



Reference Document
For Session 3 of the Senior Officials' Meeting
31 October 2010

Trade Policy Progress Report and Work Plan (late 2010–2011)

As of 31 August 2010

**9th Ministerial Conference on
Central Asia Regional Economic Cooperation
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Cebu, Philippines**

I. OVERVIEW OF THE PROGRESS

1. This progress report focuses on key developments in the trade policy sector since the 8th CAREC Ministerial Conference in October 2009, and describes the work plan for activities in late 2010 and 2011. The Trade Policy Coordinating Committee's (TPCC) work is based on the Trade Policy Strategic Action Plan (TPSAP), which was endorsed at the 7th Ministerial Conference in November 2008. The plan envisages policy actions to achieve key objectives: (i) supporting World Trade Organization (WTO) accession; (ii) eliminating remaining quantitative restrictions on exports and imports; (iii) reducing and simplifying trade taxes; (iv) implementing capacity building activities to facilitate WTO accession and to improve the general institutional environment; and (v) reducing transit and border trade barriers. The timeframe for implementation of the TPSAP is anchored by the medium-term objective of WTO membership for all CAREC countries by the end of 2013.

2. Since the 8th Ministerial Conference, the TPCC has initiated a range of activities, which were based on the TPSAP and included (i) capacity building sessions on WTO accession and sharing of experience from WTO members to candidate countries; (ii) monitoring implementation of the trade liberalization measures contemplated in the TPSAP through countries' submissions of responses to the questionnaire prepared for that purpose; (iii) a study on the institutional environment and related impediments to trade in CAREC countries; and (iv) developing a set of progress indicators for the CAREC Results Framework and beginning the monitoring of these indicators.

II. KEY DEVELOPMENTS

A. Training on WTO Accession

3. At the 12th TPCC meeting in April 2010, two knowledge sharing seminars on WTO accession were arranged by the IMF. These seminars were offered in response to requests from the delegates at the previous TPCC meetings. The first seminar was presented by Mr. Wu Jiahuang, Vice Chairman of the China Association of WTO Studies, and provided a detailed overview of China's WTO accession negotiations, with a special focus on tariff negotiations. The second seminar was offered by the World Bank, focused on recent developments in multilateral agricultural trade negotiations from the Doha round, and addressed the key WTO accession issues related to agriculture. In addition, a note produced by the Mongolia Ministry of Foreign Affairs and Trade sharing its WTO accession experience was circulated to the delegates during the meeting.

4. The delegates appreciated the practical experiences presented, and expressed interest in intensifying the process of WTO knowledge and experience sharing. They reiterated their support for such forums as an opportunity for WTO members to share their experience with WTO candidate countries. Regional events and forums can be a major contributor to knowledge sharing within CAREC. Delegates also stressed the importance of participation of country officials (both from WTO member and non-member countries) directly involved in the process of accession negotiations, and in that regard they welcomed the seminar with the Chinese representative, who had been involved in WTO negotiations for about 10 years.

5. The 12th TPCC agreed to prepare a two-year program for a series of knowledge sharing events on WTO accession. The proposed program for CAREC trade officials will include

knowledge exchange on (i) lessons learned during accession processes; (ii) strategies that work best; (iii) actual outcomes and implications of reforms and accession; and (iv) approaches to managing negotiating teams or committees involved in the accession process. This program is expected to involve a partnership among ADB, ADB Institute, IMF, World Bank, and possibly other multilateral institutions.

B. Monitoring Implementation of the TPSAP

6. CAREC countries adopted a questionnaire-based tool--proposed by the IMF-- for monitoring the TPSAP implementation progress. The questionnaire is expected to be completed by the CAREC countries annually, and is aimed at collecting information mainly on tariff simplification and on measures to reduce impediments to transit and border trade.

7. At the 12th TPCC meeting, the delegates confirmed their commitment to provide responses annually. CAREC countries also agreed to inform the IMF of any significant progress in implementing the trade liberalization measures in between the annual submissions.

8. IMF conducted an initial analysis of the data, and results were presented to the TPCC in April 2010. The analysis showed some progress in reducing the number of tariff bands, drafting instructions on the implementation of TIR convention, and calculating the actual paperwork costs for road transport permits. However, the analysis was hindered by the lack of timely responses from some countries. Following the 12th TPCC meeting in April, more countries have submitted their responses to the questionnaire for end-2009. However, as of the time of this report, the process of collecting submissions from all CAREC countries was still not complete.

C. Trade Policy Indicators for the CAREC Results Framework

9. The 12th TPCC meeting endorsed a set of trade policy indicators for the CAREC Results Framework. The set includes 10 indicators pertaining to trade liberalization, which closely follow the questionnaire-based monitoring tool for the TPSAP. The Results Framework uses a phased approach to trade liberalization, with indicative intermediate targets for the next 3 years.

