



CAREC Integrated Trade Agenda (CITA) 2030 and Rolling Strategic Action Plan (RSAP) 2018–2020

Working Paper

I. Introduction

1. In October 2017, the 16th Central Asia Regional Economic Cooperation (CAREC) Ministerial Conference endorsed a new long-term strategy – *CAREC 2030*.¹ Building on the foundations of *CAREC 2020*, the new strategy recognizes that various global² and regional developments may impact CAREC's relevance and effectiveness going forward. As CAREC aims to reposition itself as a catalyst for trade expansion and economic diversification in the region, it is imperative to consider previous iterations of CAREC trade work and forward-looking trade priorities under *CAREC 2030*.

2. In the past, several strategies or action plans relate to CAREC's trade work – the *Trade Policy Strategic Action Plan (TPSAP 2013-2017)*, *Transport and Trade Facilitation Strategy (TTFS) 2020*, and the *Common Agenda for Modernization of SPS Measures for Trade (CAST)*. The TPSAP³ was coordinated by the Trade Policy Coordinating Committee (TPCC) while the Customs Cooperation Committee (CCC)⁴ provided oversight in the customs cooperation and trade facilitation activities of TTFS and the CAST. Investment and regional technical assistance projects supported the implementation of these strategies or action plans. For example, the Regional Improvement of Border Services Project coordinates infrastructure improvement and simplification of border crossing clearance procedures in select border crossing points in the Kyrgyz Republic, Mongolia, Pakistan and Tajikistan. The Regional Upgrades of Sanitary and Phytosanitary Measures for Trade Project for Mongolia strengthens food safety and animal and plant health standards to realize the country's potential for agri-food exports to neighboring countries.

3. Thus far, CAREC contributed to building mutual trust and advancing regional cooperation and recorded successes with both knowledge- and institution- building in the trade sector. Nonetheless, progress across CAREC countries has been uneven and remaining challenges include limited outcomes, inadequate investment planning in trade facilitation, lack of flagship projects for knowledge support and actionable policy recommendations in trade policy, lukewarm

¹ ADB. 2017. CAREC 2030 Connecting the Region for Shared and Sustainable Development. Manila. <http://www.carecprogram.org/uploads/docs/CAREC-Publications/2017-CAREC-2030.pdf>

² For instance, the 2030 Agenda for Sustainable Development defines trade as a means of implementation and the integration of developing countries in the global market is a central theme. The Trade Facilitation Agreement (TFA) under the World Trade Organization (WTO) entered into force in February 2017.

³ Which covers measures to simplify and liberalize trade regimes, address impact of non-tariff measures and promote expansion of trade in services.

⁴ CCC, which comprise of heads of customs authorities of CAREC member countries, is working in five priority areas, namely, simplification and harmonization of customs procedures, risk management, regional transit development, ICT for customs modernization and joint customs control.

country ownership, shortcomings in coordination and overlapping issues in trade which require a comprehensive review on CAREC's institutional approach.⁵

4. Under its scaled up and broadened mandate, CAREC 2030 envisages focus on five operational clusters.⁶ The *trade, tourism and economic cluster* includes support for World Trade Organization (WTO) accession and post-accession, implementation of WTO Trade Facilitation Agreement (TFA), deepened customs cooperation, integrated trade facilitation and identification of new opportunities in the context of the shifting landscape of global and regional trade paradigms such as tourism and trade promotion. Additional trade-related priorities⁷ spread out across all CAREC 2030 operational clusters highlighting the cross-sectoral linkages and nature of trade work.

5. Against this background, there is a need to build consensus among stakeholders, integrate discussions on trade issues and synchronize priorities into a unified platform. The CAREC Integrated Trade Agenda (CITA) 2030 seeks provide a coherent amalgamation to set the direction for the CAREC trade sector work up to 2030. Taking into consideration the varying levels of capacities and progress among CAREC countries and the need to implement CITA in a phased and incremental approach, a three-year Rolling Strategic Action Plan (RSAP) will be developed and reviewed annually.

6. For purposes of developing CITA, a regional workshop was held in Bangkok in December 2017. Thereafter, a consultation paper with guiding questions was circulated for official comments of CAREC countries in February 2018. Subsequently, a series of stakeholders consultations was attended by trade-related agencies from CAREC countries, development partners and international organizations in Almaty and Ulaanbaatar in March 2018, in T'bilisi and Beijing in April 2018. In May 2018, a high-level consultation for the private sector was organized at the Astana Economic Forum in May 2018.

7. This Working Paper reflects the outcomes of the stakeholders consultations and is prepared for consideration at the Inaugural Meeting of the Regional Trade Group (RTG) on 25-26 June 2018 in Bangkok. CITA 2030 with its accompanying Rolling Strategic Action Plan (RSAP) 2018–2020 is a key deliverable at the 17th Ministerial Conference in November 2018 in Ashgabat, Turkmenistan.

II. Rationale

8. Amid the rapidly evolving global and regional trade landscape and changing country circumstances, CAREC's relative performance in achieving outcomes and overlapping issues that

⁵ CAREC 2020 Midterm Review <http://www.carecprogram.org/uploads/docs/CAREC-Publications/2016-CAREC-2020-MTR.pdf>

⁶ The other operational clusters are on (i) economic and financial stability; (ii) trade, tourism, and economic corridors; (iii) infrastructure and economic connectivity; (iv) agriculture and water; and (v) human development. The use of information and communication technology (ICT) as a cross-cutting priority across the spectrum of CAREC operations.

⁷ Such as development of trade finance, modernizing regulatory frameworks and liberalization of freight logistics companies, promotion of cross-border mechanisms such as universal customs guarantee and driver visa facilitation, innovative public-private partnership arrangements to support regional trade and economic cooperation centers, promoting regional trade in agriculture via alignment of sanitary and phytosanitary (SPS) measures with international standards and building product capacity, and development of regional labor market information system and regional job search or placement services.

require a more coherent institutional approach to trade facilitation and policy necessitate the development of a regional trade strategy as envisaged in *CAREC 2030*.

9. Since 2009, global trade share of CAREC countries has plateaued at 0.7% (excluding PRC which shares 11.4%).⁸ Amid the slow revival of world trade, merchandise trade and commercial trade in services declined by –8.2% and –3.4% in 2016. Exports from Central Asian countries show high divergence from the global pattern⁹ and remain highly dependent on primary and resource-intensive commodity and traditional markets such as EU and PRC.¹⁰ Compared with other Asia-Pacific regions, they are least regionally integrated in terms of trade, investment, and movement of people.¹¹

10. CAREC members (including PRC's Xinjiang Uygur Autonomous Region and Inner Mongolia Autonomous Region)¹² are not well-integrated with the global economy due to: (a) poor market access, (b) limited economic diversification, and (c) weak institutions for trade. Appendix 1 presents the problem and objective tree analysis.

a. Poor Market Access

11. On the average, tariff rates imposed by CAREC countries are not excessive, although somewhat dispersed and relatively higher than other regional groupings. The high tariff rates in some key products and the stockpiling of non-tariff measures and technical regulations that are not compliant with international standards are costly especially to most developing countries¹³ and therefore limit potential for trade expansion. Similarly, the rising protectionism with the use of trade remedies and unfair trade practices, pose challenges and risks of retaliation.

