

NECESSARY TRADE AND INVESTMENT POLICIES TO SUPPORT GREATER VALUE CHAIN INVESTMENT IN CENTRAL ASIA

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CONTENT OF THE PRESENTATION

- Central Asia today – obstacles to trade
- World Trade Organization (WTO) as a platform to improve situation
- Short overview of the WTO Trade Facilitation Agreement
- Conclusions and recommendations

REGIONAL ECONOMIC COOPERATION PROJECT



CENTRAL ASIA-ROAD AND RAILLINKS



LINKS TO THE SOUTH



PROBLEMS AFFECTING TRADE

- **TURBULENT HISTORY AND RELICS OF THE PAST**
 - Problems between countries (ethnic issues, state borders that do not necessarily follow ethnic ones)
 - Borders not demarcated - armed conflicts (Tajikistan-Kirgizstan)
 - Railways and roads built in Soviet times when borders were irrelevant
- **LACK OF TRUST AND COOPERATION**
 - Security issues
 - Mined borders
 - Sometimes walls at the borders/border crossings
 - Prohibition for vehicles registered in one country to cross to another
 - Border crossings designated as local-restriction of transit (Karamyk)
 - Violation of TIR rules – all goods unloaded and checked at border crossings
 - Railway being planned /built around a country instead across it
- **ECONOMIC PROBLEMS**
 - Water distribution problem – construction of Rogun power plant in Tajikistan
 - Arbitrary border closing for weeks/months
 - Some economies depend heavily on remittances of migrant workers (almost 50% of GDP in Tajikistan)
 - Export predominantly of raw materials
 - Corruption deeply embedded into the system

WHAT WOULD BE THE WAY TO IMPROVE THE SITUATION?

- There is no definite answer, however the use of the WTO as a platform for further reforms and problem solving could be one of them

WHY?

- WTO is a global organization whose members create rules governing international trade (currently 161 members)
- Basic WTO principles and its rules and disciplines provide an effective framework for implementing reform policies
- WTO membership is a “seal of approval” confirming that the applicable rules conform to WTO provisions and best international practices, which would attract investment
- **Implementation of the WTO Trade Facilitation Agreement (TFA)**

WTO STATUS OF CENTRAL ASIAN COUNTRIES

- **WTO Members:**

- Kirgizstan – 20 December 1998
- Tajikistan – 2 March 2013

- **In the process of accession:**

- Kazakhstan – completion of the accession process foreseen in 2015
- Uzbekistan – application in 1994, accession process in an early stage, no activities since 2005
- Turkmenistan – considering application for membership

BROADER REGION

- Pakistan – WTO member since 1 January 1995
- Afghanistan – completion of the accession process foreseen in 2015
- Iran – application in 2006, process at an early stage

WTO TRADE FACILITATION AGREEMENT

- Adopted at the WTO Ninth Ministerial Conference in Bali, Indonesia on 7 December 2013 as part of the ‘Bali Package’
- The first new fully multilateral trade agreement negotiated under the auspices of the WTO
- Open for acceptance from 31 July 2014 – 31 July 2015
- The agreement will enter into force when accepted by 2/3 of all WTO members

WHAT IS TRADE FACILITATION?

- **Trade facilitation** is the simplification and harmonization of international trade procedures covering the activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade
- Includes activities pertaining to removal of illegitimate trade related measures, or those intended to streamline and facilitate application of legitimate ones
- Simply put, **trade facilitation would cut the red tape**, reduce bottlenecks, create transparency and reduce corruption, thereby enabling moving goods across borders more efficiently
- The purpose is **to reduce trade transaction costs** at the interface between business and government

CONTENT OF THE AGREEMENT

- **PREAMBLE**

- **SECTION I – SUBSTANTIVE PROVISIONS**

Regulating trade facilitation measures, including detailed elaboration of GATT Articles V, VIII and X

- **SECTION II – SPECIAL AND DIFFERENTIAL TREATMENT**

For developing and least developed WTO Members, providing special rules for the implementation of the Agreement by those Members

