

Annotated Agenda for Trade and Investment Conference

I. Background and Overview

1. This event is the result of a commitment made to the General Council in December 2012 by the Government of Tajikistan (GOT) prior to its accession to the World Trade Organization (WTO) in March 2013 to host a post-accession Trade and Investment Conference (TIC).¹ Subsequently, it was decided to hold the TIC in conjunction with the 3rd China Round Table on 1 June and 2–4 June 2015, respectively. The main purpose of the Conference is to raise domestic and international awareness of the extent to which Tajikistan is now open to business owing to its membership of the WTO and the opportunities this provides. Clearly, Tajikistan can take advantage of these opportunities only in so far as it implements its WTO commitments and deepens economic reforms aimed at dismantling domestic obstacles to trade and investment. At the same time, the conference provides a forum for the private sector, especially small- and medium-sized enterprises (SMEs), to focus attention on the challenges it faces in taking advantage of the opportunities presented by Tajikistan's membership of the WTO and adjusting to deepening economic reforms as well as intensified competition from abroad.

2. The main objectives of this Trade and Investment Conference are to:

- i. Assess Tajikistan's progress in implementing the reforms envisaged in its Protocol of Accession in this regard, and the roles of multilateral, regional and unilateral approaches to further liberalization of trade and investment beyond these commitments;
- ii. Provide a forum for public–private dialogue concerning this assessment; and
- iii. In partnership with Tajikistan's donors of technical assistance (TA), prioritize TA that will enable the GOT to implement the WTO's recent Trade Facilitation Agreement (TFA), improve Tajikistan's investment climate, and dismantle obstacles to exports, thereby paving the way for export-led inclusive growth and employment creation.

3. This annotated agenda highlights some of the main issues that arise concerning the five agenda items, namely: (i) Post-accession benefits of WTO membership; (ii) Economic development strategy; (iii) Implementation of the TFA; (iv) Opening the door wider to inward foreign direct investment; and (v) Looking outward – paving the way for export-led growth. Needless to say, these issues are not exhaustive; others are bound to emerge during the conference.

II. Post-Accession Benefits of the WTO Membership

4. WTO membership and associated commitments to create an open, non-discriminatory, predictable and transparent environment is an integral part of a business strategy to attract foreign investment to Tajikistan. The objective of this session is to highlight progress made in implementing the reforms envisaged in the Protocol of Accession.

¹ See "Minutes of Meeting" of the General Council held on 10 December 2012 (WT/GC/M/140), 5 February 2013.

5. Accordingly, this session concentrates on the following main issues:
 - i. Principal achievements of the GOT in fulfilling those commitments in Tajikistan's Protocol of Accession of particular interest to investors;
 - ii. The contribution of technical assistance (TA) to these achievements;
 - iii. Progress by the GOT in promptly notifying the consequent improvements in Tajikistan's trade and investment regime to WTO Members, in accordance with the WTO's core principle of transparency; and
 - iv. The role of TA in enabling the GOT to make these notifications.

III. Economic Development Strategy

6. Tajikistan's accession to the WTO on 2 March 2013 constitutes a landmark in its long process of transition to a market economy fully integrated into the rules-based multilateral trading system (MTS). While implementation of the reforms envisaged in Tajikistan's Protocol of Accession marks a major step in its transition, this session focuses on the need not just to deepen reforms multilaterally, but also on the importance of doing so regionally and especially unilaterally. The session considers the relative roles in Tajikistan's medium- and long-term economic development strategy of further multilateral trade and investment liberalization in the context of the Doha Development Agenda (DDA) as well as regional/bilateral cooperation arrangements (such as Central Asia Regional Economic Cooperation, the Eurasian Customs Union, and so-called "One Belt, One Road" initiative).

7. However, Tajikistan should not confine itself to multilateral or regional liberalization strategies. With greater transparency concerning the cost and benefits of various trade and trade-related policies, Tajikistan should also implement unilateral reforms, just as other countries in the region have done, in order to remove obstacles to trade and investment, and thus its economic development.² After all, international experience suggests that impediments to exports are largely home-grown. This session (and others) of the conference can help to identify priority areas for such unilateral reform.

