



Trade Policy Coordinating Committee Status Report

**8th Ministerial Conference on
Central Asia Regional Economic Cooperation
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CAREC Trade Policy Coordinating Committee Status Report for the October 2009 Senior Officials' Meeting

I. INTRODUCTION

1. This report focuses on the eleventh CAREC Trade Policy Coordinating Committee (TPCC) meeting held in Ulaanbaatar on October 13, 2009, and discusses the work program going forward. Following its mandate, the TPCC aims at helping all CAREC countries adopt more open trade regimes, so as to facilitate both intra- and inter-regional trade. The TPCC is the only CAREC committee whose focus is exclusively on policies and not projects. The IMF takes the lead in organizing the work of the TPCC.

2. The Trade Policy Strategy Action Plan (TPSAP), which was endorsed at the seventh Ministerial Conference in November 2008, envisages concrete policy actions to achieve its key objectives: (i) vigorous pursuit of WTO accession negotiations while ensuring that regional trade arrangements remain consistent with this objective; (ii) elimination of remaining quantitative restrictions on exports and imports; (iii) reduction and simplification of trade taxes, including through uniform application of VAT and excises on domestic and traded goods; (iv) capacity-building activities to facilitate WTO accession and to improve the general institutional environment to support intraregional and international trade; and (v) close coordination between the TPCC and the Customs Cooperation Committee (CCC) activities with a view to implementing the recommendations for reduction of transit and border trade barriers that were endorsed by the Senior Officials' Meeting in 2006-07.

3. The time framework for implementation of the TPSAP is anchored by the medium-term objective of WTO membership for all CAREC countries by the end of 2013. Within this period, a flexible time frame is envisaged for policy actions, which recognizes the differences in the capacity of each government to make changes in policy, regulations, and administrative procedures, and allows countries to prioritize policy actions taking into account their national circumstances. The policy actions contained in the TPSAP and the envisaged time frame for their implementation are not legally binding obligations and may need to be revised in the future to reflect developments in CAREC countries and the global economy.

II. ELEVENTH TPCC MEETING

4. The eleventh TPCC meeting was an excellent opportunity to advance the TPSAP. During the meeting, delegates discussed (i) a questionnaire aimed at measuring progress in implementing the trade liberalization measures contemplated in the TPSAP; (ii) relevant issues for accessing WTO in accordance to the World Bank's handbook; and (iii) an outline of a paper on institutional impediments to trade in CAREC countries. Delegates also provided guidance on priorities to the TPCC's work program.

A. Questionnaire to Monitor Implementation of the Trade Policy Strategic Action Plan

5. The TPSAP contains specific measures on trade liberalization that CAREC countries are committed to undertake during 2009-12. For the remainder of 2009 and in 2010, CAREC countries are expected to eliminate export quantitative restrictions, eliminate or tariff one half of

import quantitative restrictions; apply VAT and excise taxes uniformly; eliminate miscellaneous charges, fees and taxes on imports and exports; make progress in reducing the average and maximum tariffs; reduce the number of non-zero tariff bands; and reduce impediments to transit trade.

6. Delegates discussed the overall format and content of a draft questionnaire prepared by the IMF. The questionnaire mirrored the TPSAP and aimed at collecting information relevant for monitoring the policy actions agreed upon in the TPSAP.

7. While a few delegates asked for a more user-friendly format, and some delegates requested revising certain questions, delegates provided overall support to the questionnaire. Delegates agreed to send their suggested changes by mid-November, and finalize the questionnaire by end-2009.

8. Delegates found the proposed time frame for filling out the questionnaire by the end of January in each year appropriate. It was agreed that the responses submitted by delegates will be compiled and presented at the first TPCC meeting of each year, starting 2010.

B. Training on WTO Accession

9. The TPCC meeting allocated half of the day to issues of training on WTO accession as agreed in the TPSAP. The activities included two one-hour presentations modeled on the World Bank's *Handbook on WTO Accession*, as well as a discussion of future seminars and training by WTO member countries to WTO candidate countries.

10. An expert from the World Bank, who was one of the principal authors of the *Handbook on WTO Accession*, gave the presentations. The first presentation provided an overview of the commitments involved in accessing the WTO based on several country cases. The second presentation used the case study of Russia, illustrating the potential costs and gains of acceding to the WTO and identifying the sources of these potential losses and gains. Delegates found the detailed presentations very informative and useful. For the future sessions of the seminar series by the World Bank, delegates recommended determining the topic based on the priority areas they identified earlier in 2009 in response to the survey by the IMF for this purpose.