12. Aside from the lack of effective measures to overcome their landlocked characteristics the potential to increase trade within CAREC is limited by high trade costs due to delays at-the-borders and behind-the-borders due to duplicitous documentation requirements and inadequate support services such as transport and logistics. Implementation of trade facilitation measures, particularly the provisions of the WTO TFA and transit arrangements, could promote trade expansion in the CAREC region.¹⁴

b. Limited Economic Diversification

13. The need for economic diversification is well-recognized especially with most CAREC countries heavy reliance on primary and resource-intensive commodities. However, financing

⁸ IMF. 2017. International Financial Statistics database.

⁹ CAREC's average diversification index in 2016 ranges from 0.7-0.8 (except PRC). CAREC's diversification index ranges from 0.7-0.8 (except PRC). Computed by measuring the absolute deviation of the trade structure of a country from world structure, a value closer to 1 indicates greater divergence. Source: UNCTAD Statistics.

¹⁰ Russian Federation and Turkey are becoming important emerging trade partners.

¹¹ ADB. 2017. *Asian Economic Integration Report 2017*. Manila.

¹² PRC is a CAREC member country. However, CAREC programs and projects are confined to the Inner Mongolia Autonomous Region and Xinjiang Uygur Autonomous Region and the analysis in this section forward refers to the two autonomous regions in PRC.

¹³ World Bank and UNCTAD. 2017. The Unseen Impact of Non-Tariff Measures: Insights from a new database. <http://unctad.org/meetings/en/SessionalDocuments/ditc-tab-MC11-UNCTAD-NTMs.pdf?user=46>

¹⁴ For instance, an empirical analysis of data collected in CAREC corridors suggests that a 10% reduction in time at the importers' border raises intra-CAREC trade by 2-3%, or a \$1.4 billion increase in intraregional trade. See ADB and ESCAP 2017. Trade Facilitation and Better Connectivity for an Inclusive Asia and Pacific. Manila. <https://www.adb.org/sites/default/files/publication/359786/trade-facilitation-connectivity.pdf>

gaps exist such as limited access to trade finance and credit guarantees for small traders. Inconsistent and restrictive foreign direct investment (FDI) policies further make it difficult to realize potential for cross-border investment facilitation. The underdeveloped financial markets in CAREC are ineffective in mobilizing private capital for infrastructure needs.¹⁵

14. Most CAREC countries are still unable to participate fully in the global and regional value chains. The growing mismatch between the new skills demanded by an increasingly information-driven global economy and the older skill set of many workers¹⁶ limits potential for cross-border mobility and services trade. Similarly, innovation measures have yet to be adopted to take advantage of the opportunities of digital trade¹⁷ and technology diffusion. As services provide inputs to value chains and services exports outpace the growth of goods exports, efficiency of service sectors is critical.¹⁸ Recently, international trade strategies began to put strong emphasis on modern services sectors, particularly in business, educational and tourism services.¹⁹ Therefore, there is a need to address the underdeveloped business development support services and existing policy restrictions in CAREC in order to promote greater diversification.

c. Weak Institutions for Trade

15. Trade being central to most national development strategies of CAREC countries has motivated comprehensive economic reforms in the region. Seven CAREC countries²⁰ have ratified the WTO TFA which entered into force in February 2017. Georgia, which became the 11th member of CAREC in October 2016, has four-pillar reform agenda to include economic reforms, open governance, infrastructure investment, and education reforms. Uzbekistan included currency liberalization as part of its large-scale economic reforms to attract foreign investments. The new customs code of the Eurasian Economic Union, which Kazakhstan and Kyrgyz Republic are members, took effect in January 2018.

16. Underpinning effective implementation of trade strategies and reforms is the quality of institutions and regulatory governance. However, the ineffective institutional mechanism for policy coordination, disconnected national and regional planning, and regulatory fragmentation in the region, results to uncoordinated sectoral policies and priorities. While National Committees on Trade Facilitation (NCTFs) or a similar mechanism for non-WTO members have been established in CAREC countries, they need to be strengthened both at the country and regional levels.

17. In assessing and designing policies that may impact on trade, governments and officials need up-to-date and complete data, appropriate skills, and knowledge of emerging trade issues to arrive at informed decisions. Understanding of the impact and benefits of international

¹⁵ ADB estimates that for 10 CAREC countries (without PRC), the infrastructure investments needs are \$1.15 trillion in 2016–2030 or \$76.8 billion per year, necessitating reforms and increases in both public and private infrastructure finance. <http://www.carecprogram.org/uploads/events/2017/35-16th-CAREC-MC/Presentations/03-ADB-Global-Regional-Outlook.pdf>

¹⁶ WTO. 2017. World Trade Report 2017. Trade, technology and jobs. https://www.wto.org/english/res_e/booksp_e/world_trade_report17_e.pdf

¹⁷ Implementing digital trade facilitation could cut trade costs in Asia-Pacific by \$673 billion annually. See ESCAP 2017. Digital Trade Facilitation in Asia and the Pacific. Studies in Trade, Investment and Innovation 87. ST/ESCAP/2811.

¹⁸ ESCAP 2017. Services and Global Value Chains: The Asia-Pacific Reality. Studies in Trade, Investment and Innovation 89. St/ESCAP/2816.

¹⁹ International Trade Centre (2017). How strategic are trade strategies? Trends for effective development. http://www.intracen.org/uploadedFiles/intracenorg/Content/Publications/How%20strategic%20are%20trade%20strategies_201117_Low-res.pdf ITC, Geneva.

²⁰ Namely, Afghanistan, the PRC, Georgia, Kazakhstan, the Kyrgyz Republic, Mongolia, and Pakistan.

agreements and improved drafting and negotiating skills are required to amend or replace outdated trade-related legislations. Furthermore, while the number of free trade agreements (FTAs) in the CAREC region continues to rise (currently, 73 FTAs²¹), the scope of such agreements is still limited to tariff reduction. CAREC countries may consider deeper integration in their current trade agreements and improve their capacity to evaluate the trade-offs of multiple and overlapping FTAs before engaging into negotiations.

III. Impact, Outcome and Outputs

18. CITA seeks to enhance growth potential of CAREC countries and improve living standards of its people.

19. CITA's outcome is to assist CAREC countries in integrating further with the global economy through the following outputs: (A) trade expansion from increased market access, (B) greater diversification and (C) stronger institutions for trade.

A. Trade Expansion from Increased Market Access

20. The CITA will enhance market access through adoption of open trade policies and deepening of customs cooperation and integrated trade facilitation.

