

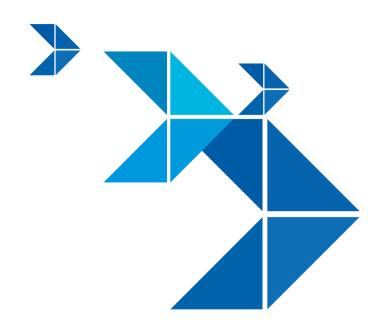








NATIONAL TRADE
FACILITATION REPORT
OF THE REPUBLIC
OF KAZAKHSTAN



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# National Trade Facilitation Report of the Republic of Kazakhstan

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National Trade Facilitation Report of the Republic of Kazakhstan

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N27 The report provides an overview of the measures taken by the Government of Kazakhstan aimed at trade facilitation in the years following the country's accession to the WTO in 2015. It examines the current state of the institution of sustainable trade, institutional developments in the field of trade facilitation, including the WTO Trade Facilitation Agreement. The report also analyzes the country's position in global supply chains and assesses progress and challenges in developing cross-border paperless trade.

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#### **DEAR LADIES AND GENTLEMEN!**

We present to your attention the first National Trade Facilitation Report of the Republic of Kazakhstan.

In recent years, Kazakhstan has made significant progress in implementing trade facilitation measures as an active and committed participant in the multilateral trading system and understanding the importance of achieving the goals of the UN 2030 Agenda for Sustainable Development.

In 2022, the Organization for Economic Co-operation and Development (OECD) praised the results of work in Kazakhstan on trade facilitation, focusing on Kazakhstan's leadership in the Central Asian region.

Kazakhstan's commitment and contribution to the restoration and improvement of global trade processes is also evident during the fruitful 12th Ministerial Conference of the World Trade Organization (WTO), where Kazakhstan was a co-chair. During the Conference, an unprecedented number of useful decisions for world trade were taken, including those promoting the implementation of the WTO Trade Facilitation Agreement.

This report, prepared by the Ministry of Trade and Integration of the Republic of Kazakhstan and QazTrade JSC, together with international experts, is particularly important in light of the global upheavals of recent years and allows to assess the country's progress in facilitating trade procedures.

> Mr. Arman Shakkalivev Minister of Trade and Integration of the Republic of Kazakhstan

The impact of the COVID-19 pandemic and ongoing geopolitical conflicts are disrupting supply chains and increasing price for most critical commodities, rising trade costs and overall uncertainty, which has highlighted the importance of trade facilitation more than ever.

It is undeniable that the WTO Trade Facilitation Agreement became a cornerstone in reducing the vulnerability of global supply chains and mitigating the impact of the crisis by significantly speeding up the movement and release of goods.

It should be mentioned that the importance of deepening regional trade cooperation is highlighted by the signing in 2023 of a regional legal instrument for closer cooperation between national trade facilitation committees of the Central Asian countries.

This Report presents trade facilitation measures taken by the Kazakhstani government since Kazakhstan joined the WTO in 2015. These measures include, but not limited to the measures under the WTO Trade Facilitation Agreement.

> Ms. Zhanel Kushukova Vice-Minister of Trade and Integration of the Republic of Kazakhstan

#### **Acknowledgments**

Based on the joint efforts of QazTrade JSC and its employees, with the support of the Ministry of Trade and Integration of the Republic of Kazakhstan, we present to your attention this analytical report.

The report was prepared by Aliya Alimbetova, Madina Kazhimova, Nurlan Kulbatyrov, Ainur Amirbekova, PhD in Economics, Sayat Ashimov, Yenlik Kusainova and Yerzhan Shakargaliyev. Mr. Ali Alsamawi, PhD, an economist, contributed to the formatting and improvement of the content of the document, actively interacting with our team throughout the study.