- **SECTION III - INSTITUTIONAL ARRANGEMENTS AND FINAL PROVISIONS**

SUBSTANTIVE PROVISIONS

- **Transparency Articles (GATT Article X)**
 - Article 1 - Publication and availability of information
 - Article 2 - Prior publication and consultation
 - Article 3 - Advance Rulings
 - Article 4 - Appeal or Review Procedures
 - Article 5 - Other measures to enhance impartiality, non-discrimination and transparency
- **Fees and Formalities (GATT Article VIII)**
 - Article 6 - Disciplines on fees and charges imposed on or in connection with importation and exportation
 - Article 7 - Release and clearance of goods
 - Article 8 - Border agency co-operation
 - Article 9 - Movement of goods under customs control intended for export
 - Article 10 - Formalities connected with importation and exportation and transit
- **Other provisions**
 - Article 11 – Freedom of Transit (GATT Article V)
 - Article 12 – Customs Cooperation

SPECIAL AND DIFFERENTIAL TREATMENT

- Unique provisions for developing countries and LDCs
- The extent of obligations to be decided by the countries themselves individually
- The timing for implementation is also to be chosen by developing countries
- The obligations are linked to implementation capacity
- No infrastructure development requirements
- LDCs only required to undertake commitments to the extent consistent with their individual development, financial and trade needs or their institutional capabilities

TIMING FOR IMPLEMENTATION AND EXTENT OF COMMITMENTS FOR DEVELOPING COUNTRIES AND LDCs

- **3 categories** of commitments: A, B & C
- **Category A:** Implementation as of TFA's entry in force
- **Category B:** Implementation (x) years after TFA's entry in force
- **Category C:** Implementation (x) years after TFA's entry in force, provided technical assistance has been provided by developed WTO Members

EARLY WARNING MECHANISM

- If a Member experiences difficulties implementing provisions by the definitive dates it established, it should notify the TF Committee:
 - **Developing Countries:** no later than 120 days before the expiration date
 - **Least Developed Countries:** no later than 90 days before the expiration date
- Notification should include reasons for delay and new indicative dates
- Automatic extension will be granted if it is the first request and
 - Extension is requested for less than 1.5 years (developing countries)
 - Extension requested less than 3 years (LDCs)
- Subsequent extensions submitted to the Committee will be given sympathetic consideration

TAJIKISTAN'S NOTIFICATION

Tajikistan will implement all provisions of the WTO Trade Facilitation Agreement as of the effective date, except the following (Category C):

- Article 1.3 - Enquiry Points
- Article 2 - Opportunity to Comment, Information Before Entry Into Force and Consultation
- Article 3 - Advance Rulings
- Article 5.1 - Notifications for Enhanced Controls or Inspections
- Article 7.2 - Electronic Payment
- Article 7.7 - Trade Facilitation Measures for Authorized Operators
- Article 8.2 - Border Agency Cooperation
- Article 10.4 - Single Window
- Article 12 - Customs Cooperation

WHY IS TFA IMPLEMENTATION IMPORTANT?

ON A GLOBAL LEVEL:

- Implementation could boost global trade by as much as \$1 trillion
- Global GDP could be increased by nearly 5 percent
- It would save global traders and transportation and logistics companies significant sums of money, depending on full or limited implementation; however under any scenario cost reductions are significant

FOR PARTICULAR COUNTRIES:

- According to OECD, cost reductions could reach 11.1% - 15.1% depending of the country income/implementation scenario
- Developing countries and LDCs would benefit from the Agreement the most - an important (and funded by developed members) way to improve their trade and investment environment
- Countries moving early would be the first to benefits from TFA implementation

CONCLUSIONS & RECCOMENDATIONS

- Cooperate for the benefit of regional economies and population
- Be the part of the 21st century Silk Road
- Countries in the process of accession to the WTO should intensify their efforts and complete their respective accession processes as soon as possible
- Countries, which are not in the accession process should initiate one and start working towards the WTO membership
- Use the technical support provided by donor countries and organizations to accelerate reform efforts
- Leave the history to historians

IT ALWAYS SEEMS IMPOSSIBLE UNTIL IT'S DONE

Nelson Mandela

THANK YOU FOR YOUR ATTENTION

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