



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

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I. Overview of the Progress

1. The trade policy sector differs from the other CAREC sectors in that its focus is exclusively on policies, not projects. The Trade Policy Coordinating Committee's (TPCC) work is based on the Trade Policy Strategic Action Plan (TPSAP), which was endorsed at the seventh CAREC 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. The implementation progress is monitored by the IMF with the help of a questionnaire-based tool developed specifically for that purpose. This progress report covers key developments in the trade policy sector since August 2010 (the date of the previous report), and describes the work plan for activities in 2011 and beyond.

2. During this period, the TPCC focused its work on a range of activities, which were based on the TPSAP's mandate. These included continued capacity building sessions on WTO accession and sharing of experience from WTO members to candidate countries, and monitoring implementation of the trade liberalization measures contemplated in the TPSAP on the basis of countries' inputs. In addition, discussions on the institutional environment and related impediments to trade in CAREC countries were conducted under the guidance of a specific study prepared for this purpose, and the next steps to advance the institutional agenda were agreed upon. The TPCC also developed a trade liberalization index, to be used as a progress indicator in the CAREC Development Effectiveness Review, and began to monitor this indicator, with the help of the inputs received from country delegations.

II. Key Developments

A. Training on WTO Accession

3. In response to requests from delegates, two additional knowledge sharing seminars on WTO accession were arranged by the IMF and conducted at the 13th TPCC meeting in October 2010. The first one was a presentation by the delegation of the Kyrgyz Republic on Kyrgyz Republic's experience in negotiating accession and joining the WTO, and the lessons learned from that experience. The second seminar was presented by Ms. Yan Wang, trade expert and research coordinator for the World Bank based in Beijing, and was devoted to the liberalization of trade services in the context of the WTO.

4. Delegates appreciated the continuing program of the seminars. They noted that the presentation by the Kyrgyz Republic's delegation continued the tradition of experience sharing between CAREC WTO members and candidate countries. In particular, delegates appreciated that Kyrgyz Republic's experience demonstrated the importance of (i) having an efficient unit within the government to deal specifically with WTO accession; and (ii) using observer's status in WTO to reach agreements with members early on. This experience sharing, as well as the sequence of seminars on various aspects of WTO negotiations and WTO rules conducted by the World Bank representatives, was found very useful by the delegates. The latest in this series of seminars by the World Bank emphasized the critical importance of services for

development, and argued that liberalizing services trade under WTO would help to lock in reforms in the trade sector and push the domestic reform agenda. Delegates agreed that the seminar also presented a strong case for regulatory cooperation between countries.

5. Delegates of the 13th TPCC meeting stressed the need to provide further targeted training on WTO, and the importance of focusing the training on practical knowledge. They also felt that, as CAREC countries advance in their WTO negotiations, more intensive interaction among them would be useful. Delegates agreed that a good first step could be holding a round table discussion on countries' progress and obstacles in the WTO negotiation process, possibly at the next TPCC meeting. In this discussion, countries would share the progress they have made, highlight the areas where their efforts have focused, and analyze the challenges ahead in carrying out WTO negotiations.

6. The 13th TPCC also discussed further steps in the preparation of a two-year program for a series of knowledge sharing events on WTO accession. A tentative program was proposed by the ADB and approved by the delegates. The program includes 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. The ADB is expected to take the lead in securing financing, and the ADB Institute in cooperation with the World Bank and the IMF in organizing the events. Following the TPCC meeting, some countries have submitted additional comments and suggestions for the program, which are being incorporated.

B. Monitoring Implementation of the TPSAP and Trade Liberalization Index

7. CAREC countries adopted a questionnaire-based tool--proposed by the IMF--for monitoring the TPSAP implementation progress. The questionnaire is completed by the CAREC countries annually, reporting the situation as of year-end. This commitment has been confirmed by the delegates at the 13th TPCC meeting.

8. Since the launch of the TPSAP questionnaire in 2009, the response rate of CAREC countries and the timeliness of their responses have gradually improved. The information collected allowed the IMF to conduct an initial analysis of the data for 6 CAREC countries, and present the results at the 12th and 13th TPCC meetings. The same information is also used to compile a set of trade policy indicators for the CAREC Development Effectiveness Review. The set of 10 indicators is combined into a single Trade Liberalization Index, for which the indicative intermediate targets have been set for the next 3 years.

9. The analysis has been conducted for end-2009 and end-2010, and shows a number of steps taken in many countries to (i) reduce the number of tariff bands; (ii) draft instructions on the implementation of TIR convention; (iii) calculate the actual paperwork costs for road transport permits; (iv) remove quantitative restrictions on exports and imports; and (v) equalize tariff and VAT rates on domestic and imported goods. Submissions from Kyrgyz Republic and Tajikistan indicate that these countries have already achieved the target score for the Trade Liberalization Index for end-2011. However, despite improvements, the analysis continues to be hindered by the lack of timely responses from some countries.

