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# **Trade Policy Coordinating Committee Status Report**

**Senior Officials' Meeting on  
Central Asia Regional Economic Cooperation  
28 – 29 May 2009  
Ulaanbaatar, Mongolia**

## **CAREC Trade Policy Coordinating Committee Status Report for the May 2009 Senior Officials' Meeting**

### **I. INTRODUCTION**

1. In April 2004, the Senior Officials Meeting (SOM) discussed the objectives, mandate, terms of reference, and work plan for the CAREC Trade Policy Coordinating Committee (TPCC). It was agreed that the TPCC should help all CAREC countries adopt more open trade regimes, so as to facilitate both intra- and inter-regional trade. The TPCC is the only CAREC committee whose focus is exclusively on policies, not projects. The IMF takes the lead in organizing the work of the TPCC.

2. Since its establishment, the TPCC has held ten meetings. Reports of the nine previous meetings were summarized in Trade Policy Coordinating Committee Status Reports that were submitted to the Senior Officials' Meetings (SOM). This report focuses on the tenth TPCC meeting.

### **II. TENTH TPCC MEETING**

3. The tenth TPCC meeting was held in Ulaanbaatar on May 25, 2009. During the meeting, delegates discussed (i) the implementation of the Trade Policy Strategy Action Plan (TPSAP); (ii) a paper on trade through channels involving bazaars; and (iii) a paper on broad cross-border cooperation. They also gave guidance on priorities to the TPCC's work program.

#### **A. Implementation of the Trade Policy Strategic Action Plan**

4. The TPSAP, which was finalized at the ninth meeting of the TPCC, was endorsed at the 7<sup>th</sup> Ministerial Conference in November 2008. The TPSAP envisages concrete policy actions to achieve its key objectives: (i) vigorous pursuit of WTO accession negotiations while ensuring that regional trade arrangements remain consistent with this objective; (ii) elimination of remaining quantitative restrictions on exports and imports; (iii) reduction and simplification of trade taxes, including through uniform application of VAT and excises on domestic and traded goods; (iv) capacity-building activities to facilitate WTO accession and to improve the general institutional environment to support intraregional and international trade; and (v) close coordination between the TPCC and the Customs Cooperation Committee (CCC) activities with a view to implementing the recommendations for reduction of transit and border trade barriers that were endorsed by the SOMs in 2006-07.

5. The time framework for implementation of the TPSAP is anchored by the medium-term objective of WTO membership for all CAREC countries by the end of 2013. Within this period, a flexible time frame is envisaged for policy actions, which recognizes the differences in the capacity of each government to make changes in policy, regulations, and administrative procedures, and allows countries to prioritize policy actions taking into account their national circumstances. The proposed framework is results-oriented and establishes benchmarks for monitoring policy actions. The policy actions contained in the TPSAP and the envisaged time frame for their implementation are not legally binding obligations and may need to be revised in the future to reflect developments in CAREC countries and the global economy.

6. On the policy actions envisaged in the TPSAP for 2009, delegates indicated their intention to move forward as planned. So far, concrete steps taken have been related to ongoing WTO accession discussions and, in some cases, to further tariff reductions. Measures in other areas have been limited because not much time has passed since the adoption of the TPSAP, and during that period countries have focused on measures to respond to the global economic and financial crisis. WTO candidate countries requested to move forward from 2010 to 2009 the workshops where CAREC WTO members will share their accession experiences. In response to this request, delegates agreed to accelerate preparations with a view to starting bilateral workshops in 2009. Delegates from WTO candidate countries also indicated that they would need training on issues related to trade in services as well as in negotiating skills. Delegates considered it important to monitor the implementation of the policy measures in the TPSAP. To this end, they recommended that a questionnaire be developed covering each policy action envisaged in the TPSAP over the period 2009-13, which could be completed by member countries once a year. To this end, the IMF will draft and circulate a simple and focused questionnaire to CAREC officials by end-June. Delegates will provide comments on the methodology and content of the questionnaire by end-July. The questionnaire that takes into account comments from member countries will be finalized before the next meeting of the TPCC.

## **B. Trade through Channels Involving Bazaars**

7. Delegates discussed a paper prepared by the World Bank on the role of bazaars in Central Asia in promoting trade and raising the economic welfare of the population. The paper found that bazaars (i) are large business associations with infrastructure facilitating both domestic and international trade; (ii) play a major role in regional and national chains of production and distribution, and make a large contribution toward fostering economic ties among CAREC countries; (iii) contribute to lower costs of trade and prices of goods, higher trade volumes, and improved welfare; (iv) contribute to poverty alleviation; and (v) are a source of very significant positive externalities, such as creating opportunities to develop logistic and marketing skills.

