

Design and Implementation of A Trade Agreement involving Central Asia Regional Economic Cooperation Countries



Richard Pomfret

CAREC Regional FTA Expert

*Professor of Economics Emeritus, University of
Adelaide, Australia*

*Senior Adjunct Professor, The Johns Hopkins
University School of Advanced International Studies
(SAIS Europe), Bologna, Italy*

Background

- CAREC trade policy pillar was founded on WTO membership
 - Today 8 CAREC countries are WTO members and the other three – including Azerbaijan - are actively negotiating accession.
 - the next step is to reach agreement on measures beyond WTO commitments.
- A CAREC trade agreement should build upon previous steps,
 - the 2019 CAREC Integrated Trade Agenda (CITA) set up a framework for coordination of more open trade policies.
- A CAREC trade agreement must recognize members' pre-existing agreements
 - Kazakhstan and the Kyrgyz Republic are members of the Eurasian Economic Union whose common external trade policy rules out preferential tariff reductions in a CAREC agreement

Three Main Conclusions of the Research Report

1. The way forward is to adopt a multi-chapter framework agreement.

- WTO provides baseline rules
- adopt a chapter structure that covers areas of common interest in varying depth.

2. The Report identifies four priority chapters that could yield an early harvest of specific commitments:

- e-commerce and digitalization **WTO-X**
 - sanitary and phytosanitary (SPS) measures **WTO+**
 - trade in goods – focus on trade remedies (AD & CVD) **WTO+**
 - trade in services **WTO+**
- Agreed commitments will depend upon members; they should be treaty based and supported by a dispute settlement process.
- ## 3. The report advises that the focus should not be on preferential tariffs
- require product-by-product negotiation and agreement on rules of origin.
 - with already low MFN tariffs on most CAREC trade, preferential access would have limited impact.
 - preferential tariffs in CAREC would be incompatible with some members' existing agreements

- Note: **WTO+** items extend WTO commitments; **WTO-X** are areas not covered by the WTO

Multi-Chapter Agreements

Modern trade agreements such as CPTPP or RCEP are structured around 20-30 chapters, identifying the **WTO+** and **WTO-X** areas where WTO commitments could usefully be extended.

Although agreements differ in coverage and strength of commitments:

- similar chapter structures help to ensure that agreements are consistent;
- commitments can vary in strength (may – should – must);
- some chapters identify areas of potential future interest, but where signatories are unwilling to make commitments now.

Chapter Structure of CPTPP compared to RCEP and the EU-Canada Agreement

CPTPP	RCEP	CETA	CPTPP	RCEP	CETA
1. definitions	1	1	16. competition policy	13	17
2. market access for goods	2	2	17. SOEs & monopolies		18
3. rules of origin	3	A	18. intellectual property	11	20
4. textiles & apparel		A	19. labor		23
5. custom administration	4	6	20. environment		24
6. trade remedies (AD&CVD)	7	3&7	21. cooperation & capacity building	15	25
7. SPS	5	5	22. competitiveness & investment facilitation		
8. TBTs	6	4	23. development		22
9. investment	10	8	24. SMEs	14	
10. services	8	9	25. regulatory coherence		12&21
11. financial services	8	13	26. transparency & corruption		27
12. temporary migration	9	10	27. administration & institution provision	18	26
13. telecoms	8	15	28. dispute settlement	19	29
14. e-commerce	12	16	29. exceptions & general provisions	17	28
15. public procurement	16	19	30. final provisions	20	30

RCEP not only leaves out some chapters that are in CPTPP, commitments within chapters are weaker and dispute settlement procedures are less strict

The Research Report recommends RCEP as a useful template for a CAREC agreement.

Proposed Chapter Framework for a CAREC Trade Agreement

The Research Report proposes an agreement with 15 chapters, roughly similar to RCEP.

- RCEP is useful because its 15 signatories have a range of income levels and economic structures
- RCEP has similar coverage to best practice agreements (such as CPTPP and CETA) but with weaker obligations on more controversial topics such as digitalization commitments

Some CAREC members already have agreements with a chapter structure – for example;

- Georgia-PRC trade agreement;
- EU-Georgia DCFTA; EU-Kazakhstan and EU-Uzbekistan EPCAs
- PRC is in RCEP – and has applied to join CPTPP.

