



Central Asia Regional Economic Cooperation Program

Reference Document for the TPCC Meeting

# **World Bank Group Trade Policy Analysis and Technical Assistance in the CAREC Region**

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## **World Bank Group Trade Policy Analysis and Technical Assistance in the CAREC Region**

*The World Bank Group (WBG) engagement on trade policy analysis and technical assistance is undertaken at the regional and country specific levels.*

### **REGIONAL ANALYSIS AND TECHNICAL ASSISTANCE:**

#### ➤ **Central Asia:**

An extensive study was undertaken in 2013-2014, and its results discussed at CAREC meeting in Almaty. The report, entitled “*Central Asia – Development Through Trade*”, finds that the countries of Central Asia have benefited from increased integration into the global economy but require improved set of trade policies and upgrading of assets to ensure that progress is sustained. Central Asia trades more with the world today than a decade ago, helping growth, poverty reduction and shared prosperity. In line with global experience, the countries of Central Asia have seen growth in goods more intensive in commodities – one of their dominant asset – and a surge in remittances supported by large labor outflows – their other substantial asset. However, the region may be reaching a tipping point with prospects for further expansion of trade being limited by economic fundamentals and shortcomings in trade policy. Sustainably developing the resource sectors and expansion of trade beyond commodities would require more skilled labor, strengthened institutions that deliver better services and ensure competition, and improved connectivity. While open in some ways, Central Asia needs a stronger push for trade policy and facilitation arrangements that foster integration.

#### ➤ **New initiative on Central and South Asia regional cooperation: Regional Framework for Enhanced Economic Cooperation**

Recognizing recent geopolitical and economic developments in the region, and the subsequent opportunities to boost regional trade and investment, a meeting of senior officials from Pakistan, Afghanistan, Tajikistan, Kyrgyz Republic, Kazakhstan and Turkmenistan was held in Dubai on March 7-8 2015. The meeting was the first of its kind for connecting South and Central Asia and focused on understanding each country’s vision. It listed barriers to regional trade and investment, identified future opportunities and started the process of developing a roadmap to achieve a shared framework for enhanced regional trade and investment. The participating countries agreed to establish South and Central Asia knowledge partnership on Trade and Investment promotion.

**Global Knowledge Sharing:** Technical experts shared presentations on opportunities on regional trade with evidence on trade and economic relations between Pakistan, Afghanistan and Central Asia. It reviewed global best practices in terms of regional integration and focused on four areas that are promising in terms of regional economic cooperation: trade facilitation, addressing non-trade barriers, promoting intra-regional investment and intra-regional energy cooperation. Trade facilitation looked at how procedures and controls governing the movement of goods across borders of one or several countries can be improved. The facilitation process streamlines the logistics and reduces costs and transit times, eliminates bottlenecks, improves

reliability and sustainability of supply chains. Trade barriers and investment relations reviewed where recent trade performances for the participating countries were highlighted and trade policy barriers were discussed with a focus on tariffs, non-tariff measures and para-tariffs. A review of selected economic trends highlighted the areas for potential economic growth and best practices from Mexico and Chile reinstated how multi-lateral or regional integration can provide an anchor to conduct significant reform in areas like customs administration, taxation, investment, procurement, etc. The importance of the private sector in playing a lead role in establishing a platform for transactions to occur was presented. The success stories of joint economic councils and joint business councils in relation to improving trade and as a confidence building measure amongst the businessmen was highlighted.

**Emerging Themes and steps to be taken:** A few common priority themes emerged from the discussion. These areas are South & Central Asia transit (facilitating transit procedures at land border posts); visa regime (simplification process through sticker system); investment and financing (opportunities for PPP); creation of an information portal; market access (review of existing FTAs); institutional framework (regional coordinating mechanism – with office in Islamabad), and private sector mobilization (work towards a regional business council to include private sector from all countries Pakistan-Afghanistan joint business council exists).

## COUNTRY SPECIFIC ANALYSIS AND TECHNICAL ASSISTANCE

### ➤ **Afghanistan:**

The World Bank's last analytic support to the Government of Afghanistan in the area of trade was in the 2012 Diagnostic Trade Integration Study (DTIS) which the team prepared as background and preparation for the WTO accession process for the country (currently on hold). The DTIS also served as a useful reference for the Government in the formation of its National Trade Policy (2013 – 2017). In addition, Afghanistan was also included in the World Bank study on NTMs referenced above. The future of support to the country on trade and trade policy is currently under discussion with the new government.

In addition to the analytic assistance provided to the Government described above, since 2003, there have been a series of lending projects in the area of Customs and Trade Facilitation which continues to today.

### ➤ **Kazakhstan:**

We have a programmatic engagement on trade policy with the authorities. It is entering its fifth year and includes analysis and technical assistance. The first year document consisted of a broad assessment of the country's trade competitiveness. In the last 3 years, we have provided a number of analytical and policy notes that focus on more specific topics of interest to the authorities, non-tariff measures, trade patterns within and outside the Eurasian Economic Union, services trade, institutional assessment of trade policy making, WTO accession issues. We have also undertaken capacity building in data use and data analysis based on the WITS data.

As an example, the analysis on NTMs uses the World Bank toolkit on NTMs and includes collection and classification of the existing measures on the basis of the classification agreed by the UNCTAD, WTO, World Bank and other international organizations. The policy analysis presented a snapshot of the prevalence of NTMs by sectors, type of NTMs, number of NTMs by product, and number of government bodies issuing NTMs. The analysis compared Kazakhstan's NTM framework with the structure of NTMs in other country of interests, for which data is available.

