefit from the experience of current WTO members among CAREC participants.

V. POLICY ACTIONS TO ACHIEVE THE GOALS

20. This section summarizes the recommendations resulting from TPCC review of relevant background studies, subsequently endorsed by the TPCC and Ministers.

A. Supporting WTO Accession

21. 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 TPSAP—detailed in Annex Table A.1.1—include MI’s providing direct advisory services to support each candidate country’s efforts on WTO accession,¹⁵ regional training seminars on WTO accession and relation to RTA’s, and workshops to exchange views on WTO-related issues among country officials, including importantly those from the three countries that are already members.

22. For RTAs the most appropriate approach is to focus primarily on efforts towards WTO membership in order to ensure that RTA’s do not complicate WTO Accession, and only those RTA’s are pursued that minimize trade-diversion effects. This does not mean that any consideration of RTA’s is to be abandoned. 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. However, legal consistency with WTO rules is not automatic and great care must be taken to ensure compliance, especially for countries on the candidacy track. Given, in addition the strong possibility of large trade-diversion effects, the position of the TPSAP is to let individual countries determine their

¹⁵ The World Bank’s *Handbook of Trade Policy and WTO Accession for Russia and the CIS* provides a basis and model for such activities.

own policy on RTA's and concentrate the efforts of CAREC discussions on support for WTO negotiations.

B. Pre-Accession Tarification of QR'S

23. Remaining QR's 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 QR's 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 QR's more transparent until eliminated; as QRs are abolished, eliminating documentation and bureaucratic structures they had entailed. Prior implementation of agreed-upon tariff reduction and simplification also has the benefits of enhancing prospects of WTO accession by signaling strong commitment.

C. Pre-Accession Trade Tax Reductions and Simplifications

24. 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. The schedules are noted in Annex Table A.1.3.a.

25. Actions on direct trade taxes are shown in Annex table A.1.3.b. The *first* objective on trade taxes is for all countries to attain an average of 10 percent or less calculated after tarification of QR's and miscellaneous charges. Countries already below this average will concentrate their early actions on cutting maximum tariffs and reducing the number of non-zero tariff bands. 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 Hence reductions in the number of tariff bands are also important. Therefore the *second* objective (which by arithmetic definition will contribute to the first) is to reduce maximum tariffs

¹⁶ The ADB paper of January 2006, "Trade Barriers in Central Asia," shows that even if the nominal average tariff is below 10 percent, with a large number of non-zero bands and a high maximum tariff, the effective rate of protection (ERP) formula could yield values that can approach 100 percent, or even higher if differentiated VAT or excises apply to imports.

to a 20 percent cap. 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, for example by cutting each year half of the gap between the maximum tariff and 20 percent, and completing the process in 2-4 years. *The third* objective on trade taxes is the reduction in the number of tariff bands. Non-zero tariff bands which currently range from 3 to 10 will be reduced to about 3. This too can be done step-wise over a period of 2-4 years. The schedule is shown in Annex Table A.1.3.

D. Capacity-building and Knowledge Transfer Activities

26. A key objective of CAREC/CAP is capacity-building, and many background studies, training seminars workshops have already been delivered. The TPSAP proposes a number of new actions, including those already noted above related to WTO Accession. In particular, 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 lead by one of the MI's 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. Coordination of TPCC and TFCC Actions.

27. Transit and border trade barriers are recognized in the background work of the TPCC as an important impediment to trade expansion in CAREC. Fortunately, they can be addressed by measures that can be undertaken fairly quickly and at relatively low cost. This is also true for actions in overlapping areas of customs harmonization and simplification procedures which have been studied and discussed by the TFCC. This overlap necessitates close coordination between the TPCC and TFCC in setting actions and achieving results in these areas.¹⁷ The TPCC continues to be best placed to deal with analytical and policy dimensions of transit and border trade, while the TFCC is better placed to monitor and ensure implementation of technical dimensions in the field. Therefore, recommendations emanating from TPCC studies on transit and border trade are summarized below with details shown in Annex 2, and the related performance indicators and indicative timetable for actions will be set at a later date in cooperation with the TFCC.

