



Reference Document  
For Session 1 of the Senior Officials' Meeting  
June 2017

# **Trade Policy Sector Progress Report and Work Plan (2017)**

**Senior Officials' Meeting  
Central Asia Regional Economic Cooperation  
20–21 June 2017  
Tbilisi, Georgia**



## I. KEY DEVELOPMENTS

### A. Sector Implementation

1. The CAREC Program has endorsed an open economy model of development to achieve high and sustained economic growth and reduce poverty. Over the past year, further progress has been made in key areas of work of the Trade Policy Coordinating Committee (TPCC). Priority initiatives include: (i) implementation of the Capacity-Building and Knowledge-Sharing Program; (ii) advancing the World Trade Organization (WTO) Accession Knowledge-Sharing Program; and (iii), implementation of the updated Trade Policy Sector Action Plan (TPSAP) by CAREC member countries.

2. The present 2013–2017 TPSAP will expire by the end of the year and a new trade policy agenda needs to be agreed. At the same time, a new overall CAREC Strategy is also in the process of being formulated, and the post-2017 trade policy agenda will need to be in sync with this new overall strategy.

3. A concept paper was prepared by the IMF. The paper assessed the progress achieved to date in the TPSAP process, elaborated on recent trends in global and regional trade policies, and presented a range of options for the post-2017 trade policy agenda. The paper was discussed at the 24th TPCC meeting held on June 19 in Tbilisi, Georgia. The results from the TPCC meeting, especially main discussion outcomes and feedback from member countries, have been included in this progress report and will be presented at the Senior Officials' Meeting (SOM) on 20–21 June to seek further guidance.

### B. Addressing Actions Proposed in the Previous CAREC Development Effectiveness Reviews and Ongoing Key Issues

#### 1. Priority Actions

- Continue capacity-building and knowledge-sharing activities.

#### Actions initiated:

4. The 24th TPCC meeting was held on 19 June 2017 in Tbilisi, Georgia. Among the knowledge-sharing presentations, ADB made a presentation on CAREC's new long-term strategy. The presentation highlighted key strategic and institutional issues including aligning CAREC operations with sustainable development goals (SDGs), Paris agreement of 21st Conference of Parties of UN Framework Convention on Climate Change (COP21), and national development strategies. The discussion focused particularly on trade related issues on ways and priorities to move CAREC trade agenda forward.

5. The WTO-Trade Facilitation Agreement (TFA) came into force on 22 February 2017, following its ratification by two-thirds (110 of 164) of the WTO membership. All 8 CAREC countries that are WTO members have ratified the TFA and notified the WTO on their different categories of designations of the TFA provisions. ADB presented the preliminary results of the ongoing assessment of TFA for CAREC member countries, including (i) key TFA requirements as well as key requirements stipulated by the Revised Kyoto Convention (RKC); (ii) ongoing CAREC initiatives in trade policy and trade facilitation areas that are helping countries meeting their TFA commitments and accession needs to RKC; and (iii) implications of the TFA for

CAREC member countries based on their respective commitments. The session sought key stakeholders' views and suggestions on (i) how to better align the CAREC trade programs to help countries accelerate compliance with key provisions of TFA, and (ii) additional needs from countries individually or collectively for technical and/or financial and capacity building assistance to implement the TFA.

6. The IMF delivered a presentation on export quality in CAREC member countries. Cross-country data suggest that diversifying exports and moving up the export quality ladder is the most promising route toward achieving durably higher standards of living. Without the presence of quality exporters, it is difficult for a country to expand value added and to move into middle income status. The presentation demonstrated that CAREC countries' exports lie on various parts of the export quality ladder. There are several members (e.g. China, Georgia, Mongolia, and Pakistan) who produce high quality exports that are near the global frontier and in line with ASEAN export quality. Moreover, there are examples of CAREC countries who have scaled export quality ladders in the past. However, for many countries, exports tend to be concentrated in a few sectors and of lower quality.