Chapter Structure of the Georgia-PRC trade agreement, the EU-Georgia DCFTA and EU EPCAs with Uzbekistan and Kazakhstan compared to the RCEP

RCEP	Georgia-PRC	GeorgiaDCFTA	EPCA Kaz	EPCA Uzb
1. definitions	1			
2. market access for goods	2	1	1	1
3. rules of origin	3			
4. custom administration	4	5	2	3
5. SPS	5	4	4	5
6. TBTs	6	3	3	4
7. trade remedies (AD&CVD)	7	2		2
8. services	8	6	5	11
9. temporary migration	8B			
10. investment	12*	7	5.7	11
11. intellectual property	11	9	7	6
12. e-commerce	12*	6		
13. competition policy	10	10	11	7
14. SMEs				
15. cooperation & capacity building	12			
16. public procurement		8	8	8
17. exceptions & general provisions	16	15		
18. administration & institution provision	14			
19. dispute settlement	15	14	14	13
20. final provisions	17			

Possible Chapter Framework for a CAREC Trade Agreement

1. definitions
2. trade in goods
3. SPS
4. trade in services, including financial services
5. e-commerce & digitalization
6. temporary migration
7. investment
8. intellectual property
9. public procurement
10. competition policy
11. small and medium-sized enterprises
12. exceptions & general provisions
13. administration & institution provision
14. dispute settlement
15. final provisions

The Report identifies chapters 2-5 as priority chapters that could yield an early harvest of specific commitments, while topics 6-11 could be marked for future attention.

Four Proposed Priority Chapters

Based on their importance for trade within CAREC and the potential for agreement, four priority chapters are identified:

- **e-commerce and digitalization** - not yet included in the WTO (the internet scarcely existed in 1995), but consistent rules and regulations are essential for modern international trade.
 - **sanitary and phytosanitary (SPS) measures** - the WTO includes SPS but weak requirements. Agricultural exports are important to many CAREC members.
 - **trade in services** - a heterogeneous topic - it would be useful to identify subsectors of special interest to CAREC members, and barriers to trade in those subsectors
 - **trade in goods** – focus on trade remedies (AD & CVD), technical barriers to trade (TBTs) and standards
 - The report advises not to focus on negotiation of preferential tariffs, which would be incompatible with some members' existing agreements and would require product-by-product negotiation and agreement on rules of origin.
- Note that the last three are included in the EU-Kazakhstan and EU-Uzbekistan EPCAs, which could be a useful starting point,
 - e-commerce & digitalization is important for trade and trade facilitation and consistent regulations facilitate trade – RCEP ch.12 illustrates coverage.

The Structure of RCEP Chapter 12

12.1	Definitions
12.2	Principles and Objectives
12.3	Scope
12.4	Cooperation
12.5	Paperless Trading
12.6	Electronic Authentication and Electronic Signature
12.7	Online Consumer Protection
12.8	Online Personal Information Protection
12.9	Unsolicited Commercial Electronic Messages
12.10	Domestic Regulatory Framework
12.11	Customs Duties
12.12	Transparency
12.13	Cyber Security
12.14	Location of Computing Facilities
12.15	Cross-border Transfer of Information by Electronic Means
12.16	Dialogue on Electronic Commerce
12.17	Settlement of Disputes

Note: some topics could be left blank if agreement is difficult, but others would be codifying agreements already reached (e.g. commitments on paperless trading made in UN agencies) or should be easy to agree upon (e.g. acceptance of electronic signatures). Many existing agreements have texts that can be a starting point.

Conclusions

Timing. The longstanding CAREC trade policy goal of WTO membership for all members is close to fulfilment in 2023. The next step is to agree on measures beyond WTO commitments.

Continuity. A CAREC trade agreement should build upon previous steps, notably the 2019 CAREC Integrated Trade Agenda, which set up a framework for coordination of more open trade policies.

Constraints. A CAREC trade agreement must recognize individual countries' existing agreements, some of which rule out commitments on tariffs in a CAREC agreement.

Lessons. A beyond-WTO trade agreement can build upon the chapter structure of other agreements.

The CPTPP is the global best practice, RCEP has similar structure with less stringent commitments, and Kazakhstan's and Uzbekistan's EPCAs with the EU provide a useful starting point.

Recommendations:

- **The way forward is to adopt a multi-chapter framework agreement.** As a template, the Report proposes the RCEP agreement.
- **Four priority chapters could yield an early harvest of specific commitments:** trade in goods, trade in services, sanitary and phytosanitary (SPS) measures, and e-commerce and digitalization.

Thank you!

Comments and questions welcome
please email pomfret48@gmail.com

