

Kazakhstan: Trade Brief*

Trade Policy

Following Kazakhstan's independence in 1991, trade liberalization and privatization gained momentum in the mid-1990s. As a result, tariff rates dropped dramatically, with the maximum (ad valorem) tariff rate, for example, decreasing from 100 percent in the late 1990s to only 5 percent by the early 2000s. The (MFN) Trade Tariff Restrictiveness Index (TTRI) shows further improvements this decade, with a score of 2.1 percent for 2006 compared to 9.9 in 2001 and a latest rank of 8th out of 125 countries. Kazakhstan's TTRI is much lower than the average for Europe and Central Asia (ECA) or upper-middle-income countries (4.2 percent and 5.3 percent, respectively). However, as suggested by the changes in virtually all tariff indicators, the trade regime in 2007 appears considerably more restrictive than in the early and mid-2000s. The specific tariff frequency ratio rose from zero in the late 1990s and an average of 1.65 percent in 2000–04 to 11.8 percent in 2007, a level higher than the ECA (6.7 percent) and upper-middle-income averages (3.9 percent). The maximum rate (including the ad valorem equivalent of specific tariffs) jumped to 415.3 percent (alcohol) and the MFN applied simple average tariff rose to 7.8 percent from 2.8 percent in the early 2000s. No indicators are available to gauge the policy and regulatory regime for the services trade sector, but Kazakhstan scores the highest on the 2004–06 International Telecommunication Union (ITU) competition index.

Market Access

A Generalized System of Preferences (GSP) beneficiary with a number of industrialized countries, Kazakhstan is also a signatory to the Trade and Investment Framework Agreement (TIFA) with the United States and a preferential trade agreement with the EU. Regionally, Kazakhstan is a member of the Commonwealth of Independent States (CIS), the Eurasian Economic Community (EAEC), and the Economic Cooperation Organization (ECO). Not yet a member of the WTO, Kazakhstan initiated its accession process in 1996. Bilateral market access negotiations are still underway on the basis of revised offers in goods and services circulated in 2004. As is typical for an oil and gas exporter, MFN duty-free exports represent a very high share (70.2 percent) of the country's total exports in 2006, up from an average of 53.5 percent in 2000–04. After a depreciation of 1.5 percent in 2000–04, the country's currency—the tenge—appreciated 5.4 percent in 2005–06 on an annual, average, real trade-weighted basis.

Behind the Border Constraints

Kazakhstan's latest Doing Business overall rank is 71st (out of 178), performing particularly well in the Enforcing Contracts subcategory (28th). On the other hand it lags noticeably behind the ECA and upper-middle-income group averages on the 2006 Logistics Performance Index, where it is ranked 132rd (out of 150). Here, its weakest indicators were quality of transport and information technology (IT) infrastructures and efficiency of customs and other border procedures. With numerous document requirements, very long processing times, and high per container export and import costs, the country ranked 178th—at the very bottom of the rankings on the Doing Business—Trading Across Borders subcategory. In 2006, Kazakhstan's per capita rates for telephones and mobile phones (70.3 percent) and Internet users (8.2 percent) are relatively low by its regional and income group comparators' standards. The country's 2005

*As of April 2008. See the World Trade Indicators 2008 database at <http://www.worldbank.org/wti2008>.

secondary school (94.8 percent) enrollment rate is above the regional and upper-middle-income group ratios.

Trade Outcomes

After averaging -4.0 percent in 1995–99 and 9.8 percent (11.0 percent according to national data) in 2000–04, Kazakhstan’s real growth in total trade of goods and services decelerated slightly to an estimated 9.4 percent in 2007, equal to the ECA average of 9.4 percent.¹ Its trade share in GDP was 88.8 percent in 2007, a trade integration ratio below its regional (101.9 percent) and income group (107.4 percent) comparators’ and lower than in 2005–06 due to faster growth in GDP. Kazakhstan possesses enormous reserves of fossil fuel and other minerals and metals and has a large agricultural sector. The industrial sector rests on the extraction and processing of these natural resources (although as Kazakhstan only has three refineries, a large portion of its crude oil is exported to be processed elsewhere) as well as on a growing machine-building industry. Although Kazakhstan has embarked upon an industrial policy designed to diversify the economy away from its dependence on the oil sector, oil accounted for 62 percent of the country’s total merchandise exports in 2006, followed by copper (6 percent), ferrous alloys (2 percent), zinc (2 percent), and fissile chemicals (1 percent). Its 2006 export concentration index is 60 (on the scale of 0 to 100), higher than in the late 1990s and early 2000s.

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¹ The WTI source for aggregate trade flows and the trade share of GDP is the World Bank Development Prospects Group (DECPG) database (alternative figures based on national sources are reported in brackets).