7. The World Bank made a presentation on deep trade agreements and integration in the CAREC countries. Deep trade agreements are free trade agreements that go beyond the usual reductions in tariffs, addressing all aspects of trade, competition, investment and business environment policies. Implementing deeper trade agreements also increases the likelihood of connecting into global value chains (GVCs), enhancing growth. Globally, the coverage of policy areas in trade agreements, particularly those of a regulatory nature, has been widening and deepening over time. Most trade agreements signed by CAREC countries, however, have tended to be shallower when compared to other regions. CAREC agreements focus more closely on WTO only measures, and are less likely to be legally enforceable under the dispute-settlement mechanism. They avoid more holistic measures on competition policy, investment, movement of capital, environmental laws, labor-market regulations, and measures on visa and asylum. This may be one factor behind CAREC countries relatively limited connection to GVCs.

8. A concept was presented by ADB on the establishment of a regional trade credit and investment guarantee agency for Central and West Asia in order to foster inter- and intra-regional trade and investment by providing credit and investment insurance and guarantees, as well as other risk mitigation instruments and financial services. CAREC may serve as a platform to discuss this concept, with a view to helping increase foreign direct investment (FDI) and improving access to pre-export and trade finance in member countries.

9. ADB's technical assistance on "Strengthening International Food Safety Standards in Agricultural Value Chains in CAREC member countries" was approved in December 2016 to support member countries' implementation of international food safety standards along agricultural value chains. Four outputs are expected upon TA completion: (i) regulations for meeting international food safety standards developed; (ii) laboratory rationalization and infrastructure requirements for applying international food safety standards identified; (iii) capacity of value chain actors to implement measures required to achieve international food safety standards strengthened; and (iv) CAREC food safety network developed. Member countries have been divided into two groups<sup>1</sup> based on their current level of alignment with international food safety standards. Recruitment of consultants for the implementation of this TA is currently on-going, and member countries are requested to appoint

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<sup>1</sup> Group 1: Afghanistan, Azerbaijan, Kyrgyz Republic, Pakistan and Tajikistan; Group 2: Georgia, Kazakhstan, Mongolia, PRC and Uzbekistan. Separate TA for Turkmenistan.

a lead agency and a focal person (DDG / Director level) to ensure effective implementation of the project.

10. ADB is also implementing another TA on “Modernization of Sanitary and Phytosanitary Measures for Food Safety” in Turkmenistan, which will help the country get better prepared to implement international standards for safe food through capacity building, development of an action plan to establish SPS measures, and development of a rationalization plan to improve accreditation of food safety laboratories.

11. In addition, ADB’s Technical Assistance “Building Trade Policy Capacity: Formulating an International Trade Policy” was closed on November 2016. The TA supported Mongolia on the negotiations of its first Economic Partnership Agreement (EPA) with Japan. The TA also developed a series of policy, legal, and market assessments; recommendations to strengthen the institutional capacity for trade policy formulation and associated trade facilitation initiatives; and an analysis of the impact of principal trading partners acceding to WTO. Main recommendations provided by the TA were: (i) the Draft Law on Trade should include a specific mandate for an officer-level committee on trade policy coordination; and (ii) an International Trade Strategy should look not only at trade tariffs, but should also address domestic economic reforms, in order to make the transportation of goods to export markets as efficient as possible.

#### **Next Steps:**

12. The program of capacity-building and knowledge-sharing will be continued at the 25<sup>th</sup> TPCC meeting in 2018.

- Advance the WTO accession knowledge-sharing program.

#### **Actions initiated:**

13. The WTO, through its *Institute for Training and Technical Cooperation*, has started to implement a three-year project to assist Afghanistan in strengthening human and institutional capacity on trade policy and strategy formulation to engage the private sector. A key objective is to create a national export strategy. ITC is also supporting Tajikistan to establish a National Trade Facilitation Committee (NTFC) as per the requirements of WTO Trade Facilitation Agreement. ITC helped Tajikistan draft the Presidential Decree resulting in establishing NTFC in December 2016. Since early 2017, ITC has provided advisory and coaching services to the Tajikistan Trade Facilitation Committee Secretariat to operationalize the newly established committee.

14. Afghanistan joined the WTO in late July, 2016. As of end-May 2017, three CAREC countries (Azerbaijan, Turkmenistan, and Uzbekistan) have yet to join the WTO. Azerbaijan held meetings with their WTO working party over the last year. Turkmenistan has not applied to join the WTO. Uzbekistan’s application remains frozen.