The WBG is also supporting the improvement of the Doing Business ratings, including the trade indicator.

➤ **Kyrgyz Republic:**

In response to the Government's requests, the WBG has provided analytical support on selected aspects of the Kyrgyz Republic's accession to the EurAsian Customs Union (CU). During the period of the negotiation to joining the CU, the WBG supported the government in deepening the understanding of the potential impact of joining the CU, with impartial economic analysis. Specifically, the WBG prepared a series of reports on the impact of the KR's accession to the CU, including (a) comments on the results generated by the CGE model that has been developed by a local think tank, (b) an export competitiveness analysis based on a partial equilibrium model with projected tariff changes and an evaluation of the potential impact that acceding the CU may have on the competitiveness of the Kyrgyz Republic's garment sector, and (c) lessons from Kazakhstan's membership in the CU.

Since KG signed the Roadmap to the CU/EEU accession, the WBG has been supporting the government in its efforts to implement the Roadmaps, to mitigate potential risks preventing regional trade and to benefit from the access to a larger market of the CU member countries. Specifically, the WBG supports the government in the areas of non-tariff barriers in the CU member countries, including the assessment of technical regulations required by the CU/EEU, the analysis of national quality infrastructure, and export potential and existing regulations in trade in services.

Also, the WBG supports the government in improving the trade indicators of the DB Report and in reducing the administrative burden for importers and exporters.

➤ **Pakistan:**

The government has launched a four year program with the objective to increase Pakistan's share in regional trade and investment, with a special focus on connectivity with emerging Asian economies : "Pakistan Trade and Investment Policy Program. The work on improving trade and transit facilities through linking South and Central Asia has already started. The Pakistan Trade and Investment Policy Program is a collaborative effort on the request of the Government of Pakistan, between the Ministry of Commerce, Australian Department of Foreign Affairs and Trade and the World Bank Group. This would be achieved through the implementation of an advisory services program with knowledge creation and technical support aimed: (a) improving the overall legislative, regulatory and institutional frameworks for regional (and global)

trade in goods and services; (b) directly strengthening trade and investment links between Pakistan and her neighbors leading to increased economic integration in the South Asia region as a whole ; (c) and improve the quality of trade facilitation in terms of reducing time, cost and documentation for cargo clearance at border posts. With the overall objectives of enhancing economic growth, the program will also seek to develop entrepreneurship opportunities for women and youth.

Given this growing interest surrounding Central and south Asia regional cooperation, the WBG has also launched a study on the topic (“Pakistan – Economic Cooperation with Afghanistan and Central Asia”). The study includes a small survey of Pakistani firms who trade with Afghanistan and Central Asia. In fact the governments of Pakistan and Afghanistan are looking at a more broad based engagement and have developed a shared vision to increase integration and bi-lateral trade with Afghanistan with a goal of doubling trade to US\$5 billion by 2018.

➤ **Tajikistan:**

The on-going trade work in Tajikistan includes the following activities

*An assessment of the regulatory framework of the business environment affecting trade in services in Tajikistan.* The assessment, undertaken in collaboration with Tajik counterparts - identifies the services and regulations that are placing domestic producers at a disadvantage—both in terms of competing with imports and being competitive to exporters from other countries. The regulatory mapping and analysis is based on the methodology developed by the World Bank Trade Department Regulatory Assessment on Trade in Services and Investment (RASTI) toolkit. Preliminary findings of RASTI were discussed at the workshop in Dushanbe in October 2014. The draft report will be discussed with the GOT in June-July 2015 and finalized in September 2015.

*An assessment of non-tariff measures (NTMs),* such as export and import licenses, export taxes, bans, and other interventions in trade, and institutional trade incentives. This assessment uses the World Bank toolkit on NTMs (as was used in the Kazakhstan analysis discussed above). This effort supports a multiagency effort to collect, codify, harmonize, and disseminate information of NTM around the world and helps improve transparency of trade policy and sets the stage for policy analysis of the pervasiveness of NTMs in Kazakhstan. The policy analysis will present a snapshot of the prevalence of NTMs by sectors, type of NTMs, number of NTMs by product, and number of government bodies issuing NTMs. The analysis will also compare Tajikistan NTM framework with the structure of NTMs in other country of interests, for which data is available. Data collections work has been completed and the policy analysis has started. Initial findings will be discussed with the Government of Tajikistan in June-July 2015. The report will be finalized in October 2015.

In addition, the WBG participates in the Government Working Group for the implementation of the WTO commitment. WBG stands ready to help Tajikistan to improve their trade statistics and build capacity in the analysis for the informed decision-making.

➤ **Turkmenistan:**

In November 2014, the World Bank Group delivered a Trade Policy Note and presented the content thereof to the Authorities. The note was on “ WTO Accession: trade policy and institutional reform agenda” . It was in response to the Authorities’ interest in considering WTO accession. The note discusses tariff and domestic regulatory reforms, including non-tariff measures, SPS and TBTs, services liberalization. It suggests four messages for the authorities’ consideration: (i) a decision to join the WTO preferably should be based on thorough assessments of what WTO accession might imply for the economy; (ii) Turkmenistan could use the WTO accession process to formulate a modern trade policy, upgrade trade facilitation practices and create sound institutions; (iii) the WTO accession is an instrument for better integration into the world economy within a rules-based system; and (iv) the WTO accession process might be an opportune time to create trade institutions with the help of donor assistance and guidance. The WBG stands ready for further engagement.

➤ **Uzbekistan:** no analysis or technical assistance on trade