21. **Freer trade.** The CITA will include measures to liberalize tariffs, eliminate non-tariff barriers to trade, and limit if not completely avoid resorting to unfair trade practices and protectionist tendencies. CAREC interventions include:

- Continued support for CAREC countries to comply with their WTO commitments including policy adjustment and transparency measures, trade policy review
- Experience-sharing on accession process and advisory support for non-WTO members
- Mapping and reduction of non-tariff barriers including licensing requirements of foreign activities
- Address uneven tax treatment (or double taxation) between domestically produced and imported products, promotion of business-friendly tax regime
- Technical assistance to improve alignment of national SPS and quality infrastructure with international standards or accessions to agreement or conventions of international standard-setting bodies
- In-depth analysis of the impact of multiple FTAs or potential region-wide FTA in the context of varying levels of openness and commitments of CAREC member in multilateral and bilateral trade agreements (see **Box 1**).

Box 1: Regional Trade Agreements²²

Regional trade agreements (RTAs) can promote economic integration of its members, to the possible benefit of their growth, with improved price and quality choices for their consumers. As a more liberal trade regime including through RTAs foster more efficient allocation of resources, improving a country's consumer and production potential, especially if it facilitates entry into global (regional) value chains, many have turned therefore to RTAs and some go beyond their WTO commitments. An RTA can serve

²¹ This figure includes both WTO notified and not-notified agreements.

²² In the WTO, regional trade agreements (RTAs) are defined as reciprocal trade agreements between two or more partners. They include free trade agreements and customs unions.

to minimise the preferences that third countries have with a given partner and it can help to cement political alliances.

The downside is that RTAs are *discriminatory*, by their very nature, and will divert trade. It is important therefore that they are net-trade creating, to the benefit of the global trading system. Nevertheless, a welter of RTAs clouds the trading environment with discrimination and complexity – which entail costs and potentially marginalise smaller traders.

Each member of CAREC is already party to at least one RTA, although Mongolia's only RTA is with a non-CAREC country (Japan), while each of the others are in RTAs with at least one other CAREC member. The possibilities are available for improved CAREC integration following the RTA route. CAREC countries that are non-members of the Eurasian Economic Union (EAEU) could seek bilateral RTAs with each other. Were such a path to be followed it would be very useful if parties could agree on and follow a single template, obviating, for example, differing rules of origin and thus reducing complexity and trade costs; agreeing to cumulation across their RTAs and pursuing mutual recognition of standards, for example in SPS. Non-EAEU CAREC members could also seek to form a single RTA amongst each other but this may be both more difficult and time-consuming than the bilateral route.²³

22. Lower trade costs. The CITA will include measures to make at-the-border and behind-the-border procedures more efficient, improve logistics services, and enhance transit system, particularly within the CAREC corridors. CAREC interventions include:

- Support for the implementation of the WTO Agreements on technical barriers to trade (TBTs, see **Box 2**), SPS and the TFA
- regulatory alignment with international standards
- Implementation of CAST, i.e., modernization on SPS systems through Regional Upgrade of SPS Measures (RUST) and improving quality infrastructure
- Mutual recognition of laboratory results or SPS certification and training for SPS personnel
- Deepening existing CAREC initiatives such as on customs simplification and harmonization (including accession to Revised Kyoto Convention and Framework of Standards to Secure and Facilitate Trade (SAFE) of World Customs Organization)
- Streamline multiple documentary requirements across agencies and across the borders through mutual recognition or exchange of information
- Use of technology - information common exchange within and beyond customs agencies, promotion of paperless trade and establishment of national single windows in all countries while ensuring interconnectivity and interoperability
- Enhanced CAREC corridor performance measurement and monitoring to address the bottlenecks at key border crossing points
- Establishment of regional transit regime (e.g., CAREC advanced transit system, Quadrilateral Traffic in Transit Agreement) including sharing of experience of pilot initiatives
- Regional improvements in border services (RIBS), integrated border management and joint border control projects
- Impact analysis of a potential cross-border transport agreement

Box 2: Technical Barriers to Trade

²³ The next paragraphs draw on "Regional Trade Agreements and the WTO" by Clemens Boonekamp in Future of the Global Trade Order, eds. Carlos A. Primo Braga and Bernard Hoekman, 2nd Edition, European University Institute, 2017.

TBTs refer to the “use of domestic regulatory process as a means of protecting domestic producers” (UN 2003); they are mandatory technical regulations and voluntary standards that specify characteristics that a product should have, as well as procedures used to check whether a product complies with these requirements.

The WTO TBT Agreement seeks to ensure that such mandatory technical regulations, voluntary product standards, and conformity assessment procedures do not become unnecessary obstacles to trade. Thus, it seeks to balance two competing policy objectives: the prevention of protectionism with the right of countries to enact regulations for legitimate public policy purposes. Legitimate TBT objectives include but are not limited to: protection of life and health of humans, animals, and plants; safety; protection of national security; protection of the environment; prevention of deceptive marketing practices; technical harmonization and quality standards.

The TBT Agreement does not apply to SPS measures, defined as those applied to protect animal or plant life or health from risks arising from the spread of pests and diseases, or from additives, contaminants, toxins or disease-causing organisms in food, beverages or feedstuffs, or to prevent damage from the entry or spread of pests.

The key principles and rules of the TBT Agreement are (a) non-discrimination; (b) the prevention of unnecessary obstacles to international trade according to the criteria of (i) legitimate objectives, (ii) necessity, (iii) reasonableness, (iv) changed circumstances; (c) harmonization; (d) use of international standards; (e) equivalence and mutual recognition; (f) transparency.

B. Greater Diversification

23. The CITA will create an enabling environment for economic diversification through adoption of policies to ensure adequate financing and link CAREC countries with the regional and global value chains. This also relates to the country’s industrial and foreign trade policy as tariff profile have impact on product diversification and competitiveness. For example, there is an emerging trend to develop cluster industries among CAREC countries (e.g., in services, IT and transport corridors).

Box 3: Industrial Policy

Industrial policy is a vexed issue. Assistance to a sector and/or horizontal support to build domestic capabilities may promote diversification and growth. On the other hand, well-functioning markets will appropriately allocate resources, maximizing GDP, without the dead-weight losses associated with government intervention.”²⁴

One strand of intervention to foster industrialization is import substitution, replacing imports with domestic production. This relies critically on the size of the domestic market; if it is too small, the needed capital outlays may result in less than capacity output and competitiveness. The approach may well introduce an anti-export bias, “punishing” competitive sectors and it could give rise to economic rents, making it extremely difficult to wind down. The literature is replete with examples of such policies leading to foreign-exchange and balance of payments difficulties.