#### **Next Steps:**

15. The TPCC will continue to work closely with the WTO, ensuring WTO participation in capacity development activities organized by CAREC, and CAREC countries’ participation in capacity development activities organized by the WTO.

- Monitor the implementation of the updated TPSAP.

#### **Actions initiated:**

16. Under the current TPSAP, there have been three rounds of commitments: (i) measures due by end-2014; (ii) measures due by end-2015; and (iii) measures due by end-2016. **See charts below.** These were formulated at SOMs in Bishkek, Bangkok and, Islamabad, respectively, and based upon the Policy Matrices tables contained in the TPSAP for 2013–2017.

17. As noted above, the IMF delivered a presentation summarizing the progress results for measures due by end-2015. The reporting of progress made in the implementation of the updated TPSAP reflects a simple recording of actions met by individual countries, in line with the targeted implementation date.

18. Most members have implemented the first set of TP measures—due by end-2014—under the TPSAP. Progress on the second set of measures—due by end-2015—has been more uneven. The three-final set of measures—due by end-2016—are closely linked to trade in services and labor mobility commitments. The early responses suggest that little has been achieved as of mid-2017.

#### **Next Steps:**

19. Continue reporting on the implementation of the updated TPSAP will resume at the 25th TPCC meeting, where progress will also be measured against action items that were stipulated to be completed in previous years (**see charts**).

- Discuss the post-2017 trade policy agenda.

#### **Actions initiated:**

20. The IMF led a brainstorming discussion on the post-2017 trade policy agenda. Pointing to last year’s survey on members’ trade policy preferences, the IMF noted that members wanted to primarily concentrate on non-tariff barriers (NTBs), including SPS and TBT issues, with a secondary focus on charges, taxes, tariffs and duties. In addition, the importance of expanding trade in services was stressed by member countries during the country consultations on the new long-term CAREC strategy conducted in April–June 2017.

21. Looking ahead, the IMF presented two possible broad operational approaches: (i) the continuation of a “common or set menu” that establishes the same trade policy commitments for all members; or (ii) a shift to “à la carte menu” whereby members can pick and choose trade policy commitments from a given menu. Within this framework, several options were discussed by member countries: (i) extending / keeping present commitments; (ii) integrating trade facilitation and trade policy pillars under CAREC; (iii) narrowing the focus toward trade in services or capacity building; and (iv) broadening the focus beyond core WTO areas.

22. Overall, member countries decided that 2018 will be a transition year to complete unfinished measures in the current TPSAP. There was also general agreement that the

post-2017 trade policy agenda should be properly aligned not only with ongoing global and regional trends but also with CAREC's new long-term strategy. Priority areas going forward should focus on (i) non-tariff barriers, including SPS and TBT; (ii) trade in services, including e-commerce, and (iii) implementation of and alignment with the WTO-TFA. Member countries also discussed a potential merging of trade facilitation and trade policy into a single CAREC trade cluster to holistically address trade issues, as well as the possibility of creating a CAREC regional trade agreement. For the latter, it was noted that an ex-ante impact assessment would be required.

**Next Steps:**

23. Member countries will provide consolidated comments on the trade policy concept paper by early July 2017. These inputs, along with the preliminary survey conducted last year, feedback obtained at the 24th TPCC meeting and SOM on the trade policy agenda going forward, and the new CAREC long-term strategy will form the basis for initiating the formulation of the new TPSAP. The new TPSAP will be developed next year and implementation will start in 2019.

## TRADE POLICY STRATEGIC ACTION PLAN FOR 2013–2017

### POLICY ACTION MATRIX

<b>Measures: Due by end-2014</b>	AFG	AZE	CHN	KAZ	KGZ	MNG	PAK	TJK	TKM	UZB
#1: Eliminate any remaining discrepancies between taxes applied to domestic production and imports	Completed	Not yet submitted	Not completed							
#2: Eliminate, or incorporate into tariffs, all miscellaneous taxes and fees applied to imports	Completed	Not yet submitted	Completed							
#3: Reduce the average tariff to 10 percent or less	Completed	Not yet submitted	Not completed							
#4: Implement tariff cuts to achieve the 20 percent cap	Completed	Not yet submitted	Completed							
#5: Eliminate or tariffy import quantitative restrictions and licenses	Completed	Not yet submitted	Completed							
#6: Formally acknowledge the importance of WTO SPS and TBT agreements	Completed	Completed								
#7: Form a NJC permanent secretariat	Completed	Not yet submitted	Completed							
#8: Conduct a knowledge sharing workshop on WTO accession related issues	Completed	Completed								
#9: Participate in ADB's training and TA related to the Revised Kyoto Convention	Completed	Completed								