We also express our gratitude to the Ministry of Finance of the Republic of Kazakhstan, the Ministry of National Economy of the Republic of Kazakhstan, as well as the United States Agency for International Development (USAID), the International Trade Center (ITC), the German Agency for International Cooperation (GIZ), the Organization for Economic Cooperation and Development (OECD) and other partners for their support throughout the research process. Their participation and active assistance were important elements for the successful completion of this work.

We express special gratitude to government agencies and representatives of the private sector for their valuable contribution to our research through participation in interviews and provision of information.

#### **Summary**

It is widely accepted that trade facilitation plays a critical role in facilitating the active participation of economies in regional and global supply chains and therefore ensuring that trade remains a key driver of growth and sustainable development.

Accordingly, creating favorable conditions for the development of international trade is a priority task for the Government of Kazakhstan. Active involvement in global supply chains allows Kazakhstan to consistently and fruitfully develop such aspects of the economy as attracting foreign investment, increasing the production of goods and services, increasing the number of micro, small and medium-sized enterprises, as well as creating new jobs and others.

However, the global economic crisis amid the consequences of the COVID-19 pandemic and geopolitical conflicts has caused a decrease in international trade volumes and an increase in trade costs for small and medium-sized enterprises. In this context, trade facilitation is an effective tool and a key factor for improving the business conditions of participants in foreign economic activity, since administrative barriers and bottlenecks are limiting factors for the growth of international trade.

As the impact of the COVID-19 pandemic continues to constrain international trade, geopolitical conflicts are creating new supply chain disruptions and inflation is increasing trade costs and uncertainty. Despite robust growth in global merchandise trade since the pandemic, trade growth has slowed again in 2022.

To accelerate trade processes and mitigate the consequences of the crisis, Kazakhstan has achieved a notable advancement in streamlining trade procedures in recent years. This is reflected in the following concrete measures of the Government:

#### ■ Positive institutional changes

The key to successful trade facilitation work in Kazakhstan was the creation of a reliable institutional structure that enabled the Kazakhstani government to make systematic, timely and consistent decisions. The establishment at the beginning of 2018 of the National Trade Facilitation Committee (NTFC) became the starting point for even more proactive work on trade facilitation reforms carried out in Kazakhstan. The NTFC, as a think tank for making key decisions and uniting the efforts of authorized government bodies, organizations and businesses, directed the ongoing work to simplify trade procedures in a single fruitful direction. It not only fulfills its core function of coordinating and monitoring the implementation of the provisions of the WTO Trade Facilitation Agreement (WTO TFA), but has also become a strong foundation and basis for future trade facilitation reforms, where the balance of interests of the public and private sectors is counted. Kazakhstan's openness to cooperation with the world's leading trade development institutions also made a significant contribution to the institutional transformations.

#### ■ Full implementation of the WTO Trade Facilitation Agreement

Kazakhstan, being a bona fide participant in the multilateral trading system, by the time the WTO TFA, which is also informally called the "WTO Customs Agreement", entered into force in February 2017, took advantage of the opportunity of a transition period while understanding the importance of inappropriateness of a reckless approach in implementing its provisions. For these purposes, the government Action Plan adopted for the implementation of categories "B" and "C" commitments of the WTO TFA clearly delineated and defined the powers of each responsible government body. As a result of systemic changes in legislation and effective practical measures to simplify trade procedures, Kazakhstan managed to fully comply with the remaining obligations under the WTO TFA in the next six years, that is, by February 2023¹. Kazakhstan was able to fulfill some of its obligations, such as advance rulings, ahead of schedule. Also, for example, in terms of the commitments on transparency and accessibility of information per the WTO TFA, the "Central Asia Gateway" trade facilitation portal was recognized by the UN as the best information trade portal in the world in the "Digital Government Awards" category.