A more viable strategy may be “outward-orientation”, with exports the driver of diversification and growth, as used by a number of Asian economies. Nascent enterprises are still protected from developed suppliers but they do not rely only on the domestic market for sales; rather, with inputs at world prices, they are competitive both at home and abroad. Indeed, horizontal policies of export promotion could assist in the latter. However, there may be a tendency to try to “pick winners”, with its

²⁴ An acute accounting of these issues is to be found in Patrick Low, “Industrial Policy: Promise or Peril”, mimeo.

attendant risk of resource mis-allocation, and a focus on exports runs the risk of bifurcation, with limited links between the export and domestic sectors of the economy as may be the case with export promotion zones. More recent approaches to industrial policy tend to place the emphasis on efforts to push out an economy's technological frontier, with horizontal measure to address market failures including subsidies for research and development. The government may also provide a coordinating role to promote foreign direct investment or facilitate the entry of domestic firms into *global value chains*. Public-private partnership can be very beneficial development aids.

Overall, there is the underlying need for *good governance* in industrial policy and *coherence* in economic policy. An industrial policy might help to attenuate market failures, especially if accompanied by the discipline to withdraw when the failure(s) are alleviated, but it cannot compensate for a lack of probity in fiscal and social management.

24. **Adequate financing.** The CITA will include adoption of measures to improve access to trade finance, consistent and open FDI policies, and develop domestic financial markets. CAREC interventions include:

- SME access to trade finance including under ADB's Trade Finance Program as well as trade insurance
- Establishment of multilateral agency for trade finance
- Cross-border financial transactions and investment facilitation and promotion
- Capacity-building and knowledge-sharing on effective financing models including public-private partnership (PPP) and those that promote innovation (e.g., seed money, start-ups or incubation)

25. **Linkages with global and regional supply chains.** The CITA will include measures to promote matching of skills supply with demand including upgrading, support adoption of innovation, and support business development and support services. CAREC interventions include:

- Regional collaboration in training and education services, mutual recognition of skills arrangements, development of a regional labor market information system and skills upgrading
- Policy work such as analysis of CAREC regulations on identified services sectors vis-à-vis their commitments under the General Agreement on Trade in Services (GATS) or other trade agreements (see **Box 4**)
- Analysis on the trade restrictiveness and development of telecommunication, financial, transport, logistics, education and other business services
- Study on the best practices on e-commerce and promotion of digital trade including duty-free electronic transmissions or IT products that are part of the value chains;
- Innovation for the fourth industrial revolution (Industry 4.0), eliminating digital divide and faster internet access (e.g., WTO "Enabling E-commerce" initiative)
- sectoral clusters development and industrial development (including R&D), scoping studies/market analysis for the development of special economic zones or industrial parks which dovetails into economic corridor development
- Potential for development of tourism and travel-related services including facilitated visa regimes for business people (e.g., APEC business cards) or special arrangements for trader/driver mobility
- Providing a venue for business promotion or matching (e.g., trade missions or expos) to introduce new products and emerging markets while improving product diversity and quality

- creation of a more favorable business environment and improvement of SMEs and MSMEs export capacity and participation in the supply chain

Box 4: Trade in Services and the Movement of People

Services are the “grease” that makes economies work; they are key determinants of the productivity of the basic factors of production- labor and capital- that generate goods, knowledge and other services. *Infrastructural* and *Producer* services such as transportation, telecommunications, health, education, energy, financial and business services are critical inputs for the rest of the economy, underpinning specialization and a more optimal quality/cost combination of output. They also allow the “splintering” of value chains and improvements in total factor productivity through coordination and communication across time and space, enabling economies to find niches of competitive advantage. In short, with the appropriate regulatory environment and good governance, services can both underpin and drive growth. As such, they now account for an average of some 70% of GDP in developed economies and around 55%, and growing, in developing economies; and for about 20% of world trade, which is a high number given that many services are essentially non-tradeable and the services contents of goods are not part of this classification. Indeed it has been found that services represent at least 30% of the total value added in manufactured goods²⁵.

The WTO’s General Agreement on Trade in Services (GATS) distinguishes four modes of supply for trade in services: (1) cross-border; (2) consumption abroad; (3) commercial presence; and (4) the presence of natural persons. Mode 2 is the most prevalent in terms of commitments by GATS Members while Mode 4 has the least level of liberalization, reflecting national sensitivities to accepting foreign workers. And yet there is a potential for gain for both sides; recipients and suppliers would improve their choice-sets for meeting job vacancies and employment opportunities, respectively, thus helping to improve the business and investment climate among participants.

Regional cooperation for the movement of people already exists. An outstanding example of this is the European Union, which has the free movement of labor as one of its pillars. Another less all-embracing example is the Asia-Pacific Cooperation (APEC) Business Travel Card (ABTC) - a travel document for business travellers from APEC countries (with China as its only CAREC member). The card is valid for 5 years, eliminates visa needs and allows for multiple short-term entries; it has proven to be a significant time and cost saver for holders²⁶. Other examples are ASEAN’s Agreement on the Movement of Natural Persons, and the promotion of an unhindered flow of skilled labor through Mutual Recognition Arrangements (MRAs) and the ASEAN Qualification Network. The Agreement addresses temporary cross- border movements but taking advantage of the MRAs can be difficult due both to differences in labor policies and visa procedures. These experiences show that the deeper the commitments, the larger are the potential gains for growth and development among regional participants.

A good first step for CAREC might be to work towards a scheme similar to the ABTC. The divergence of CAREC countries is reflected in the varying profiles of their labor forces - ranging from highly skilled and competitive economies in the mode 4 area to countries where low-skilled labor is more the norm. Due to the time- bound nature of the scheme, significant economic gains could be obtained for all participating countries without jeopardizing potential inter-member political sensitivities that are usually involved when considering liberalization in mode 4. The ABTC scheme is also flexible as it can allow for: members to partially opt-out; adjusting the number of years of validity of the card; scaling up or down the number of sectors concerned; and allowing for a temporary movement of highly skilled specialists only (as a first step, similar to other agreements): *that is*, options are there for

²⁵ See: Magnus Rentzhog and Emilie Anér, “The New Services ERA- Is GATS up to the Task”, The E15 Initiative, ICTSD and WEF, November 2014.

²⁶ Canada and the USA participate only partly in the scheme.

CAREC members to explore. Members could also decide to start with a trial period of the agreement and analyze its results with a view of improving it, or increasing its scope.

C. Stronger Institutions for Trade

26. The CITA will promote better coordination of sectoral policies and priorities and evidence-based policy-making and enhanced capacity of government agencies.

