



Session 1: CARTIF RATIONALE AND CONCEPT

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Outline

Background: CAREC Trade Agenda & the Road to CARTIF

The Structure of Modern Trade Agreements

Proposed Outline of a CAREC Trade Agreement

Background of CAREC Trade Agenda

2006 CAREC Comprehensive Action Plan emphasised a results-based approach to projects in four priority areas:

- transport,
- trade facilitation,
- trade policy
- energy

In practice, the focus has been on transport and trade facilitation

The trade policy pillar was based on WTO membership

- Before 2010s only PAK, MON, KRG, GEO, PRC were WTO members
- TAJ (2013), KAZ (2015), AFG (2016)
- UZB, AZE, TKM currently negotiating

In the 2020s, the timing is good for a CAREC trade agreement that goes beyond WTO commitments

The Road to CARTIF

2018 CAREC Integrated Trade Agenda (CITA) 2030 and establishment of the Regional Trade Group (RTG)

2020-2 ADB-TA – Final Report contained

1. A proposed structure for a beyond-WTO CAREC trade agreement
2. Quantitative modelling of the benefits from a CAREC trade agreement

2023 CAREC Economic Partnership Agreement

CEPA = the basis for a beyond-trade agreement

In 2023-4 workshops were held in five CAREC member countries to obtain feedback

Common response = include investment facilitation as well as trade facilitation

18 April 2024: The CAREC Trade and Investment Facilitation Partnership workplan and methodology were presented at the Regional Trade Group meeting in Astana

What Kind of Trade Agreement?

- 20th. century preferential tariff agreements (FTAs, CUs) - mainly about preferential tariffs
- 21st. century deep trade agreements = multi-chapter agreements
 - Low tariffs make preferential tariff treatment less important
 - As tariffs fell, non-tariff barriers to trade (NTBs) became more important
 - As international value chains became more important trade facilitation became more significant

Major examples of deep trade agreement are structured around 20-30 chapters, identifying the **WTO+** and **WTO-X** areas where WTO commitments could usefully be extended:

- **Comprehensive & Progressive TransPacific Trade Agreement (CPTPP)**
 - Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore and Vietnam.
 - UK joined in June 2023
- **Regional Comprehensive Economic Partnership (RCEP)**
 - 10 ASEAN countries + Australia, China, Japan, Korea, New Zealand
- EU partnerships
 - Canada (CETA), Japan (EPA), etc etc

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. Technical barriers to trade (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 TA Research Report recommended RCEP as a useful template for a CAREC agreement.

Proposed Chapter Framework for a CAREC Trade Agreement

The Research Report proposed 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 – and no chapters on labor, the environment, or regulatory convergence

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.

RCEP	Georgia-PRC	Georgia DCFTA	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			

Proposed Chapter Framework from 2020 TA

The Report was completed in 2021-2 and recommended

- **The way forward is to adopt a multi-chapter framework agreement.** As a template, the Report proposed 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.

In 2023 and 2024 national workshops were held in five CAREC member countries to present the concepts and to receive feedback from members.

A common suggestion has been to complement the emphasis on trade facilitation by including **investment facilitation as a fifth priority chapter.**

Note: 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

Proposed Priority Chapters

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

- **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.
 - e-commerce & digitalization is important for trade and trade facilitation and consistent regulations facilitate 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 advised 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.

After consultation with member countries, **investment facilitation** could be added as a fifth priority chapter.

Possible Chapter Framework for a CAREEC Trade Agreement

1. definitions
2. trade in goods
3. SPS
4. trade in services, including financial services
5. e-commerce & digitalization
6. investment
7. temporary migration
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. Country workshops also proposed highlighting chapter 6. Topics 7-11 could be marked for future attention

CAREC Trade and Investment Facilitation (CARTIF)

- CARTIF is a proposed regional partnership amongst CAREC countries on Trade & Investment Facilitation aligned with CITA 2030 objectives and ADB TA outcomes.
- CARTIF is aimed at creating a solid framework for moving the CAREC regional trade agenda to the new level, supporting further economic diversification through the facilitation of cross-border trade and investments.
- CARTIF is a regional legal framework based on a progressive new generation trade agreement and investment facilitation provisions.
- CARTIF follows principles and rules negotiated under WTO and other comparative regional trade agreements, including WTO Trade Facilitation Agreement, Investment Facilitation for Development Agreement, etc. flexibly adapted to the CAREC trade and investment priorities and emerging needs.
- CARTIF is a soft agreement aimed at clarifying the relationship between the parties and their respective roles in securing mutually beneficial results open for all CAREC member countries.
 - some chapters may initially be empty – bookmarked for future negotiations
 - commitments can be varied in strength
 - countries may claim exemption from individual commitments

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 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,
- Georgia-EU, Georgia-PRC, and Kazakhstan's & Uzbekistan's EPCAs with the EU provide useful starting points.

THANK YOU