28. To reduce transit trade barriers the following recommendations were endorsed by the TPCC and the SOM:

¹⁷ The TFCC Work Program is detailed in "CAREC Comprehensive Action Plan," Fifth Ministerial Conference Urumqi, XUAR, China, October, 2006, pp. 34-40.

- 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.

29. 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 extensively and endorsed by the TPCC and the SOM. They comprise four categories and several concrete actions detailed in Annex Table A.2.2:

- operations 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;
- movement of goods in border areas involving two concrete actions.

30. Performance indicators for these transit and border trade measures shall be set by the TFCC in consultation with the TPCC. Therefore, they are not specified in Annex 2.

VI. MONITORING RESULTS

31. Participating countries consider it essential to have a framework which is results-oriented and establishes benchmarks for monitoring. For this purpose indicative actions and performance indicators are presented in the Annex 1, Framework Tables for discussion and eventual endorsement.

32. The trade policy strategy actions, presented in Section IV, A-D and listed in Annex 1 for discussion at the TPCC Spring 2008 meeting, have been drawn up to reflect both the many 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 long-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.

33. 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 amongst population*).
- Uniform application of taxes to imported and domestic goods (*increased trade, but also credibility of policy*).
- QR reductions ideally before WTO accession (*meaningful trade expansion, but given that in most participants QR's not extremely high, size of first round impacts not 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*).

34. It bears re-emphasizing 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 relevant to their national circumstances.

VII. IMPLEMENTATION

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

36. In terms of next steps, the TPSAP proposed here will be discussed and reformulated as necessary for presentation to Ministers. After endorsement by Ministers, the TPCC will prepare a detailed time-bound program which ensures effective monitoring of results. In setting the time-bound benchmarks, as well as in the course of implementation of such a program over the coming years, the TPCC will devote close attention to coordination with the TFCC.

ANNEX 1: FRAMEWORK AND MONITORING BENCHMARKS OF TPSAP ACTIONS¹⁸

A.1.1. SUPPORTING WTO ACCESSION PROCESS

OBJECTIVES	POLICY AND ACTIONS	PERFORMANCE INDICATORS
Advisory services on WTO accession	Non-member participants request MI's to provide advisory missions.	-End _____ each participant agreed with relevant MI on advisory missions -during _____ advisory missions take place
Training Seminars on WTO Accession (including discussion of strategy towards RTA's)	MI's coordinate to arrange training seminar modeled on World Bank "Handbook on WTO Accession".	-end _____ timing and location of training seminar is set -during _____ seminar takes place
Workshop on experiences during WTO negotiations	A lead MI coordinates a workshop for CAREC WTO members to discuss their experiences with candidates.	-end _____ date and location of workshop is set -during _____ workshop is held

¹⁸ All performance indicators are indicative in this draft, and the time-schedule is to be determined.

A.1.2. PRE-ACCESSION TARIFICATION OF QR'S

OBJECTIVES	POLICY AND ACTIONS	PERFORMANCE INDICATORS
Eliminate export QR's	-	-by _____ any countries with export QR's should eliminate them
Eliminate or tariff import QR's	Eliminate import QR's or calculate tariff equivalent and tariff	-by _____ half of import QR's will be eliminated or tariffed -by _____, remainder of import QR's eliminated or tariffed

A.1.3. PRE-ACCESSION TARIFF SIMPLIFICATION

a. MISCELLANEOUS TAXES AND CHARGES ON TRADE

OBJECTIVES	POLICY AND ACTION	PERFORMANCE INDICATORS
<p>Uniform application of VAT and Excises</p> <p>Elimination of miscellaneous charges, fees, taxes on imports and exports</p>	<p>VAT and excise tax rates on imports reduced to same level as on domestic goods in relevant category</p> <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>-by _____ imports subject to same domestic- tax rates as local goods</p> <p>-by _____ all such charges on imports shall be eliminated or tariffed.</p> <p>-by _____ all export charges, taxes, fees shall be eliminated</p>

