



Reference Document
For Session XX of the Senior Officials' Meeting
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Trade Policy Sector Progress Report and Work Plan (2015)

**Senior Officials' Meeting
Central Asia Regional Economic Cooperation
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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 11th 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 to implement the capacity-building and knowledge-sharing program among CAREC members.

Action initiated:

3. The 22nd TPCC meeting on 16 June 2015 was held in Bangkok, Thailand. 21st TPCC meeting on 4 November 2014 was held in Bishkek, Kyrgyz Republic. 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 subsectors 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 development 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 will continue at the 23rd TPCC meeting just prior to the next midyear SOM (date and venue TBD).

- Advance the WTO accession knowledge sharing program through training workshops.

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. 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. This report explored alternative organizational forms with the aim of solving conflicts of interest that arise from Tajikstandart's multiple functions.

Output 2: On 27–28 January 2015, ADB conducted an Executive Training on Quality Infrastructure Reforms in Dushanbe. The training program aimed to (i) deepen understanding of the concerned government officials and interested stakeholders on the basic quality infrastructure concepts, (ii) discuss Tajikistan's demand for quality infrastructure development with reference to the existing case studies, (iii) enhance the awareness of Tajikistan's commitments on technical regulations in the WTO, (iv) share experiences and lessons from other countries on quality infrastructure reform, and (v) present the ADB report on the "Policy Research and Analysis on Organizational Reforms of the Tajikistan Standards Agency—Tajikstandart" toward the ways forward. 44 representatives from 14 government agencies and six international institutions attended.

Output 3: ADB, in cooperation with Tajikistan Ministry of Economic Development and Trade, convened a post-accession "International Trade and Investment Conference" on 1 June 2015 in Dushanbe. The conference set sights on (i) assessing Tajikistan's progress in fulfilling its WTO commitments; (ii) providing a platform for public–private dialogue concerning this assessment; and (iii) deliberating on possible technical assistance in partnership with donors. About 77 representatives from 20 government agencies, 12 donor institutions, 15 NGOs and

enterprises attended. It was well received from the discussion that benefits of WTO membership are considerable but not automatic. It heavily depends on how the domestic reform rolls out. Accession to WTO is just a beginning where real work starts, challenges emerge and concrete actions are required.

In its statement at the conference, the WTO commends the ADB for the timely and necessary steps it has taken to co-organize and co-host this conference with the Government of Tajikistan. The WTO looks forward to continuing to work closely together in partnership with ADB (and traditional and emerging development partners), and with the Republic of Tajikistan to deepen the WTO membership gains for Tajikistan.

Next Steps:

7. 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:

8. Formal tabulation of progress results under the updated TPSAP resumed at the 22nd TPCC meeting in Bangkok, with all member countries submitting the requested information. The IMF delivered a presentation summarizing the progress results as of end-2014. The reporting of progress made in the implementation of the updated TPSAP reflects a simple recording of actions met (or partly met) by individual countries, in line with the targeted implementation date and consistent with the refined DEfR methodology. As of end-2014, in the eight action items that were applied to all members, a majority of countries completed the action items (see chart). In other areas where actions were stipulated for specific countries, progress was less visible. For example, as of end-2014, both Afghanistan and Kazakhstan did not meet the WTO accession target date due to various reasons. That said, since then, the accession protocol of Kazakhstan has been approved by the WTO General Council in July 2015. Azerbaijan and Uzbekistan did not complete negotiations at the WTO, nor fully implemented WTO consistent legislation and institutional changes to achieve WTO membership, although work is underway on these fronts in both countries.

Actions (by end-2014)	AFG	AZE	CHN	KAZ	KGZ	MNG	PAK	TJK	TKM	UZB
Eliminate discrepancies between taxes applied to domestic production and imports	Not completed	Not completed	Completed	Completed	Completed	Not submitted	Completed	Completed	Not completed	Not completed
Eliminate, or incorporate into tariffs, all miscellaneous taxes and fees applied to imports	Not completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Not completed	Completed
Reduce the average tariff (after miscellaneous taxes and fees and quantitative restrictions equivalents are included) to 10 or less	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Not completed	Not completed
Tariff cuts implemented by end-2014 or after WTO accession to achieve the 20 percent cap (with only few exceptions for sensitive products)	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Not completed	Not completed
Eliminate or tariffy import quantitative restrictions and licenses that are not WTO compliant	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Not completed	Completed
Formally acknowledge the importance of WTO SPS and TBT agreements	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed
Form a National Joint Transport and Trade Facilitation Committee (NJC) permanent secretariat	Not completed	Not completed	Not completed	Completed	Completed	Completed	Completed	Completed	Not submitted	Completed
Participate in ADB's training and TA on complying with and aligning customs procedures to the Revised Kyoto Convention	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed

	Completed
	Not completed
	Not submitted

9. **Next Steps:** Reporting on the implementation of the updated TPSAP will resume at the 23rd TPCC meeting, where progress will be measured against action items that were stipulated to be completed by end-2015.

2. Resolution of Ongoing Key Issues

10. The updated TPSAP builds on and retains the three objectives of the previous TPSAP, but adds two new key objectives: (i) reducing and rationalizing the trade impeding impact of SPS measures and TBT measures, and (ii) expanding trade in services. By including these two new objectives, the aim is that CAREC countries will be able to achieve more substantial benefits from trade expansion. Still, the implementation of policies in these areas is more challenging than the simple removal or reduction of old command and control trade barriers; hence, 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

11. 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 degree of TBT and SPS measures in place and (ii) existing bottlenecks to the expansion of trade in services. Finally, building on the complete data submission by all members for TPSAP measures targeted at end-2014, CAREC senior officials are requested to ensure continued full participation by member countries going forward.

III. CHANGES TO SECTOR ACTION PLAN

12. All items of the Trade Policy Sector Work Plan remain broadly on track as of September 2015. 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.