8. This session is also intended to provide a forum for neighboring, if not other, countries and development partners, including international and bilateral organizations (notably the Asian Development Bank, China Institute of WTO Studies, International Trade Centre, United Nations Development Program, World Bank, United States Agency for International Development, World Trade Organization) to share their experience and expertise in meeting the kinds of challenges that Tajikistan is currently facing, formulating and implementing policies consistent with WTO rules, and the appropriate roles of regional and unilateral reforms.

9. In addition, this particular session provides a forum for representatives of the private sector, including foreign as well as domestic enterprises, to express their views on the appropriate roles of multilateral, regional and unilateral reform

² See World Bank, 2005, *Global Economic Prospects*. For example, of the 21 percentage point fall in average weighted tariffs of all developing countries between 1983 and 2003, unilateral reductions accounted for two-thirds of the fall. Indeed, as part of their economic development strategies, Hong Kong and Singapore unilaterally apply zero tariff rates to virtually all imports, substantially less than *bound* rates. Moreover, China's unilateral "open door" policy, introduced in 1978, was an integral part of its strategy to achieve a gradual transition from a virtually closed centrally-planned economy into a more market-based one.

strategies aimed at dismantling obstacles to trade and investment, future priorities in this regard, and how such reforms can best be implemented.

10. Accordingly, Session 2 focuses on the following issues:

- i. Merits of a development strategy based on the MTS under the auspices of the WTO and further liberalization of the MTS (as opposed to the limits and drawbacks of regional and especially bilateral trade agreements);
- ii. Major issues (such as trade facilitation, agricultural subsidies, and regulations) that can be addressed effectively only in a multilateral context through the WTO;
- iii. Dangers of regional trade agreements (unless they encompass “substantially all trade” and “create” much more trade and investment than they “divert”);
- iv. How such dangers can be avoided (by, for example, “multilateralizing” whatever trade and investment liberalization is achieved in these agreements);
- v. The role of closer economic cooperation and integration among countries in Central Asia;
- vi. Clarification of the GOT’s broad intentions regarding regional and bilateral economic arrangements;
- vii. Lessons (from other WTO Member countries) concerning the crucial role of unilateral reforms (prompted by transparency) in achieving export-led growth, given that impediments to such growth are largely home-grown; and
- viii. Private sector’s views concerning the relative merits of multilateral, regional and unilateral liberalization of trade and investment.

IV. Implementation of the TFA

11. In connection with the multilateral negotiations in accordance with the DDA, Tajikistan is obliged to implement the WTO’s recent TFA, which has been ratified by Parliament, thus making Tajikistan one of the first WTO Members to ratify the agreement. The objective of this session, therefore, is to increase public awareness of the main features of the TFA, what the agreement encompasses, and what it does not.

12. The TFA contains provisions for expediting the movement, release and clearance of goods, including goods in transit, and sets out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues. The agreement also contains provisions for technical assistance and capacity building in this area. Tajikistan is receiving TA from the UNCTAD, International Trade Centre (ITC), United Nations Economic Commission for Europe (UNECE), and several other donors.

13. Accordingly, Session 3 considers the following issues:

- i. The rationale for the TFA;³
- ii. The TFA's specific benefits to importers, exporters and investors;
- iii. The GOT's additional commitments in connection with the TFA;
- iv. Progress in implementing the TFA;
- v. The key role of TA in enabling the GOT to implement these commitments, especially those provisions (in Category C⁴) that are conditional upon such TA;
- vi. Other procedural and regulatory barriers⁵ to trade and investment at or within Tajikistan's border that are not necessarily subject to the TFA, but undermine export competitiveness; and
- vii. TA necessary to address these barriers not covered by the TFA, thereby enabling Tajikistan to benefit from the likely expansion in Eurasian trade and transit traffic.

