



Central Asia Regional Economic Cooperation Program

Reference Document  
For Session 1 of the Senior Officials' Meeting  
July 2016

# **Trade Policy Sector Progress Report and Work Plan (2016)**

**Senior Officials' Meeting  
Central Asia Regional Economic Cooperation  
19–20 July 2016  
Islamabad, Pakistan**



## I. KEY DEVELOPMENTS

### A. Sector Implementation

1. The CAREC Program has endorsed an open economy model of development to achieve 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) initiating the implementation of the updated Trade Policy Sector Action Plan (TPSAP) by CAREC member countries.

2. As agreed at the 11<sup>th</sup> CAREC Ministerial Conference, the TPCC was tasked with preparing an update to the Trade Policy Sector Action Plan (TPSAP) covering the period 2013–2017. The updated TPSAP builds on and encompasses the agenda of the TPSAP 2008–2012, and expands the agenda into important areas for the integration of CAREC countries into the world trading environment, namely through (i) expanding trade in services, and (ii) reducing and rationalizing non-tariff measures, including the trade impeding impact of sanitary and phytosanitary (SPS) and technical barriers to trade (TBT) measures. The new areas are more complex and difficult to address than the old command and control trade barriers that could be implemented simply by policy changes. Building on their expertise and ongoing activities in the region, CAREC's international partners have agreed to play a supportive role in the implementation of the updated TPSAP.

### B. Addressing Actions Proposed in the Most Recent CAREC Development Effectiveness Review (CAREC DEfR 2014) and Ongoing Key Issues

#### 1. Priority Actions Proposed in the 2013 CAREC DefR

- Continue capacity-building and knowledge-sharing activities.

#### Action initiated:

3. The 22<sup>nd</sup> TPCC meeting was held on 16 June 2015 in Bangkok, Thailand. The meeting featured two knowledge-sharing presentations. The first by the World Bank who delivered a presentation on the Analysis of Trade in Services in Kazakhstan. A key finding is that the success of Kazakhstan's services exports lies in providing high quality services at low cost (e.g. in professional information and communications technology and in business process outsourcing related activities). In this context, easing regulatory restrictions that affect specific sub-sectors is likely to benefit Kazakhstan's competitiveness over the long run. Also, the quality of human capital, services specific infrastructure and regulations, and institutions are key input to the sector becoming an exporter. The second presentation was delivered by the ADB and focused on the common agenda for the modernization of SPS measures in the CAREC region. CAREC countries face difficulties establishing SPS measures. Building SPS management capacities requires sustained efforts for a range of services over extended periods of time as well as significant investments and technical expertise. Therefore, the objectives of the common agenda for the modernization of SPS are: (i) to promote concerted reforms and modernization in the implementation of SPS measures consistent with international standards in a way that facilitates trade; and (ii) to identify and prioritize investment needs to modernize SPS measures and their implementation. In addition, two roundtable discussions were held: (i) among member

country representatives who reported on progress made and challenges faced in the implementation of the updated TPSAP, and (ii) among representatives from multilateral developments partners and bilateral donors who discussed the supporting role they can play in the implementation of the updated TPSAP. Finally, to facilitate greater collaboration between CAREC's international partners and members in support of the update TPSAP, several international institutions provided a list of their current and prospective capacity-building activities in the region.

4. **Next Steps:** The program of capacity-building and knowledge-sharing continued at the 23<sup>rd</sup> TPCC on 18 July 2016 in Islamabad, Pakistan. [The IMF made a presentation on evolving trade patterns in CAREC. This was followed by a session where Afghanistan, Kazakhstan, and Tajikistan shared the recent experience on WTO accession. Also ADB, WTO, ITC made presentations on updating the latest developments on CAREC trade issues. In particular, the TPCC meeting discussed a mid-term review CAREC 2020 and the post-2017 TPCC, which will be delivered to the forthcoming 15<sup>th</sup> CAREC Ministerial Conference in fall 2016 in Islamabad, Pakistan.]