11. Delegates also discussed plans to carry out workshops where CAREC WTO members will share their accession experiences. All WTO member countries voiced their willingness to provide bilateral as well as multilateral support to WTO candidate countries. WTO member countries agreed to identify a key topic from the candidate countries' suggested list and report to the TPCC by mid-November. They also agreed to provide short notes describing their experience in acceding to the WTO. Several delegates expressed interest in receiving a presentation from the Chinese authorities on their experiences regarding the WTO accession. The delegation from China kindly accepted this proposal, and will present their accession experience in a seminar at the next TPCC meeting. It is envisaged that the seminar by China will be followed by similar presentations by the Mongolian and the Kyrgyz Republic representatives, and help facilitate the scheduling of the bilateral training as envisaged in the TPSAP.

C. Paper on Institutional Impediments to Trade in CAREC countries

12. A consultant was contracted to prepare the paper on institutional impediments to trade expansion in CAREC countries envisaged in the TPSAP. The objective of the paper is to identify the key institutional factors that affect trade and a framework for actions to improve the institutional environment. The IMF will take the lead in reviewing the consultant's drafts and the ADB will also contribute to the paper preparation.

13. The consultant presented a proposed outline of the paper containing an approach to identifying the institutional impediments to trade expansion, and delineating options for consideration of country delegates. Delegates supported the approach of the study, in particular in providing an analysis going from the general global experience to Asian experiences and the specific CAREC environment. They endorsed the need for concrete recommendations for policy actions specific to each country's circumstances. To this end, delegates agreed to provide by early December 2009 further information on what are considered to be the priority institutional actions in their countries. Delegates also suggested that the paper consider two related issues: first, how institutional improvements fit into the historical experience of broader export-promotion policies; and second, how the current global crisis has affected the trade prospects of emerging markets.

14. It was agreed that a first draft of the paper will be distributed to country delegates by early April, to be discussed at the 12th TPCC meeting in Spring 2010.

III. FUTURE WORK PROGRAM OF THE TPCC

15. The TPCC agreed that its agenda going forward should include:

- (i) *Monitoring the implementation of the TPSAP.* To finalize the questionnaire designed to monitor the progress towards meeting the actions agreed on the TPSAP, delegates will send to the IMF their suggestions for revisions to the format and content by November 15, 2009. The IMF will circulate the finalized questionnaire, incorporating the comments from CAREC participants for the final approval by December 1, 2009. By end-December 2009, the questionnaire will be finalized. Delegates will fill out the questionnaire and send it back to the IMF by end-January of each year. The first set of responses are due by January 31, 2010 for the questions regarding policy actions to be taken in 2009. The IMF will present a summary of the responses at the first TPCC meeting of each year. A summary of the responses to the questions related to the 2009 policy actions will be presented at the next TPCC meeting.
- (ii) *Training on WTO accession.* Delegates proposed that the next session in the seminar series by the World Bank modeled on the *Handbook on WTO Accession* as agreed in the TPSAP will be determined based on the priority areas that country delegates have identified in their earlier responses to the IMF survey on this topic. The modality of the session—either a regional seminar or a session in the next TPCC meeting—will be decided on the basis of the funding alternatives, including from multilateral organizations such as the UNDP. Delegates also agreed on having a session at the next TPCC meeting by the Chinese authorities on their accession experience. The other CAREC WTO member countries,

Mongolia and the Kyrgyz Republic, agreed to circulate brief notes on their accession experience to country delegates before the next TPCC meeting. The presentation by China and the notes from the other member countries are expected to facilitate the bilateral training and support on accession issues from members to candidates, as stipulated in the TPSAP.

- (iii) *Preparing a paper on institutional environment and trade as envisaged in the TPSAP.* The outline was approved in the TPCC meeting. To develop the paper in line with country officials' views, delegates will send their comments to the IMF and the consultant by December 1, 2009. The consultant will incorporate these comments and prepare a first draft of the paper identifying the key institutional impediments to trade expansion in CAREC countries, highlighting common and individual country constraints, and recommending ways of addressing them through short-term and medium-term policies. The draft will be circulated to country delegates by April 1, 2010 and will be discussed at the next TPCC meeting.