V. Opening the Door Wider to Inward Foreign Direct Investment (FDI)

14. Membership of the WTO and Tajikistan's consequent integration into the global as well as regional economy is aimed at paving the way for increased international trade and inward FDI. Inward FDI and trade are catalysts for improved productivity, and thus international competitiveness, economic diversification, and export-led growth induced by comparative advantage. International trade fosters competition and therefore increases the choice and quality of goods and services (including production inputs) in the domestic economy. Moreover, as a result of their higher productivity, wages in export-oriented firms, particularly multinationals, tend to be higher than in domestic-oriented firms. Inflows of FDI bring with them productivity-improving technological and management know-how as well as expertise in meeting international standards. In addition, as commercial presence is usually the main means of cross-border trade in services, inward FDI can help diversify the economy.

15. Unfortunately, for a small economy, not only is Tajikistan's trade in relation to gross domestic product (GDP) relatively low, but its inward FDI is the least of all the former republics of the Soviet Union. Not surprisingly, therefore, with a gross national product per capita of only \$1,046 (in 2013),⁶ Tajikistan is the poorest country among these republics. Accordingly, policies to facilitate investment as well as trade are integral parts of Tajikistan's economic development strategy aimed at achieving inclusive economic growth by improving productivity, raising domestic wages and employment, and thereby raising living standards.

16. The aim of Session 4 is to identify the possible reasons for the low level of inward FDI into Tajikistan (together with the related high cost of doing business), and

³ According to the WTO, the TFA could cut the costs of trading in developed countries by up to 10%. The overall benefits of the agreement have been estimated at up to a trillion US dollars a year. This could create 21 million additional jobs worldwide, the vast majority of which would be in developing countries.

⁴ Category C contains provisions that a developing country Member (or a least-developed country Member) designates for implementation on a date after a transitional period following the entry into force of the TFA and requiring the acquisition of implementation capacity through technical, financial, or any other mutually agreed form of assistance (see WT/MIN(13)/36).

⁵ <http://www.unece.org/fileadmin/DAM/trade/Publications/ECE-TRADE-410E.pdf>.

⁶ <http://knoema.com/sijweyg/gdp-per-capita-ranking-2015-data-and-charts>.

policies to address this lack of FDI. Given the latter's crucial role in disseminating technological and managerial know-how and thereby creating more productive and hence higher-paid jobs in Tajikistan, the session will focus on: the main obstacles to inward FDI; the priorities of the GOT concerning the dismantling of these obstacles (and thus reducing the costs of doing business); and associated TA needs.

17. Among the many issues that might usefully be addressed or clarified in this regard are:

- i. The extent to which key indicators of economic and social performance (e.g., GDP, productivity, international competitiveness, inflation, unemployment, inequality) have improved since WTO accession;
- ii. The extent to which the macroeconomic environment, including fiscal, monetary and exchange rate policies, is a serious deterrent to inward FDI;
- iii. The vulnerability of investment (together with trade and remittances) to external shocks, especially those originating in Russia;
- iv. GOT's structural reform priorities to increase the resilience of the economy to external shocks (notably the current situation in Russia) and improve the long-term private investment climate;
- v. The role of specific tax and non-tax incentives (including regulatory subsidies) in attracting FDI to Tajikistan;
- vi. Major amendments envisaged to the arguably outdated law on investment and how implementation of this and other laws pertaining to foreign investment can be improved;
- vii. The role of investment agreements, which seemingly cover matters not in various laws;
- viii. The extent to which insufficient protection of intellectual property rights constitutes an impediment to inward FDI that embodies the most recent productivity-enhancing technology;
- ix. The extent to which a lack of sufficiently educated and skilled labor deters inward FDI and necessary policies to address this problem;
- x. Land use regulations as an obstacle to inward FDI;
- xi. Importance of a "single window" in facilitating investment and the GOT's plans in this regard;
- xii. Extent to which preferential treatment of state-owned enterprises and their anti-competitive practices discourage private investment including inward FDI;
- xiii. Extent to which taxes and other charges impair the efficient allocation of resources to the detriment of productivity, and thus Tajikistan's international competitiveness;
- xiv. Crucial role of commercial presence in enabling trade in services, and thereby diversifying the economy; and
- xv. With regard to those export-oriented investors that wish to use their operations in Tajikistan as a spring-board to penetrate the wider neighboring market and thereby take advantage of productivity-enhancing scale economies, the main tax and non-tax impediments to such operations.