27. **Coordinated sectoral policies and priorities.** The CITA will include measures to support collaborative policy formulation and implementation, alignment of national and regional planning, and promote regulatory convergence in the region. CAREC interventions include:

- support for development of national strategies, roadmaps including through advice on legal matters (training for lawyers)
- Establishment and/or strengthening of intergovernmental and cross-sectoral mechanisms such as NCTFs under the WTO
- High-level dialogues on emerging issues that are better resolved with regional action or cooperation
- Good practices in promoting regulatory convergence or coherence
- Creation of permanent contact points and e-platforms to discuss issues and develop common approaches to respond to trade challenges in the region
- Case or feasibility studies on development of bilateral or subregional economic corridors or trade and economic cooperation centers

28. **Evidence-based policy-making and negotiations.** The CITA will include measures to improve data collection and cross-country analysis, enhance officials' policy analysis and negotiation skills, and increase participation of think tanks and the private sector. CAREC interventions include:

- Development or access to existing data sources to support policy analysis
- Technical assistance to streamline or update trade regulations and procedures
- Development of e-platform or trade portal for information exchange/updates on CAREC trade policy regimes, best practices, statistics, and donor-supported programs
- Research or analytical work on areas with long-term implications in enhancing trade such as effect of existing and potential trade agreements whose membership overlaps with CAREC countries and feasibility of a CAREC-wide FTA
- Inter-subregional sharing of experience on FTAs (with ASEAN and GMS) and development of reference guide for comprehensive FTAs
- Capacity-building to engage and negotiate agreements beyond trade in goods including training of trainers for trade
- Seminar or conferences to increase awareness and understanding of issues in recent FTA negotiations or implementation such as in competition policy, intellectual property rights, economic and technical cooperation
- Enhanced role of CAREC Institute to engage national research institutes and provide opportunities for cross-learning
- Establish venues to encourage active public-private sector dialogue and cooperation to provide enabling environment for private sector activity (such as authorized economic operators (AEO) schemes)
- Policy coordination with other international agreements and programs

IV. Institutional Structure

29. The Regional Trade Group (RTG) will take the lead and have full operational authority as the coordinative and consultative body for trade sector in the CAREC Program. Appendix 2 highlights and composition and terms of reference for the RTG. It will champion CAREC trade sector strategy (i.e., the CITA 2030 and RSAP) and make recommendations to the CAREC Ministerial Conference through the Senior Officials Meeting and National Focal Points (NFP) Meeting. Customs cooperation functions related to trade facilitation will continue to be carried out by the standing Customs Cooperation Committee (CCC). Ad-hoc working groups and expert groups may be organized in new technical areas such as in SPS measures, TBT and services and investment.

30. To the extent possible, cooperate and coordinate with think-tanks and research institutions (e.g., CAREC Institute), international organizations (e.g., World Trade Organization and World Customs Organization), international standard-setting bodies, development partners engaged in trade sector activities in CAREC countries, and regional cooperation mechanisms (e.g., Belt and Road Initiative, Shanghai Cooperation Organization, Economic Cooperation Organization, Eurasian Economic Union, among others) to share knowledge, create synergy and optimize the use of resources. Recognizing their integral role in trade facilitation, private sector engagement such as with the CAREC Federation of Carrier and Forwarder Associations (CFCFA) will also be strengthened.

V. Implementation Approach and Results-Framework

31. Taking into consideration the varying levels of capacities and progress among the countries, CITA will adopt a phased and pragmatic approach in its implementation. A three-year rolling strategic action plan (RSAP) will be developed. RSAP will prioritize projects that are specific, measurable, achievable, realistic and timely (SMART).²⁷ There will be flexibility by allowing two or more CAREC countries to initiate and implement regional projects and initiatives agreed on by all members.

32. The progress of CITA and RSAP implementation will be regularly reported to the CAREC Ministerial Conference through the SOM and NFP Meetings. A communications plan will be developed to widely disseminate information on the CITA and RSAP to all public and private stakeholders.

33. There will be two-tiered approach at the strategic and operational levels to monitor and measure the development outcomes and progress of CITA 2030 and the RSAP making use of available and information from primary and secondary sources. Appendix 3 is the result framework with detailed indicators and baseline benchmarks identified for outputs and activities.

34. At the strategic level, the RTG will develop a results framework that will measure and assess progress in achieving the CITA, making use of selected broad or strategic indicators and following the whole-of-supply chain approach to assist in formulating, updating, and prioritizing

²⁷ "SMART" indicators are described as follows: (i) Specific—relate to the outputs or outcome the project seeks to achieve (cross-border trade increased); (ii) Measurable—stated in quantifiable terms (ton-km); (iii) Achievable—realistic in what is to be achieved (requires management judgment: is 10.0 million ton-km by 2018 realistically achievable?); (iv) Relevant—useful for management information purposes (requires management judgment: will knowing the change in ton-km of cross-border trade be useful to manage the project?); and (v) Time-bound—stated with target and baselines, both with dates (10 million ton-km by 2018; (2010 baseline: 4.6 million ton-km).

recommendations. The tool will also build national capacities in statistical recordkeeping for management purposes.

35. At the operational level, a sector-specific monitoring framework for the RSAP may include: a policy matrix to measure the progress in reforms using theory of change, and a results-oriented framework with numerical targets and baselines used selectively in investment projects for the purpose of managing the development results.

36. The preparations, finalization and updating of the three-year RSAP will be the responsibility of the RTG. RSAP's implementation will be coordinated with other sectoral bodies including the CCC, Transport Sector Coordinating Committee, Energy Sector Coordinating Committee, or sub-sectoral groups as may be established. The interventions will include investment projects, policy dialogues and cooperation, and knowledge products and services. It is important to align trade sector work with real sectors – such as customs with transport, logistics standards, logistics center and BCP improvements; SPS with agriculture and technical standards with industrial development.

VI. Consultation Process, Timeline and Support

37. In order to promote strong ownership among CAREC countries, a more proactive role among development partners, and strengthened private sector engagement (e.g., CFCFA), think tanks or research institutes and other relevant stakeholders will be involved from the beginning to kick off discussions and create synergy in relevant interventions within the CAREC region.

38. The timeline for the preparation of the CITA is as follows:

Date	Activity	Venue	Document Version
12-13 Dec 2017	Regional consultation workshop	Bangkok	Concept Paper
Feb 2018	Circulation of draft consultation paper (15 February 2018 version) for official comments of CAREC countries		Consultation Paper
12-13 Mar 2018	Subregional consultation workshop (Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan)	Almaty	Consultation Paper
23 Mar 2018	National consultation workshop for Mongolia	Ulaanbaatar	Consultation Paper
18-19 Apr 2018	Subregional consultation workshop (Azerbaijan, Georgia and Pakistan)*	Tbilisi	Consultation Paper
25 Apr 2018	National consultation workshop for PRC	Beijing	Consultation Paper
17 May 2018	High-level private sector consultation (Astana Economic Forum 2018)	Astana	Consultation Paper
29-30 May 2018	Presentation at the sanitary and phytosanitary regional workshop	Bishkek	Consultation Paper
25-26 Jun 2018	Consideration/finalization at the Inaugural Meeting of the Regional Trade Group	Bangkok	Working Paper
27-28 Jun 2018	Presentation at Senior Officials Meeting (SOM)	Bangkok	Working Paper
4-6 Sep 2018	Presentation at Customs Cooperation Committee (CCC) and CAREC Federation of Carrier and Forwarder Associations (CFCFA)	Ashgabat	Working Paper

Date	Activity	Venue	Document Version
9-10 Oct 2018	Presentation at National Focal Points (NFP) Meeting	Ashgabat	Working Paper
15 Nov 2018	Endorsement at the 17 th CAREC Ministerial Conference	Ashgabat	Review Paper
Dec 2018 onwards	Stakeholders dissemination		Publication

* Originally planned to include Afghanistan but no delegate was able to attend at the last minute. National consultation requested by Pakistan being planned.