■ Completed     
 ■ Not completed     
 ■ Not yet submitted

<b>Measures: Due by end-2015</b>	AFG	AZE	CHN	KAZ	KGZ	MNG	PAK	TJK	TKM	UZB
#1: Adopt legislation compliant with the SPS and TBT agreements	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Not yet submitted	Completed
#2: Prepare a SPS strategy and action plan to guide the gradual transition to WTO compliant systems	Not completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Not yet submitted	Not completed
#3: Begin reviewing the existing and new regulations by NJCs	Not yet submitted	Not completed	Completed	Not completed	Not completed	Not completed	Not completed	Not completed	Not yet submitted	Not completed
#4: Start producing annual report of NJCs in 2015	Not yet submitted	Completed	Completed	Not completed	Not completed	Not completed	Not completed	Not completed	Not yet submitted	Not completed
#5: Complete national studies to assess key bottlenecks to expansion of trade in services	Not completed	Not completed	Completed	Not completed	Completed	Not completed	Completed	Not completed	Not yet submitted	Not completed
#6: Confirm whether a bilateral agreement has been put in place for temporary labor movement	Not yet submitted	Not completed	Completed	Not applicable	Completed	Not completed	Not completed	Completed	Not yet submitted	Completed
#7: Prepare annual report on regulatory improvements for trade in services	Not completed	Not completed	Completed	Not completed	Not completed	Not completed	Not completed	Not completed	Not yet submitted	Not completed
#8: Participate in the ADB' TA program for modernization of SPS measures	Completed	Completed	Completed	Not applicable	Completed	Completed	Not applicable	Not completed	Not applicable	Completed

■ Completed     
 ■ Not completed     
 ■ Not yet submitted  
■ Not applicable

<b>Measures: Due by end-2016</b>	AFG	AZE	CHN	KAZ	KGZ	MNG	PAK	TJK	TKM	UZB
#1: Encourage key regulatory changes based on national studies for expanding cross-border trade in services	Not yet submitted	Not completed	Completed	Completed	Completed	Completed	Not completed	Not yet submitted	Completed	Not completed
#2: Develop mutual recognition agreement for professional qualifications in the context of bilateral labor agreements	Not yet submitted	Not yet submitted	Completed	Not applicable	Completed	Completed	Not yet submitted	Completed	Completed	Not completed
#3: Review the existing and new regulations on trade in services by NJCs	Not yet submitted	Not yet submitted	Completed	Not completed	Not completed	Completed	Not completed	Not yet submitted	Completed	Not completed

■ Completed     
 ■ Not completed     
 ■ Not yet submitted  
■ Not applicable

## **2. Resolution of Ongoing Key Issues**

24. The updated TPSAP aims at (i) reducing and rationalizing the trade impeding impact of SPS measures and TBT measures, and (ii) expanding trade in services. But the implementation of policies in these areas is challenging, and progress made so far has been mixed. Close collaboration with, and assistance from the multilateral development institutions and the donor community continue to be paramount to ensuring successful implementation of the TPSAP.

### **II. KEY ISSUES FOR GUIDANCE BY THE SOM**

25. In view of the challenges for member countries in implementing the present TPSAP and in formulating the new TPSAP, CAREC senior officials are asked to facilitate the collaboration with and support from international development partners for addressing these challenges. Finally, CAREC senior officials are requested to provide guidance on the post-2017 trade policy agenda and ensure continued full participation by member countries on the formulation and subsequent implementation of the new TPSAP going forward.

### **III. CHANGES TO SECTOR ACTION PLAN**

26. Some progress has been made in line with the Trade Policy Sector Work Plan, but additional efforts are needed to fully complete action plans. Aside from involving the multilateral development institutions and the donor community more closely to ensuring successful implementation of the present TPSAP and formulation of the new TPSAP, there are no changes to the sector work plan.