D. Study on Institutional Impediments to Trade in CAREC countries

10. An initial draft of the paper on institutional impediments to trade in CAREC countries was presented at the 12th TPCC meeting. The paper consists of two parts: (i) a background paper outlining the key findings and implications from recent studies on the importance of institutional factors in trade; and (ii) a report analyzing the relative position of CAREC countries from the institutional quality point of view, and containing preliminary proposals for measures to improve the institutional environment for trade in CAREC countries.

11. The delegates agreed with the overall approach to the study and provided a number of comments and suggestions. They concurred that understanding and reducing the institutional impediments to trade is essential for realizing the potential benefits from trade expansion among CAREC countries, and noted that the final set of proposed measures has to be concrete, realistic, and country specific, given the significant differences in country circumstances.

12. The TPCC members committed to provide additional inputs to the study. These additional inputs are to focus on specific country circumstances and institutional obstacles, as perceived by the authorities. Following the 12th TPCC meeting, ADB prepared a template for submission of additional country inputs, which was circulated to CAREC countries in May. In

June-August, member countries began to submit the inputs to IMF and ADB. Nevertheless, as of the time of this report, the submission process was not yet complete.

III. WORK PLAN FOR LATE 2010-2011

13. The TPCC will hold at least two meetings annually over the next two years. These meetings are expected to be held in conjunction with the Senior Officials' Meetings and Ministerial Conferences.

14. The TPCC will continue to provide a platform for knowledge sharing on WTO accession for CAREC countries. Further seminars presented by country delegations outlining their experiences with WTO negotiations are planned for the TPCC meetings in October 2010 and the spring of 2011. The IMF will arrange additional seminars and discussions on current tendencies in WTO negotiations, in cooperation with the World Bank and possibly other multilateral institutions. The main outcomes of knowledge sharing events will be presented to the Senior Officials' Meetings and Ministerial Conferences. The IMF will also share with delegates the findings of its research on trade in the aftermath of the global financial crisis.

15. ADB and IMF are preparing a two-year program for a series of knowledge sharing events on WTO accession. This program is expected to involve a partnership among ADB, ADB Institute, IMF, World Bank, and possibly other multilateral institutions. The outline of the program will be presented at the 13th TPCC meeting and at the 9th Ministerial Conference.

16. The results and analysis of the TPSAP monitoring questionnaire for 2009 will be discussed at the 13th TPCC meeting and presented at the 9th Ministerial Conference. On the basis of the countries' responses to the questionnaire, the IMF, aided by the CAREC Secretariat, will also prepare the aggregate results for the calculation of the trade policy indicators to be incorporated into the annual CAREC Results Framework. This work will continue in the following year, and the results of the monitoring questionnaire for 2010, as well as the update of the Results Framework, are expected to be presented at the 10th Ministerial Conference in 2011.

17. The delegates' comments and suggestions made at the 12th TPCC meeting have been incorporated in the study on the institutional impediments to trade in CAREC countries. The final version of the paper will be discussed at the 13th TPCC meeting. In combination with additional inputs from countries' trade policy officials, this will allow the TPCC to finalize the study and present the final version at the 9th Ministerial Conference. The final version will contain concrete recommendations on addressing the institutional impediments, which will include common measures for all CAREC countries, as well as country-specific measures. The final version will also include the proposed timeline for the implementation of recommendations.

IV. KEY ISSUES

18. The flow of communication between member countries and multilateral institutions has improved. Delegates have shown keen interest in monitoring TPSAP progress and completing the study on institutional impediments to trade, and most countries have submitted their inputs to both exercises.

19. At the same time, there remains room for improvement. CAREC countries' timely and complete reporting of the data is essential for the monitoring of the TPSAP. For the monitoring

to be effective, all countries need to provide their inputs on time. The timely submission of the questionnaires has now gained further importance, since it also provides the necessary inputs for the CAREC Results Framework. The response rate from member countries has significantly improved after the 12th TPCC meeting. Nevertheless, further improvements are needed, and Ministers and Senior Officials are requested to help ensure that their respective trade ministries submit to the IMF the necessary information for 2010 on schedule, by end-January 2011. Furthermore, countries that still have not submitted information for 2009 need to submit it without any further delay.

20. Another issue is the importance of having appropriate trade officials to attend the TPCC meetings. As WTO issues constitute a large portion of the TPCC's work, having officials who were involved in the WTO accession process (for WTO members) and those currently in the process (candidate countries) would enhance the impact of the TPCC's meetings and activities.