#### ■ Dramatic improvement of customs legislation and administration

Effective simplification of trade procedures cannot be imagined without modern customs administration in foreign trade processes, which implies the creation of favorable conditions for doing business, while maintaining the proper level of control by the state. In this respect, the entry into force of the Code "On Customs Regulation in the Republic of Kazakhstan" (Customs Code of Kazakhstan) in 2018 allowed Kazakhstan to lay a solid foundation for improving customs administration for years to come. The new Customs Code of Kazakhstan changed the main approaches to customs regulation, created conditions for the development of customs information technologies and established the priority of electronic customs declaration, which made it possible to carry out customs operations automatically. The parallel introduction of advanced information systems such as "ASTANA-1" and "Single Window for Export-Import Operations", as well as an effective risk management system, culminated the country's efforts to improve customs administration.

#### ■ Active development of the institution of paperless and cross-border paperless trade

Paperless and cross-border paperless trade are critical aspects of trade facilitation. Kazakhstan, realizing the importance of transferring information within international trade into digital format in order to speed up trade procedures, has achieved a significant progress in this direction. Kazakhstan's achievements are particularly noteworthy in the areas of introducing an automated customs system and an electronic single window system, electronic payments, submission of customs declarations and applications electronically, cross-border data exchange, as well as the adoption of regulations governing electronic transactions. Moreover, Kazakhstan's commitment to improving all aspects of paperless and cross-border paperless trade is particularly evident in the

<sup>1</sup> ttps://www.tfadatabase.org/en/members/kazakhstan

2021-2022 study conducted jointly with the Economic and Social Commission for Asia and the Pacific (ESCAP) on Kazakhstan's level of technical and legal readiness for cross-border paperless trade. As a result of this study, a number of specific recommendations were developed, and Kazakhstan is currently in the process of acceding to the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific.

#### ■ Fruitful cooperation with the world's leading trade development institutions

Kazakhstan, as a multi-vector country and economic leader in the region, has for many years been completely open to cooperation with international organizations and donors on the issue of simplifying trade procedures. Kazakhstan's open-mindedness towards international partners is seen in the country's cooperation with such leading world organizations as OECD, ITC, UNCTAD, ESCAP, USAID, GIZ, SPECA and others, which supported Kazakhstan not only in capacity building, but also in taking specific practical measures. As part of its interaction with these organizations, Kazakhstan receives a large number of useful recommendations aimed at simplifying trade, which are based on international standards and the positive experience of developed countries. Thanks to partnerships with international trade development organizations, a number of ambitious projects have been implemented in Kazakhstan, such as, for example, the introduction of the "ASTANA-1" IS (UNCTAD), a study to assess Kazakhstan's readiness for cross-border paperless trade (ESCAP), the "Ready4Trade Central Asia" (ITC) and many others.

# ■ Positive developments in sustainable trade and capacity building for small and medium-sized enterprises

The UN Sustainable Development Goals (SDGs) are firmly embedded in the country's main strategic documents. In the recent years, the Government of Kazakhstan has taken a number of effective measures to build the capacity of micro, small and medium-sized enterprises, increase women's participation in trade, and facilitate trade procedures for agricultural development. First, it is the launch in 2020 of the programs for export acceleration and promotion of exporters on international online marketplaces. Second, the launch in 2022 of the portals for trade facilitation and for training small and medium-sized businesses on international trade rules.

Thus, the above key trade facilitation measures taken by the Government of Kazakhstan in recent years play a critical role in mitigating the impact of global shocks on the country's economy in general, and in helping Kazakhstan to prevent increases in financial and time costs for foreign trade participants in particular.