VI. Looking Outward – Paving the Way for Export-Led Growth

18. Tajikistan's membership of the WTO and consequent integration into the global as well as regional economy ensures that Tajikistan's enterprises face predictable and transparent trade policies in export markets, thereby paving the way for export-led growth. In accordance with the underlying principles of the WTO, membership ensures that enterprises located in Tajikistan are accorded non-discriminatory access to export markets (owing to most-favored-nation and national treatment), thereby broadening Tajikistan's export base. As a small land-locked economy with a relatively limited domestic market and heavily reliant on exports of few products (including, aluminium, cotton) to a few markets, such wider market access permits Tajikistan's enterprises to take advantage of scale economies (and associated productivity gains) by exporting more products and services. WTO Membership also allows Tajikistan to tap foreign capital and thus provides its enterprises with greater access to productivity-improving technological and management know-how as well as expertise in meeting international standards, thereby helping to improve the international competitiveness of their exports. Export competitiveness is a key indicator of economic performance.

19. Accordingly, Session 5 identifies the key policy elements of a cost-effective strategy to facilitate export-led growth that is consistent with WTO rules. It focuses in particular on:

- i. The dismantlement of **domestic** impediments to exports, including tariff and non-tariff barriers to imports that not only impair domestic competition and thus productivity, but constitute barriers to exports (thereby disrupting international value-added chains connecting Tajikistan to the regional and global economies) insofar as imported raw materials and intermediate inputs are concerned (unless they are offset by drawbacks or other measures that inevitably add to the complexity of the trade regime);
- ii. Appropriate export facilitation and support measures (other than subsidies) for enterprises, especially SMEs with export potential;
- iii. Improving knowledge of potential export markets;
- iv. The appropriate role (as well as design) and likely success of free economic zones and special economic areas in facilitating export-led growth; and
- v. TA priorities in connection with policies aimed at dismantling domestic impediments to exports.



International TRADE AND INVESTMENT CONFERENCE

1 June 2015, Dushanbe, Tajikistan



AGENDA

INTERNATIONAL TRADE AND INVESTMENT CONFERENCE – 1 June 2015, Dushanbe, Tajikistan

09:30-10:00 **Registration**

10:00-10:15 **Welcoming Remarks**

His Excellency Nematullo Hikmatullozoda

*Alternate Governor for Tajikistan in the Asian Development Bank
Minister of Economic Development and Trade (MEDT)*

Mr. C. C. Yu

*Country Director of the Asian Development Bank – Tajikistan Resident
Mission*

10:15-11:20 **Session 1: Post-Accession Benefits of the WTO Membership**

*This session will focus on the main achievements in implementing
Tajikistan's Protocol of Accession of particular interest to investors.*

Chair:

Mr. Cheidu Osakwe

Director of Accession Division, World Trade Organization (WTO)

Key Speakers:

10:15-10:30

Mr. Cheidu Osakwe

Director of Accession Division, World Trade Organization (WTO)

10:30-10:40

Mr. Saidrahmon Nazriev

First Deputy Minister of Economic Development and Trade (MEDT)

10:40- 10:50

Ms. Manzura Rustamova

Deputy Chairman, Chamber of Commerce and Industry

10:50-11:00

Mr. Zhyldyzbek Zhumakov

*Head of Internal Trade Division, Trade Policy Department
Ministry of Economy, Kyrgyz Republic*

11:00-11:20

Discussion

11:20-11:50 Group Photo and Coffee Break**11:50-12:50 Session 2: Economic Development Strategy**

This session focuses on the relative roles of further multilateral trade liberalization (in the context of the Doha Development Agenda), regional and bilateral economic arrangements, and unilateral trade liberalization in Tajikistan's economic development strategy in the medium and longer term.