A.1.3. PRE-ACCESSION TARIFF SIMPLIFICATION

b. TARIFF REDUCTIONS, CAPS, BANDS

OBJECTIVES	POLICY AND ACTIONS	PERFORMANCE INDICATORS
<p>Average tariff (after QR tariffication) 10 percent or less</p> <p>Maximum tariff rate capped at 20 percent</p> <p>Number of non-zero tariff bands around 3</p>	<p>As below, sufficient to achieve objective</p> <p>Proportional cuts of maximal tariffs in three steps</p> <p>Reduce bands in 3 steps</p>	<p>Average tariff after QR's converted to tariff-equivalent, 10 percent or less in the time-frame _____</p> <p>-end _____ maximum tariff in each country cut by 50 percent of distance to 20 percent cap</p> <p>-end _____ cut half of new distance</p> <p>-end _____ cut remainder to 20 percent</p> <p>-countries with 6+ bands: reduce to 6 or 7 by end_____, to 5 by____, and 3-4 by end _____</p> <p>-countries with 5 or less bands: reduce by one band by end _____, and one more as needed by end _____</p>

A.1.4. KNOWLEDGE TRANSFER ON INSTITUTIONAL ENVIRONMENT SUPPORTING TRADE

OBJECTIVES	POLICY AND ACTION	PERFORMANCE INDICATORS
<p>Identify the most important institutional development shortcomings that affect trade in CAREC countries</p> <p>Knowledge transfer seminar on institutions and trade in CAREC countries</p>	<p>One of the MI's to prepare a focused study to assess what institutional problems create the greatest impediments to trade expansion</p> <p>Organize a seminar to discuss the above paper , in context of other more general presentations on global experiences with trade and institutions</p>	<p>-by _____ , completion of study on institutional environment and trade</p> <p>-by _____, establish a date and location for training seminar "trade and Institutions".</p> <p>-during_____ hold seminar as planned</p>

**ANNEX 2: RECOMMENDATIONS OF TPCC STUDIES FOR POSSIBLE
INCORPORATION INTO TFCC PROGRAM**

A.2.1. REDUCING IMPEDIMENTS TO TRANSIT TRADE

OBJECTIVES	RECOMMENDATIONS OF STUDIES
Full compliance with TIR convention	Develop instructions to customs, transport ministry, traffic police and other that TIR convention must be fully implemented and consistently applied.
Remove or reduce convoy charges	Governments will decide on removal or reduction of convoy charges, in later case calculated to reflect actual costs.
Simplify any fees for road permits	Establish actual “paperwork” costs for any road transport permits and reduce all fees to this level.
Remove all other miscellaneous charges and fees applied to foreign vehicles	—
Simplify complex and costly visa regimes	To lower costs and simplify process of foreign transport drivers visas, three steps will be taken in some combination: allow multiple-entry visa at border; reduce visa fees substantially; avoid large full-page stamps.
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.

A.2.2. REDUCING IMPEDIMENTS TO BORDER TRADE

OBJECTIVES	RECOMMENDATIONS OF STUDIES
Reducing complexity of border crossing for local traders	<p>China should keep the Korgas crossing open during weekends, and the opening of Kulam extended to a full month in the period May-October.</p> <p>2. Uzbekistan should reopen as soon as possible crossings closed with Kazakhstan, Kyrgyz Republic and Tajikistan.</p> <p>3. Uzbekistan should allow the re-opening of bazaars closed adjacent to crossings.</p> <p>4. Kazakhstan and Kyrgyz Republic should seek donor support and undertake infrastructure improvements to remove Kordai bottlenecks.</p>
Simplify crossings by foreign vehicles	<p>1. Afghanistan, China, Uzbekistan and Tajikistan should remove any restrictions on light vehicle crossings by residents of border areas.</p> <p>2. Kazakh, Kyrgyz, Tajik and Uzbek authorities enforce more vigorously anti-corruption discipline in border areas.</p>
Eliminate or simplify substantially visa requirements for border-area residents	<p>1. Kyrgyz and Tajik authorities should allow local-area ID for border crossing.</p> <p>2. Uzbekistan should terminate stamping each entry of EURASEC citizens, or do so in separate sheet.</p> <p>3. Afghanistan, China and Tajikistan should 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 remote).</p>
Increase individuals' limit on goods in cross-border trade	<p>1. Kazakh, Kyrgyz and Tajik authorities increase exemption limit on agricultural goods to 100kg.</p> <p>2. Uzbekistan should revise goods regulations from "personal use", to a general exemption limit of 50kg \$1,000 for industrial goods 100kg for agricultural goods.</p>