C. Analysis of Institutional Impediments to Trade in CAREC countries

10. At the request of country delegations, an analytical study on institutional impediments to trade in CAREC countries was undertaken by a consultant. The final version of the study was

presented at the 13th TPCC meeting, and included 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 some proposals for measures to improve the institutional environment for trade in CAREC countries.

11. The study emphasized the increasing importance of good institutional environment and trade facilitation conditions, noting that international experience shows the large potential trade expansion effects from improved institutions. Given that most CAREC countries do not rank favorably on institutional indicators related to trade that the study analyzed, potential benefits from improving institutions toward OECD levels would be quite significant. The illustrative agenda of institutional development proposed in the study included measures to (i) simplify export-import procedures, by reducing time to export or import, simplifying licensing procedures, and reducing response time by clearing agencies; (ii) improve business environment, by simplifying procedures for starting a business and improving investor protection; and (iii) deepen financial system, in particular by improving credit information, clarifying legal rights of borrowers and creditors, and improving access to finance for SME exporters.

12. Delegates agreed that the measures proposed in the study provided a useful guideline for countries to develop their own specific plans to reduce institutional impediments to trade. Delegates appreciated the consideration given in the study to individual country circumstances, and agreed that a single time-bound list of institutional measures for all CAREC countries would not be appropriate. Given that the TPCC provides a forum for discussion and monitoring progress on trade policy issues, countries agreed to provide, by the time of the 14th TPCC meeting, their individual plans, outlining steps to be taken to deal with the institutional impediments to trade, including a proposed timeline. In these submissions, delegates also agreed to indicate the possible technical assistance needs.

III. Work Plan in 2011-2012

13. The TPCC will continue to 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 forum for knowledge and experience sharing on WTO accession and other trade policy related issues for CAREC countries. The agenda of the knowledge sharing program needs to be constantly adjusted, to reflect the most recent trends and policy developments in CAREC countries. At the 14th TPCC meeting, two sessions will be devoted to the experience of the recent creation of the Customs Union between Kazakhstan, Russia and Belarus. These seminars will analyze (i) the impact of participation in the Customs Union on Kazakhstan, in particular on trade patterns and tariff rates; (ii) the impact of the Customs Union on Kazakhstan's WTO accession process; and (iii) potential impact on the neighboring countries. The main outcomes of the knowledge sharing events will be presented at the Senior Officials' Meetings and Ministerial Conferences. The IMF will also share with delegates the findings of its research on recent developments in trade in CAREC countries.

15. As a further step to promote knowledge sharing on WTO accession, TPCC country delegates will participate in a round table to discuss countries' progress in the WTO accession process. At the round table, country delegates will inform each other on the progress achieved, discuss the key impediments and obstacles, and share their respective views on the importance

of the WTO accession for their countries. Such discussion would be a valuable opportunity to take stock of the progress, and to better understand the countries' views and priorities.

16. Work will continue on 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 updated plans for the program will be presented at the 14th TPCC meeting.

17. The implementation of the TPSAP will continue to be closely monitored. The results and analysis of the TPSAP monitoring questionnaire for 2010 will be discussed at the TPCC meetings in 2011 and presented at the 10th Ministerial Conference. This work will also allow compiling the aggregate results necessary for the calculation of the Trade Liberalization Index, to be incorporated into the CAREC Development Effectiveness Review. This work will continue during the whole period covered by the TPSAP (2009-2013).

18. Following the conclusion of the analytical study on the institutional impediments to trade in CAREC countries, delegates agreed that, using the measures proposed in the study as a guideline, they would submit to the TPCC their individual plans for reducing the institutional impediments to trade. These plans would include indications of possible technical assistance needs from multilateral institutions. The aggregate analysis of country submissions will be presented at the 14th TPCC meeting. This should allow the countries to agree on further steps and monitoring procedures.

IV. Key Issues

19. Two new members (Pakistan and Turkmenistan) were admitted into the CAREC program at the 9th Ministerial Conference in November 2010. The 14th TPCC meeting in June 2011 will be the first meeting to include the two new members. The TPCC will work on bringing the two new members up to speed with the trade policy agenda, and beginning to collect the necessary information from them.

20. There is still substantial room to improve the timeliness and completeness of reporting of the data to the TPCC, which is essential for the monitoring of the TPSAP. So far, countries have differed widely in the timeliness of their responses. Further improvements are therefore needed, and countries that still have not submitted information for 2010 need to submit it without any further delay.