Chair:**Mr. Xiankun Lu**

Professor, China Institute of WTO Studies, University of International Business and Economics, Beijing

Key Speakers:

11:50-12:00

Mr. Nematullo Hikmatullozoda

*Alternate Governor for Tajikistan in the Asian Development Bank
Minister of MEDT*

12:00-12:10

Mr. Norimasa Shimomura

UNDP Country Director

12:10-12:20

Ms. Mereke Tanagusova

*Chief Expert of the Center of Trade Development
Ministry of National Economy, Republic of Kazakhstan*

12:20-12:30

Mr. Gafur Irkaev

Chairman of Tajikistan Association of Mobile Communication Operators

12:30-12:50

Discussion

12:50-14:00**Lunch Break**

Venue: Focaccia Grill, Ground Floor, Hyatt Hotel

14:00-15:00**Session 3: Implementation of the Trade Facilitation Agreement**

In connection with the multilateral negotiations in accordance with the DDA, the purpose of this session is to raise public awareness of the main features and benefits of the TFA, especially for landlocked countries such as Tajikistan.

Chair:**Ms. Nigina Anvari**

Vice Chairman of State Committee on Investments and State Property Management

Key Speakers:

- 14:00-14:10 **Mr. David Shark**
Deputy Director General of the World Trade Organization
- 14:10-14:20 **Mr. Abdullo Muhammadiev**
Commerce and Quality Director OJSC Nafisa, Deputy Chairman of Tajikistan Light Industry Association
- 14:20-14:30 **Mr. Ezequiel Guicovsky Lizarraga**
Senior Business Development Officer of the International Trade Centre
- 14:30-14:40 **Mr. Jovan Jekic**
Senior WTO Advisor of the United States Agency for International Development (USAID)
- 14:40-15:00 Discussion

15:00-16:15 Session 4: Opening the Door Wider to Inward Investment

This session provides an overview of the possible reasons for the low level of inward foreign direct investments into Tajikistan and policies to address this problem.

Chair:

Mr. Christopher Miller
The World Bank Group, Trade and Competitiveness Team in the Central Asia Region

Key Speakers:

- 15:00-15:15 **Mr. Umed Barotovich Latifov**
Deputy Chairman, National Bank of Tajikistan
- 15:15-15:30 **Ms. Nigina Anvari**
Vice Chairman of State Committee on Investments and State Property Management
- 15:30-15:45 **Ms. Marina Bakanova**
*Senior Economist
Tajikistan Country Office, World Bank*
- 15:45-16:00 **Mr. Ilkhom Makhkambaev**
Executive Director, Chairman of American Chamber of Commerce in Tajikistan
- 16:00-16:20 Discussion

16:20-16:40 Coffee Break

16:40-17:40 Session 5: Looking Outward -- Paving the Way for Export-Led Growth

This session identifies the key policy elements of a strategy to facilitate export-led growth and the role of investment as well as imports in this strategy.

Chair:

Ms. Manzura Rustamova

Deputy Chairman, Chamber of Commerce and Industry

Key Speakers:

16:40-16:50

Mr. Farrukh Soliev

Head of Foreign Economic Cooperation Department, MEDT

16:50-17:00

Mr. Xiankun Lu

Professor, China Institute of WTO Studies, University of International Business and Economics, Beijing

17:00-17:10

Ms. Matluba Uljabaeva

National Association for Small and Medium Business (NASMB)

17:10-17:20

Mr. Saidmumin Kamalov

National Project Manager, Trade Cooperation Programme in Tajikistan, ITC

17:20-17:40

Discussion

17:40-18:00 Closing Remarks—Main Conclusions and Policy Recommendations

This session will provide a brief summary of policy priorities and related technical assistance needs.

Chair:

Mr. Michael Daly

Trade and Investment Specialist (International Consultant) of the Asian Development Bank

Wrap Up and Closing:

Mr. Guoliang Wu

Regional Cooperation Specialist, Central and West Asia Department, Asian Development Bank

Mr. Saidrahmon Nazriev

First Deputy Minister of Economic Development and Trade (MEDT)

19:00-21:00

**Dinner Reception Hosted by the Government of Tajikistan
Hyatt Hotel**