



Central Asia Regional Economic Cooperation Program

Reference Document  
For the Senior Officials' Meeting  
October 2016

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

**Senior Officials' Meeting  
Central Asia Regional Economic Cooperation  
25–26 October 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.

#### Actions initiated:

3. The 23<sup>rd</sup> TPCC meeting was held on 18 July 2016 in Islamabad, Pakistan, which featured knowledge-sharing presentations. The IMF delivered a presentation on evolving trade patterns in CAREC. Since the global financial crisis, CAREC trade growth momentum has slowed, with the slowdown reflecting external shocks, such as falling commodity prices and sluggish major trading partner growth, as well as structural factors, such as the heavy concentration of CAREC exports on raw materials. CAREC intra-regional trade has remained low, but an econometric analysis using a gravity model suggest that the current level of CAREC intra-regional trade is broadly in line with potential. This presentation was followed by presentations delivered by Afghanistan, Kazakhstan, and Tajikistan, which focused on their recent experiences regarding WTO accession and post-accession adaptation. The ADB made a presentation on special economic zones and industrial park development in the CAREC region. CAREC countries are at an early stage of business infrastructure development except for a few countries. Particularly, existing legislation does not fully address barriers to develop special economic zone and industrial park, undermining the cohesive and strategic development of industrial parks at the national and local levels. In this context, the ADB is providing technical assistance for improving the policy framework for science, industrial, and technology park planning, developing and upgrading in CAREC countries to improve the region's industrial

productivity and competitiveness. A WTO presentation discussed the trade policy implications of electronic commerce. The presentation reviewed the developments of global e-commerce, assessed its growth potential and concerns particularly in the area of consumer protection, and summarized the WTO work program as a way forward. As the current TPSAP ends in 2017, the TPCC meeting discussed a mid-term review CAREC 2020 and the post-2017 TPCC. The ADB summarized key achievements in the area of trade policy which includes (i) expanding CAREC's trade policy agenda to a strategic action plan; (ii) engaging the WTO in CAREC as an observer; (iii) assisting CAREC non-WTO members in acceding to WTO; and (iv) supporting knowledge-sharing and capacity building related to post-WTO accession adaptation. By contrast, the existing TPSAP confronts challenges ahead, which includes lukewarm country ownership; and relatively passive development partners; a lack of cooperation, in particular in the areas of trade in services and non-tariff barriers; and a lack of flagship projects in trade policy, which should be addressed in the post-2017 TPCC. Finally, the TPCC meeting discussed a proposed memorandum of understanding on a regional food safety initiative, which would help facilitate greater collaboration for implementing the common agenda for modernization of sanitary and phytosanitary measures for CAREC.

4. **Next Steps:** The program of capacity-building and knowledge-sharing will be continued at the 24<sup>th</sup> TPCC meeting in 2017. Also the post-2017 trade policy agenda will be discussed in the TPCC meeting. As a first step toward that end, a survey titled "What should be the post-2017 trade policy agenda?" was sent to member countries in early August to better understand the bottlenecks and challenges that may have been hampering the implementation of trade measures in the past and to canvass member countries' trade policy priorities. [The preliminary results of this survey were presented in the Senior Officials' Meeting in October 2016.]

- 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

#### **Actions 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.

### Actions 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 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 applicable	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 applicable	Not applicable	Not applicable	Completed	Completed	Not applicable	Not completed	Not applicable	Completed

Completed
  Not completed  
 Not applicable
  Not yet submitted



## **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. Finally, building on the data submission by all members for TPSAP measures, 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.