39. The series of consultations gave a general affirmation that the proposed CITA is relevant, responsive, comprehensive and aligned with national strategies or economic plans of CAREC countries. For instance, under Azerbaijan 2020, state regulations aim to ensure healthy competition in market economy conditions and measures are targeted to improve the structure of the economy. Kazakhstan's 2050 prioritizes pragmatic economic policy that leads to competitiveness and pursues institutional reform for industrialization. Pakistan's Vision 2025 aims to ensure good governance and strengthen institutions, attract investments, and develop a competitive knowledge economy through value addition. The National Development Strategy of Tajikistan includes the priorities to create jobs through economic diversification and competitiveness.

40. Representatives from trade-related agencies also identified specific activities (from investment projects, areas for policy dialogue and cooperation and knowledge products and services) for the initial three-year RSAP 2018–2020 to support their respective countries in achieving the objectives and implementing the CITA. Appendix 4 shows the indicative list of projects and programs for the initial three-year RSAP 2018-2020.

List of Boxes and Appendices

Box 1: Regional Trade Agreements

Box 2: Technical Barriers to Trade

Box 3: Industrial Policy

Box 4: Trade in Services and Movement of People

Appendix 1: Problem Tree and Objective Tree Analysis

Appendix 2: Terms of Reference of the Regional Trade Group

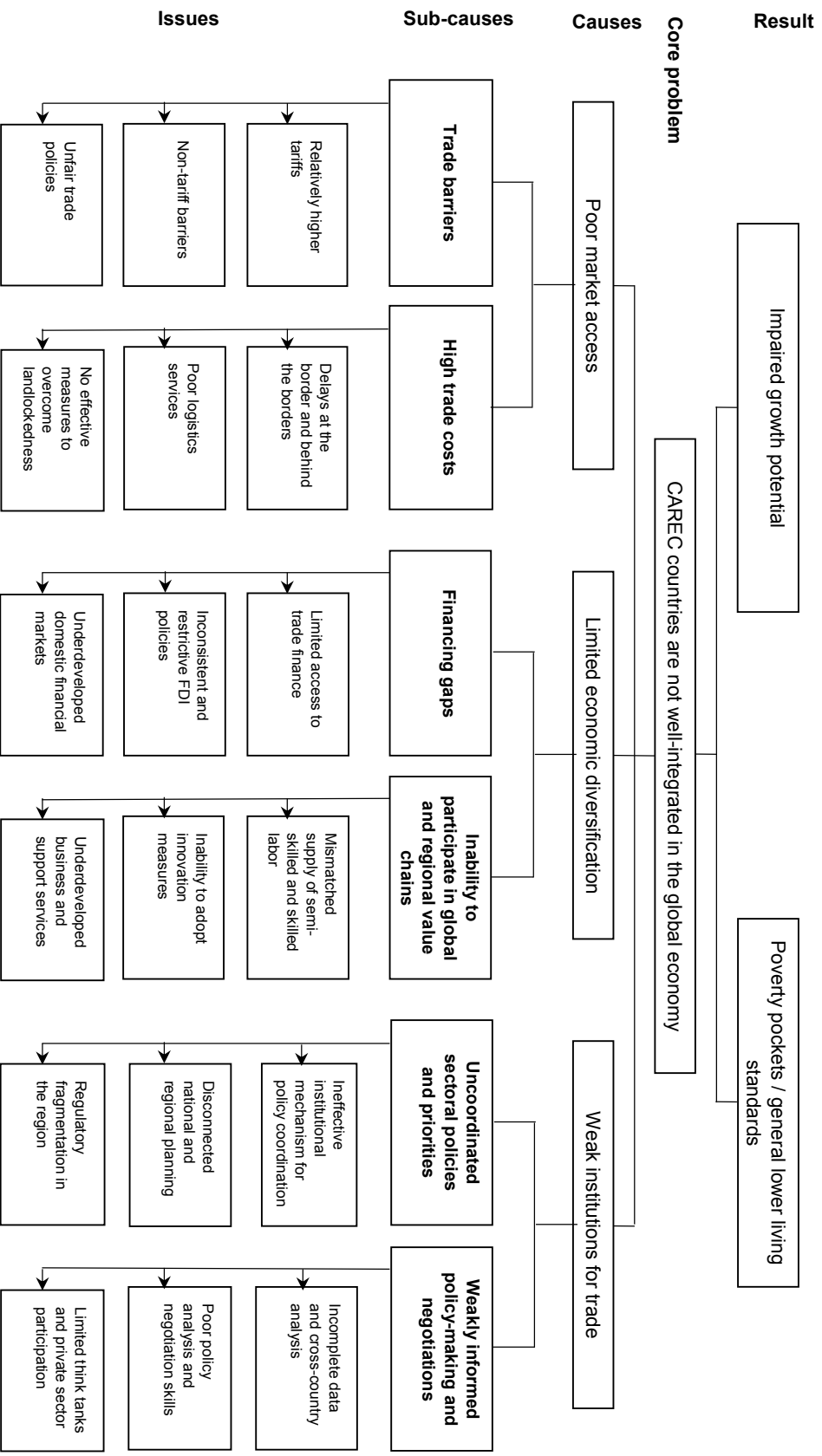
Appendix 3: Results–Framework for CITA 2030 and RSAP

Appendix 4: Indicative List of Projects and Activities Identified for RSAP 2018-2020