## Contents

Acknowledgments	4
Summary	5
List of abbreviations	9
I. Introduction	10
II. Trade Facilitation and the Global Value Chains	13
II.A. Overview to the Global Value Chains	13
II.B. Position of Kazakhstan in Global Value Chains	14
II.C. Global Value Chains and the Role of Trade Costs	16
II.D. Production Network of Kazakhstan and Trade Agreements	19
III. Trade Facilitation Measures and Paperless Trade Development	21
III.A. Institutional Measures	21
III.B. Transparency in Foreign Trade Processes	23
III.C. Customs Formalities	26
III.D. Facilitation of Transit Procedures	34
III.E. Soft Infrastructure in Trade Facilitation	36
III.F. Paperless and Cross-Border Paperless Trade	38
IV. Facilitation of Trade Procedures within the Framework of International Projects	44
IV.A. Cooperation with the UN Conference on Trade and Development	44
IV.B. Cooperation with the Economic and Social Commission for Asia and the Pacific	47
IV.C. Cooperation with the Organization for Economic Cooperation and Development	48
IV.D. Cooperation with the US Agency for International Development	49
IV.E. Cooperation with the German Agency for International Cooperation	51
IV.F. Cooperation with the International Trade Center	52
IV.G. Cooperation with the UN Special Program for the Economies of Central Asia	56
V. Trade Facilitation for Sustainable Trade	57
V.A. Capacity Building for Small and Medium Entrepreneurs in Cross-Border Trade	57
V.B. The Role of Women in Trade Facilitation	59
V.C. Trade Facilitation and Agriculture	61
V.D. Trade Facilitation Measures during the COVID-19 Pandemic	63
VI. Conclusion and Way Forward	65

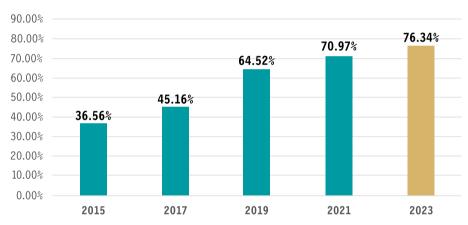
## List of abbreviations

AE0	Authorized Economic Operators
CA	Central Asia
CED	Center for Electronic Declaration
EAEU	Eurasian Economic Union
ESCAP	The Economic and Social Commission for Asia and the Pacific
EU	European Union
GIZ	German Agency for International Cooperation
GSC	Global Supply Chains
GVC	Global Value Chains
IAC	Interdepartmental Commission of Kazakhstan on Foreign Trade Policy and Participation in International Economic Organizations
ITC	International Trade Centre
MTI RK	Ministry of Trade and Integration of Kazakhstan
NTFC	The National Trade Facilitation Committee
0ECD	Organization for Economic Co-operation and Development
SPECA	The UN Special Programme for the Economies of Central Asia
SRC MF RK	State Revenue Committee of the Ministry of Finance of Kazakhstan
UN	United Nations
UNCTAD	The UN Conference on Trade and Development
USAID	United States Agency for International Development
WCO	World Customs Organization
WT0	World Trade Organization
WTO TFA	WTO Trade Facilitation Agreement

#### I. Introduction

In order to simplify trade procedures, reduce trade costs for businesses and eliminate non-tariff barriers, the Kazakhstani Government has adopted a set of legislative and practical measures in recent years, including those related to the implementation of the WTO Trade Facilitation Agreement (WTO TFA), paperless and paperless cross-border trade, as well as sustainable trade and measures during a crisis.

The outcome of the effective work of the Kazakhstani government in this direction are evident in the recent UN Global Study on Digital and Sustainable Trade Facilitation, where it is stated that in 2023,<sup>2</sup> Kazakhstan improved its overall trade facilitation score to 76.34%. For comparison, in 2021 this figure was 70.97%, and in 2015 it was only 36.56%.



**Figure 1.** Kazakhstan's progress in trade facilitation since 2015

Source: the UN Global Study on Digital and Sustainable Trade Facilitation https://www.untfsurvey.org/economy?id=KAZ

According to the data presented in Figure 1, Kazakhstan, in 2019, that is, 2 years after the entry into force of the WTO TFA, demonstrated a significant progress by reaching 64.52%. This significant progress indicates that Kazakhstan is successfully adapting to global trading standards, taking into account international norms and WTO requirements.

Moreover, according to data received from the national information trade facilitation portals of Central Asian countries, in Kazakhstan, fewer procedural steps need to be completed to carry out export and import procedures. This is due to the use of simplified procedures within trading operations. For example, when exporting fresh fruits and vegetables to third countries by rail, a Kazakhstani exporter needs to complete 26 steps,3 while for Uzbekistan this is 42 steps,4 and for Tajikistan5 and Kyrgyzstan6 29 and

 $<sup>^{2}</sup>$  The UN Global Study on Digital and Sustainable Trade Facilitation has been conducted every two years since 2015.

