



Central Asia Regional Economic Cooperation Program

Reference Document
For Session 2 of the Senior Officials' Meeting
October 2012

Trade Policy Sector Progress Report and Work Plan (2012–2013)

**11th CAREC Ministerial Conference
Senior Officials' Meeting
Central Asia Regional Economic Cooperation
30 October 2012
Wuhan, People's Republic of China**

I. KEY DEVELOPMENTS

A. Sector Implementation

1. Since the previous trade policy sector progress report was issued in June 2012, further progress has been achieved in all key areas of work of the Trade Policy Coordinating Committee (TPCC), which is based on the Trade Policy Strategic Action Plan (TPSAP). Priority initiatives include (i) continued implementation of the capacity-building and knowledge-sharing Program, (ii) advancing the World Trade Organization (WTO) Accession Knowledge Sharing Program, and (iii) Monitoring the implementation of the TPSAP by CAREC member countries.

Trade Policy Sector Output

Indicator	2009 Baseline Value	2010	2011	2011 Target	2012 Target
CAREC Trade Liberalization Index	(1.8)	5.5	12.8	10.0	20.0

() = negative, CAREC = Central Asia Regional Economic Cooperation.
Source: Trade Policy Strategic Action Plan monitoring questionnaire, 2011.

B. Addressing Actions Proposed in the 2011 CAREC Development Effectiveness Review (2011 CAREC DEfR) and Ongoing Key Issues

1. Priority Actions Proposed in the 2011 CAREC DEfR

- Continue to implement the capacity-building and knowledge-sharing program among CAREC members.

Action initiated:

2. At the 16th TPCC meeting, a representative of the International Monetary Fund (IMF) delivered a presentation on Recent Research in the Area of Trade and Trade Policies. The presentation reviewed several recent studies in the area of trade, which argue that (i) industry and product diversification of exports helps soften the impact of crises on trade flows; (ii) flexible exchange rate can work as an important shock absorber during periods of global economic and financial stress, which also softens the impact on trade; and (iii) bilateral trade agreements work best as steps toward multilateral trade liberalization. The presentation was followed by a lively discussion among delegates, who noted that in many CAREC countries there is significant room for improvement in these areas, particularly regarding product diversification of exports and flexibility of exchange rates. In addition, at the 16th TPCC meeting, a comprehensive overview of Afghanistan's trade policy was presented by its delegation, including Afghanistan's progress in regional economic integration and an update on its WTO accession process.

Next steps:

3. The program of capacity-building and knowledge-sharing will continue at the 17th TPCC meeting on 29 October 2012, with representatives from the World Bank presenting their recent comprehensive study on trade in Central Asia (Borderless Bazaars and Regional Integration in

Central Asia: Emerging Patterns of Trade and Cross-Border Cooperation¹), and representatives from the European Bank for Reconstruction and Development reviewing their latest research on the customs union and its impact on trade in the paper Customs Union and Kazakhstan's Imports.

- Advance the WTO accession knowledge sharing program through training workshops.

Action initiated:

4. In the area of supporting WTO accession, a WTO Accession Knowledge-Sharing Program is well under way, jointly sponsored by ADB and the World Bank. The third training seminar was successfully conducted in July 2012 in Shanghai.

Next steps:

5. Representatives from ADB will present a summary of the July workshop at the 17th TPCC meeting. Three more seminars are envisaged for 2013.

- Monitor the implementation of the TPSAP to ensure sufficient progress in trade liberalization, including through improvements in the institutional environment for trade.

Action initiated:

6. Regarding progress on trade liberalization, the monitoring of TPSAP implementation continues. Analysis of the trade liberalization index (TLI) for end-2011 shows that five CAREC countries successfully met the end-2011 target and one more country was very close to meeting the target. Regarding monitoring of improvements in the institutional environment for trade, the IMF reviewed comments on the new institutional quality index (IQI) from several CAREC member countries, including suggestions to broaden the scope of the index by incorporating several additional indicators of institutional quality.

Next steps:

7. The 17th TPCC meeting will devote a two-hour session to a roundtable discussion on the implementation of the TPSAP. In particular, CAREC country delegates are expected to (i) report on progress made in implementing the TPSAP in their own country; and (ii) offer proposals for updating/revising the TPSAP for the coming years, with particular attention to enhancing trade liberalization measures (both tariff and non-tariff policies) and expanding the scope for measuring progress on institutional quality, using, for example, the World Bank's Doing Business and World Governance Indicators, as well as the World Economic Forum's Global Competitiveness Index.

2. Resolution of Ongoing Key Issues

8. As emphasized in several previous trade policy sector progress reports to CAREC Senior Officials' Meetings (SOMs), full participation of all member countries in the trade policy work is an essential condition for its success. Further efforts have been made to achieve full

¹ Kaminski, B. and Mitra, S., 2012, *Borderless Bazaars and Regional Integration in Central Asia: Emerging Patterns of Trade and Cross-Border Cooperation*, Washington, D.C.

participation of all member countries in providing information used for the calculation of the TLI and IQI, and to ensure that complete sets of responses to the questionnaires are submitted to the TPCC on time. However, there is still substantial room for improvement. In this regard, CAREC senior officials are requested to ensure their country's participation in data submission for the compilation of the TLI and IQI.

II. KEY ISSUES FOR GUIDANCE BY THE SOM

9. The TPCC started preparatory work and discussions on updating the 2008 TPSAP, to (i) reflect new developments and progress achieved in the implementation of the existing plan (in particular, further reduction of tariff and non-tariff barriers and the implementation by many countries of TPSAP measures envisaged for 2009–2012), and (ii) better align the action plan with the strategic objectives of *CAREC 2020: A Strategic Framework for the Central Asia Regional Economic Cooperation Program 2011-2020*. Preliminary discussions at the TPCC meetings suggest that the broad areas of the current TPCC—(i) trade liberalization through removal of both tariff and non-tariff barriers, (ii) WTO accession by all CAREC member countries, and (iii) improvements in the institutional environment for trade—remain relevant. CAREC senior officials are requested to approve these broad areas as the guiding principles for the TPCC, as it continues to revise the TPSAP during 2012-2013.

III. CHANGES TO SECTOR ACTION PLAN

10. All items of the Trade Policy Sector Work Plan remain on track as of September 2012. At the 16th TPCC meeting, delegates agreed that, prior to revising the TPSAP, it would be necessary to conduct a roundtable discussion, to take stock of the progress made in implementation of the current TPSAP in each CAREC country. This discussion is scheduled to take place at the 17th TPCC meeting. Work on updating and revising the TPSAP is expected to continue in 2013. Otherwise, there are no changes to the sector work plan.