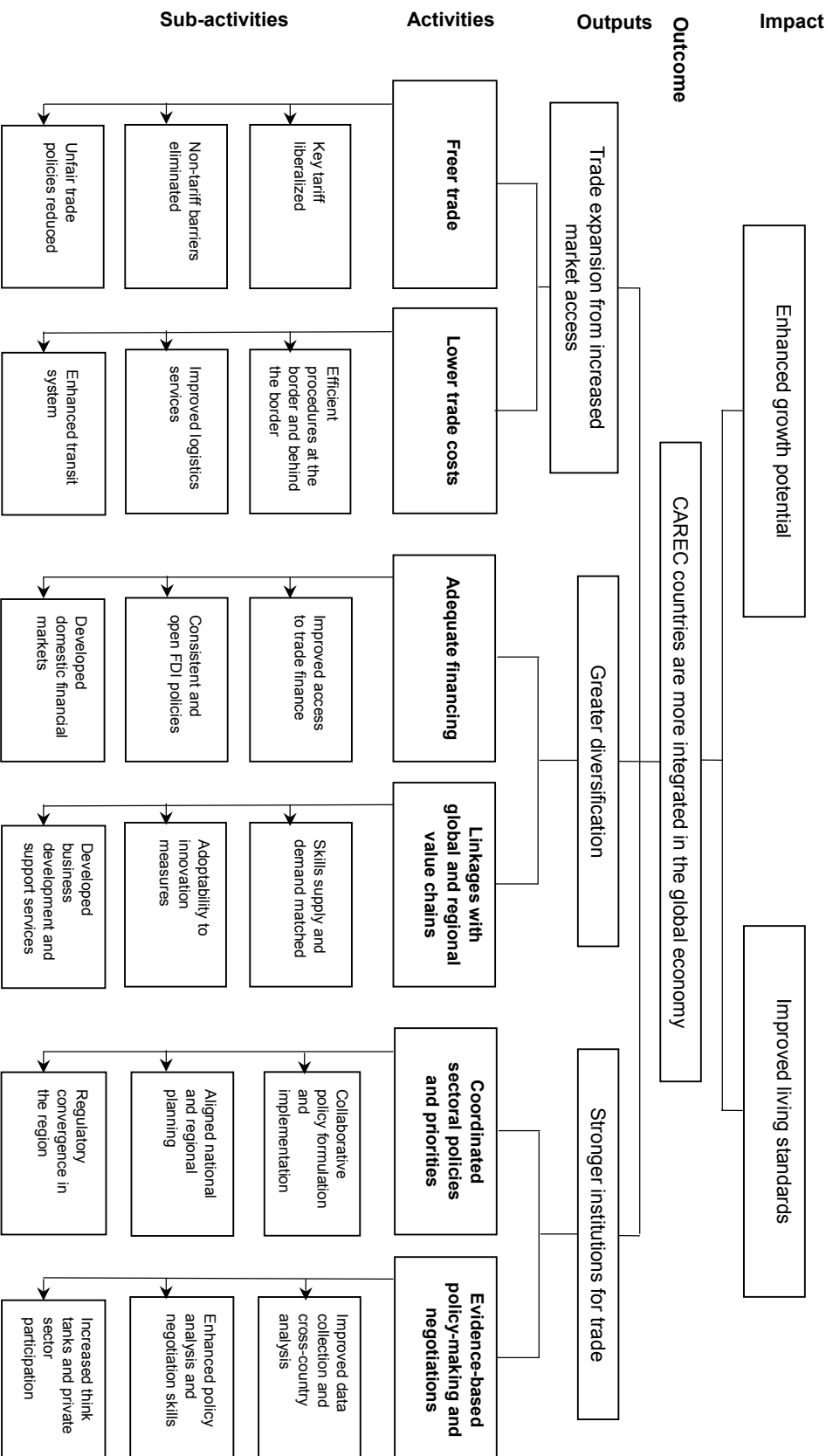
Table of Acronyms

ABTC	–	APEC Business Travel Card
AEO	–	Authorized Economic Operator
APEC	–	Asia-Pacific Economic Cooperation
ASEAN	–	Association of Southeast Asian Nations
BCP	–	border crossing point
CAST	–	Common Agenda for Modernization of SPS Measures for Trade
CCC	–	Customs Cooperation Committee
CFCFA	–	CAREC Federation of Carrier and Forwarder Associations
CITA	–	CAREC Integrated Trade Agenda
EAEU	–	Eurasian Economic Union
EU	–	European Union
FDI	–	foreign direct investment
FTA	–	free trade agreement
GATS	–	General Agreement on Trade in Services
GDP	–	gross domestic product
GMS	–	Greater Mekong Subregion
IT	–	information technology
JCC	–	joint customs control
MRA	–	mutual recognition arrangement
MSME	–	micro, small, and medium enterprises
NCTF	–	National Committee on Trade Facilitation
NFP	–	National Focal Point
PPP	–	public-private partnership
PRC	–	People's Republic of China
RIBS	–	Regional Improvement of Border Services
RSAP	–	Rolling Strategic Action Plan
RTA	–	regional trade agreement
RTG	–	Regional Trade Group
RUST	–	Regional Upgrade of SPS Measures
SAFE	–	Framework of Standards to Secure and Facilitate Trade
SMART	–	specific, measurable, achievable, realistic, and timely
SME	–	small and medium-sized enterprise
SOM	–	Senior Officials' Meeting
SPS	–	sanitary and phytosanitary
TBT	–	technical barriers to trade
TFA	–	Trade Facilitation Agreement
TPCC	–	Trade Policy Coordinating Committee
TTFS	–	Transport and Trade Facilitation Strategy
TPSAP	–	Trade Policy Strategic Action Plan
WTO	–	World Trade Organization

Appendix 1: Problem Tree



Objective Tree



Appendix 2:
Terms of Reference of the Regional Trade Group

[to be inserted]

**Appendix 3:
Draft Results—Framework for CITTA 2030***

Result	Indicator	Source	Baseline (.. to be computed)
OUTPUT 1: Trade Expansion from Increased Market Access	<ul style="list-style-type: none"> – Annual growth in CAREC merchandise trade – CAREC trade as a proportion of global trade – Global Enabling Trade database 	<p>WDI</p> <p>WDI</p> <p>WEF/Global Alliance for Trade Facilitation</p>	<ul style="list-style-type: none"> – 2.3% (excluding PRC) – 0.7% (excluding PRC)
Activity 1: Open Trade Policies	<ul style="list-style-type: none"> – CAREC trade openness (trade as a proportion of GDP) – Market Access sub-index from the Global Enabling Trade database 	WDI	– 61% (2014, DEFR)
a. Tariff liberalization	<ul style="list-style-type: none"> – Lower average tariff rates 	WEF/Global Alliance for Trade Facilitation WDI or TRAINS	– .. (<10% in 2008, TPCC-IMF)
b. Elimination of non-tariff barriers	<ul style="list-style-type: none"> – Improved Average Trade Facilitation Performance 	OECD	– .. (2015)
c. Reduction of unfair trade practices	<ul style="list-style-type: none"> – Global Trade Alert 	CEPR	–
Activity 2: Lower Trade Costs	<ul style="list-style-type: none"> – Trade Costs Database – Doing Business Index 	ESCAP WB	– .. (2014) Rank 85.3 (2018, excluding PRC 78; no data on TKM)
a. Efficient procedures at the border and behind the borders	<ul style="list-style-type: none"> – Border Administration sub-index from the Global Enabling Trade database 	WEF/Global Alliance for Trade Facilitation	
b. Improved logistics services	<ul style="list-style-type: none"> – Logistics Performance Index 	WB	2.39 (2016, excluding PRC 3.66; no data on AZE)
c. Enhanced transit system	<ul style="list-style-type: none"> – Infrastructure sub-index of the Global Enabling Trade database – CPMI: average speed with delay for road in CAREC corridors – Transit Facilitation measure from the Global Survey on TF and Paperless Trade Implementation 	WEF/Global Alliance for Trade Facilitation CAREC UN Global Survey	– 22.3 kph (2016)
OUTPUT 2: Greater Diversification	[Diversification Index]	UNCTADStat	.. (2016)
Activity 1: Adequate financing			
a. Improved access to trade finance	<ul style="list-style-type: none"> – Getting credit component of Doing Business Index 	WB	Rank 71.9 (2018, excluding PRC 68; no data on TKM)