<sup>&</sup>lt;sup>3</sup> https://tradeinfo.kz/procedure/1119?l=ru&includeSearch=true

<sup>4</sup> https://uztradeinfo.uz/procedure/325?l=en&includeSearch=true

<sup>&</sup>lt;sup>5</sup> https://tajtrade.tj/procedure/14?l=en&includeSearch=true

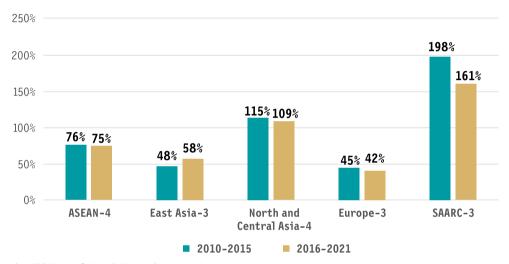
<sup>&</sup>lt;sup>6</sup> https://info.trade.kg/procedure/1330?l=en&includeSearch=true

27 steps, respectively. Similarly, when importing detergents into Kazakhstan from third countries, the process involves 24 steps, whereas for Kyrgyzstan and Uzbekistan, the steps are 29 and 30, respectively.

However, based on the latest data for 2023 from the ESCAP-World Bank Trade Cost Database (Figure 2),<sup>10</sup> comprehensive trade costs of the countries categorized as "North and Central Asia-4",<sup>11</sup> including Kazakhstan, are still significantly higher than the costs of the countries categorized as "Europe-3" (Germany, France, the U.K.) or of those categorized as "East Asia-3" (China, Korea Japan).<sup>12</sup>

**Figure 2.** Trade costs in economical regions of the world, 2016–2021 vs. 2010–2015 <sup>13</sup>

Comparison of trade costs in world economic regions, %



Source: the ESCAP-World Bank Trade Cost Database

In addition, according to Figure 3, the COVID-19 pandemic and ongoing geopolitical conflicts have negatively impacted global supply chains, led to border congestion, contributed to shortages and rising prices for most essential goods, and increased financial and time costs for businesses. In this regard, Kazakhstan's performance in the World Bank Logistics Performance Index is clear.

Before the onset of global crisis in world trade, Kazakhstan demonstrated stable positive dynamics in improving logistics processes, rising from 86th position in 2012 to 71st

<sup>&</sup>lt;sup>7</sup> https://tradeinfo.kz/procedure/657?l=ru&includeSearch=true

<sup>8</sup> https://info.trade.kg/procedure/527?l=en&includeSearch=true

<sup>9</sup> https://uztradeinfo.uz/procedure/1011?1=en&includeSearch=true

<sup>10</sup> https://www.unescap.org/resources/escap-world-bank-trade-cost-database

<sup>&</sup>lt;sup>11</sup> As well as Georgia, Kyrgyzstan and Russian Federation.

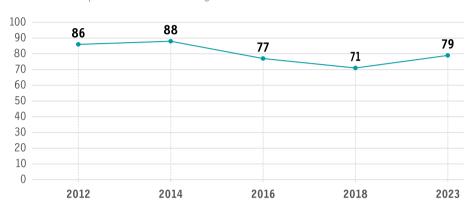
<sup>&</sup>lt;sup>12</sup> According to ESCAP-World Bank Trade Cost Database, ASEAN-4 includes Indonesia, Malaysia, the Philippines, Thailand, while SAARC-3 includes countries such as Bangladesh, India, Pakistan, Sri Lanka, as well as Pacific island developing economies.

<sup>&</sup>lt;sup>13</sup> According to ESCAP-World Bank Trade Cost Database, trade costa are interpreted as tariff equivalents. Specifics of the calculation are available at: https://www.unescap.org/sites/default/d8files/Trade%20Cost%20 Database%20-%20User%20note.pdf

place in 2018. However, in 2023 these indicators slightly worsened, when Kazakhstan lost 8 positions (79th place).