- Advance the WTO accession knowledge sharing program: (i) determine the modality to formalize collaboration with the WTO for capacity-development products; and (ii) support Tajikistan's WTO accession with technical assistance

#### **Action initiated:**

5. To enhance the effectiveness of WTO accession and strengthen the capacity development program of the TPCC, the IMF and ADB have tapped WTO for its expertise in trade policy and trade liberalization reforms. The WTO, through its Institute for Training and Technical Cooperation, agreed to collaborate with the IMF and ADB in developing and delivering capacity development products to CAREC countries as a group, as well as to individual CAREC countries as appropriate. The WTO has also agreed to assist, as appropriate, in accession and post-accession activities, such as preparation of documents, market accession negotiations, and outreach.

6. Kazakhstan joined the WTO in November 2015, closing the 20-year long chapter of negotiating its accession terms with WTO members. Also Afghanistan is expected to join the WTO late July, 2016. As of end-July 2016, three CAREC countries (Azerbaijan, Turkmenistan, and Uzbekistan) have yet to join the WTO.

7. In the area of supporting WTO accession and post-accession adaptation, ADB's technical assistance on "Strengthening Tajikistan's Trade and Investment Regime" (TA 8380) has successfully delivered the three outputs envisaged in the TA paper:

Output 1: A "Policy Research and Analysis on Organizational Reforms of the Tajikistan Standards Agency—Tajikstandart" has been completed in February 2015 and approved by the government thereafter.

Output 2: In January 2015, ADB conducted an Executive Training on Quality Infrastructure Reforms in Dushanbe.

Output 3: ADB, in cooperation with Tajikistan Ministry of Economic Development and Trade, convened a post-accession "International Trade and Investment Conference" in June 2015 in Dushanbe.

## Next Steps:

8. 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 to ensure sufficient progress in trade liberalization, including through improvements in the institutional environment for trade.

## Action initiated:

9. Formal tabulation of progress results under the updated TPSAP resumed at the 23<sup>rd</sup> TPCC meeting in Islamabad, with most of member countries submitting the requested information. The IMF delivered a presentation summarizing the progress results as of end-June 2016 for measures due by end-2015 (see chart). 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.

Measures	AFG	AZE	CHN	KAZ	KGZ	MNG	PAK	TJK	TKM	UZB
#1: Adopt legislation compliant with the SPS and TBT agreements	Not 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	Not 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 applicable	Not 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	Not completed	Not completed	Not completed	Completed	Not yet submitted	Not completed
#7: Prepare annual report on regulatory improvements for trade in services	Not completed	Not completed	Completed	Not applicable	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	Not completed	Not completed	Completed	Not applicable	Completed	Completed	Not applicable	Not completed	Not yet submitted	Completed

Completed	Not completed
Not applicable	Not yet submitted

10. As a follow-up to the 22<sup>nd</sup> TPCC meeting in Bangkok, further progress has been made by Azerbaijan and China; some countries, however, have yet to complete policy actions which should have been done by end 2014 (see chart).

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

Completed
  Not completed
  Not yet submitted

11. **Next Steps:** Reporting on the implementation of the updated TPSAP will resume at the 24<sup>th</sup> TPCC meeting, where progress will also be measured against action items that were stipulated to be completed by end-2016.

## 2. Resolution of Ongoing Key Issues

12. 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

13. In view of the aforementioned challenges for member countries in implementing the updated TPSAP, CAREC senior officials are asked to facilitate the collaboration with and support from international development partners for addressing these challenges, starting with initiating a stock taking exercise on (i) the extent of TBT and SPS measures in place and (ii) existing bottlenecks to the expansion of trade in services. A regional food safety initiative will also be launched. Finally, building on the data submission by all members for TPSAP measures

targeted at end-2015, CAREC senior officials are requested to ensure continued full participation by member countries going forward.

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

14. 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 updated TPSAP, there are no changes to the sector work plan.