Result	Indicator	Source	Baseline (.. to be computed)
b. Consistent and open FDI policies	– FDI as a proportion of GDP	WDI	.. (2016) 3.6% (2014)
c. Developed domestic financial market	– Financial market development indicator of the Global Competitiveness Index	WEF	3.5 (2015-2016, excluding PRC 4.1; no data on AFG, TKM, UZB)
Activity 2: Linkage with global and regional value chains	– Trading across borders from Doing Business Index – Global Connectedness Index	WB DHL	Rank 125.0 (2018, excluding PRC 97; no data on TKM) 37.6 (2016, excluding PRC 47.8; no data on AFG, TAJ, TKM)
a. Matching of skills supply and demand	– Efficient use of talent from Global Competitiveness Index	WEF	3.9 (2015-2016, excluding PRC 4.6; no data on AFG, TKM, UZB)
b. Adoption of innovation measures	– Global Innovation Index – Innovation Pillar of the Global Competitiveness Index	Cornell-INSEAD-WIPO WEF	30.5 (2017, excluding PRC 52.5; no data on AFG, TKM, UZB)
c. Business development and support services	– Starting a business component of Doing Business Index	WB	
OUTPUT 3: Stronger Institutions for Trade	More responsive trade institutions (based on stakeholder survey?) – <i>Operating environment sub-index from the Global Enabling Trade database</i>	WEF/Global Alliance for Trade Facilitation	
Activity 1: Coordinated sectoral policies and priorities	– <i>Institutions pillar of the Global Competitiveness Index</i>	WEF	
a. Collaborative policy formulation and implementation			
b. Aligned national and regional planning			
c. Regulatory convergence			
Activity 2: Informed policy-making and negotiations			
a. Improved data collection and cross-country analysis			

Result	Indicator	Source	Baseline (.. to be computed)
b. Enhanced policy analysis and negotiation skills c. Increased participation of think tanks and private sector			

*The RSAP-related monitoring indicators will be introduced.
 CEPR = Center for Economic Policy Research; ESCAP = Economic and Social Commission for Asia and the Pacific; INSEAD – Institut Européen d'Administration des Affaires (European Institute of Business Administration); OECD = Organization for Economic Cooperation and Development; TRAINS = Trade Analysis Information System; UNCTAD = United Nations Conference on Trade and Development ; WB = World Bank; WDI = World Development Indicators; WEF = World Economic Forum; WIPO = World Intellectual Property Organization

**Appendix 4:
Indicative List of Projects and Activities Identified for RSAP 2018-2020**

Outputs	Investment Projects including Scoping Studies	Policy Dialogue and Cooperation	Knowledge-Sharing Products and Services
Increased Market Access	<ol style="list-style-type: none"> 1. Regional improvement of border services (RIBS) projects for new border crossing points (BCPs) in AZE, GEO, KGZ, MON, PAK, TAJ and UZB; 2. Pilot joint customs control (JCC) and data exchange (GEO-AZE, PRC-MON, PRC-KAZ) 3. Regional upgrade of SPS for Trade (RUST) projects in MON, KGZ; and border SPS needs assessment in PAK & AFG 4. CAREC Advanced Transit System (CATS) pilot in AZE, GEO, KAZ 5. Establishment of national and/or cross-border Single Window systems 	<ol style="list-style-type: none"> 6. Potential mutual recognition of SPS certificates or accreditation 7. Facilitated visa arrangements or special permits for traders and truck drivers, labor migrants 8. Implementation of transit agreements 9. Involvement of private sector transport and logistics operators (CFCFA) 	<ol style="list-style-type: none"> 10. Promoting BCPs to facilitate regional transport 11. Technical support for WTO accession and experience-sharing by new members 12. Capacity building on WTO TFA, NCTFs 13. Promotion of paperless trading or e-certification of trade documents 14. Case study on FTA engagements (e.g., ASEAN/EU model) and model/template FTA for CAREC countries 15. Analysis on potential enhancement of trade in services (financial, health, education, transport and tourism) and movement of people 16. Results management tools such as Corridor Performance Measurement and Monitoring
Greater Diversification	<ol style="list-style-type: none"> 17. Feasibility studies on free trade zones or cross-border economic zones in MON-PRC (IMAR), KAZ-PRC (Xinjiang) UZB, and PAK 18. Establishment of logistics centers in KAZ, MON, and UZB 19. E-commerce incubation in PRC 20. Trade finance, guarantees and PPPs 	<ol style="list-style-type: none"> 21. Investment forum on agriculture, tourism & technology 22. Strategic planning or roadmaps & sectoral clusters development 	<ol style="list-style-type: none"> 23. Experience-sharing on economic corridor development; cross-border cooperation centers 24. Knowledge-sharing on regulatory framework / best practices on e-commerce and innovation (Industry 4.0) 25. Benefits analysis on industrial policy; phased liberalization approach
Stronger institutions for trade	<ol style="list-style-type: none"> 26. ICT - establishment of one-stop shop/online trade policy and data portal for CAREC countries 	<ol style="list-style-type: none"> 27. Establishment of SPS working groups to implement Common Agenda for Modernization of SPS Measures for Trade (CAST) 28. Relevant agenda for NCTFs, national-level consultations/ country-specific needs assessment 	<ol style="list-style-type: none"> 29. Capacity building for NCTFs 30. Training of trainers on SPS regulations and international standards 31. Trainings on data gathering, policy analysis and negotiations 32. Engagement of research institutions in collaboration with CAREC Institute

AFG = Afghanistan; ASEAN = Association of Southeast Asian Nations; AZE = Azerbaijan; BCP = border-crossing point; CAST = Common Agenda for Modernization of SPS Measures for Trade; CATS = CAREC Advanced Transit System; EU = European Union; GEO = Georgia; FTA = Free

Trade Agreement; ICT = Information and Communication Technology; KAZ = Kazakhstan; KGZ = Kyrgyz Republic; MON = Mongolia; PAK = Pakistan; PRC = China, People's Republic of; TAJ = Tajikistan; and UZB = Uzbekistan; IMAR = Inner Mongolia Autonomous Region; JCC = Joint Customs Control; RIBS = Regional Improvement of Border Services; RUST = Regional Upgrade of SPS for Trade; PPP = Public-Private Partnership; CFCFA = CAREC Federation of Carrier and Forwarder Associations; NCTF = National Committees on Trade Facilitation; SPS = Sanitary and Phytosanitary; WTO = World Trade Organization; TFA = Trade Facilitation Agreement.