8. The paper concluded that governments should foster the development of bazaars in view of their growth, employment generation, and poverty fighting characteristics. It also recommended that the authorities resist the temptation of imposing extra regulatory and fiscal burdens on bazaars, remove factors that constrain the opportunities to market products locally, lower MFN tariff rates, and in general improve the business environment.

9. In general, delegates welcomed the paper and found it very informative. They noted that bazaars played a substantial role in generating output and employment, especially of women, and in integrating border economies. They agreed that policies should be directed at improving the business climate, facilitating trade, and keeping the regulatory burden to the minimum necessary so that bazaars continued to operate flexibly. It was also important that infrastructure be supported so as to reduce trading costs. Moreover, standards—especially sanitary—needed to be raised, and issues related to taxation, foreign currency regime, and counterfeit goods in trade through bazaars needed to be further studied and addressed. Future research should also cover trade through channels involving bazaars in Afghanistan, Azerbaijan and Mongolia. Some delegates indicated that they may send further comments on the paper.

### C. Deepening Integration in Border Regions within CAREC: The Asiaregio

10. Delegates discussed another paper prepared by the World Bank on deepening integration in border regions within CAREC. Based on discussions with officials in Kazakhstan, Kyrgyzstan and Tajikistan, the paper found strong demand at the local level for deeper cooperation, but significant differences in policy approaches to economic development and foreign trade among countries—notwithstanding cultural and ethnic affinities, common historical background and existing functional interdependencies among them. Based on the experience with the Euroregions, the paper noted the importance of broadening cross-border arrangements beyond trade.

11. The paper concluded that there is significant potential for welfare gains from establishing a framework for cross-border cooperation among neighboring regions, including in the areas of tourism, culture, environment, and energy. The paper called for clearer legal arrangements and noted that devolution of powers to local authorities is essential for efficient cross-border cooperation. More specifically, the paper recommended the establishment of a CAREC inter-regional committee responsible for (i) devising a common legal framework that would eliminate legal obstacles and facilitate regional initiatives to intensify cross border cooperation; (ii) conducting an assessment of gains from closer cross border cooperation going beyond trade; and (iii) coordinating and encouraging the development of strategies based on cooperation among bordering cities and between urban and rural areas.

12. Delegates were of the view that cooperation among CAREC countries had to go beyond trade to span the range of development activities, with trade playing the leading role. They noted that important steps towards regional and border cooperation could be taken in tourism, environment, public services, business facilitation and supported work towards creating the necessary legal and organizational structures. There were good examples of existing cooperation legal agreements that could be further developed. In this connection, some new pilots could be developed based on agreement between two neighboring regions. Delegates felt that this was a promising area for further work, but progress required genuine political will. At present, it was too ambitious to consider wide-ranging Asiaregios or the creation of an inter-regional committee for that purpose.

### III. FUTURE WORK PROGRAM OF THE TPCC

13. The TPCC agreed that its agenda going forward should include:

- (i) *Training on WTO accession.* Delegates expressed preference for practical workshops compared to general training sessions. To this end, it was proposed that experts from CAREC countries who are already WTO members, possibly accompanied by a WTO official, could travel to interested WTO candidate CAREC countries to share their accession experience. The ADB and the recipient countries are expected to cofinance the cost of these workshops. In addition, the World Bank will consider providing training to WTO candidates in a seminar modeled on its handbook on WTO.

By end-June delegates from countries seeking WTO accession will identify three main topics of interest for the bilateral workshops and two for the training seminar by the World Bank. With these inputs, the IMF and the ADB will develop a

training proposal and circulate it to delegates for comments in July with the objective of starting the workshops before the end of the year.

- (ii) *Preparing a paper on institutional environment and trade as envisaged in the TPSAP.* The IMF, with inputs from CAREC countries, will take the lead in preparing this paper. An outline of the paper will be ready for discussion at the next TPCC meeting.
- (iii) *Monitoring the implementation of the TPSAP.* To monitor progress, the IMF will draft and circulate a simple and focused questionnaire to CAREC officials by end-June. Delegates will provide comments on the methodology and content of the questionnaire by end-July. The questionnaire that takes into account comments from member countries will be finalized before the next meeting of the TPCC.