Figure 3. Kazakhstan's position in the World Bank's Logistics Performance Index (LPI), 2012-2023.

Kazakhstan's position in the WB Logistics Performance Index



Source: https://lpi.worldbank.org/international/global

Thus, this Report will analyze the comprehensive measures taken by the Kazakhstani government to facilitate trade since Kazakhstan's accession to the WTO in the context of Kazakhstan's role in global supply chains, trade facilitation measures under the WTO TFA; international projects implemented in Kazakhstan; as well as the measures not expressly specified in the WTO TFA: paperless and paperless cross-border trade; sustainable trade (MSME capacity building, increasing women's participation in trade, agriculture); measures implemented during times of crisis.

#### II. Trade Facilitation and the Global Value Chains

#### II.A. Overview to the Global Value Chains

The transformation in the structure of the world economy over the last two decades, marked by intricate trade relations and the establishment of global supply chains, has underscored the critical role of trade facilitation. The accelerated evolution, fueled by paperless cross-border trade, cost and time reductions, sustainable trade, and the adoption of digital technologies facilitating collaborative business models, has led to a growing fragmentation of production networks. The complexity within national economic systems makes it challenging to measure and analyze the intricate web of trade relations that underpin this transformative process. Trade facilitation becomes imperative in navigating the complexities arising from the dynamic interplay of these economic factors.

According to the OECD, Kazakhstan involvement in GVCs underscores the significance of effective trade facilitation in optimizing a country's position in the global economic landscape (Figure 4). The results presented, representing the percentage of foreign value-added content in Kazakhstan's exports, provide insights into the country's contribution to the final exported goods. Notably, Kazakhstan maintained a comparatively higher level of foreign value-added content, ranging from 11% to 22%, in contrast to the averages of the OECD (8%) and the G20 (5%).

The findings reinforce the importance of trade facilitation measures in enhancing Kazakhstan's ability to integrate effectively into global value chains. As Kazakhstan demonstrates a consistent and relatively higher value-added content in exports, it highlights the role of paperless cross-border trade policies and practices that support and enhance the country's participation in the global economy.

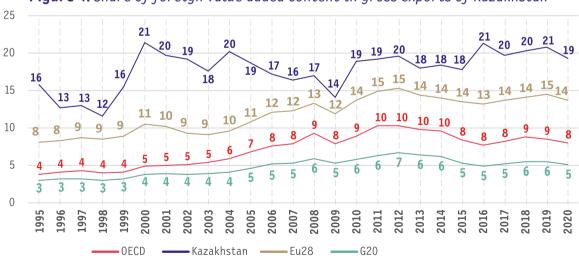


Figure 4. Share of foreign value added content in gross exports of Kazakhstan

Source: OECD

The observed fluctuations in Kazakhstan's foreign value-added content in exports, particularly the decreasing trend in recent years, underscore the relevance of robust

trade facilitation measures to address and mitigate challenges within the nation's export sector. To reverse or stabilize this trend, it becomes crucial to conduct a comprehensive analysis of the factors influencing value-added activities in Kazakhstan. Thus, this emphasized the need for effective trade facilitation policies that enhance the efficiency of trade processes, reduce trade barriers, and create an environment conducive.

#### II.B. Position of Kazakhstan in Global Value Chains

Kazakhstan's strategic positioning as a key player in the international production network underscores the pivotal role of trade facilitation in optimizing the advantages of its engagement in Global Value Chains (GVCs). The country's growing significance as a substantial contributor to different stages of GVCs highlights the crucial need for effective trade facilitation mechanisms to harness its strengths and resources. This aligns with the principles advocated by the World Trade Organization (WTO) in promoting trade facilitation measures to enhance global trade efficiency and connectivity. The GVC strategy more often implies an increase in internal intersectoral connections.<sup>14</sup>

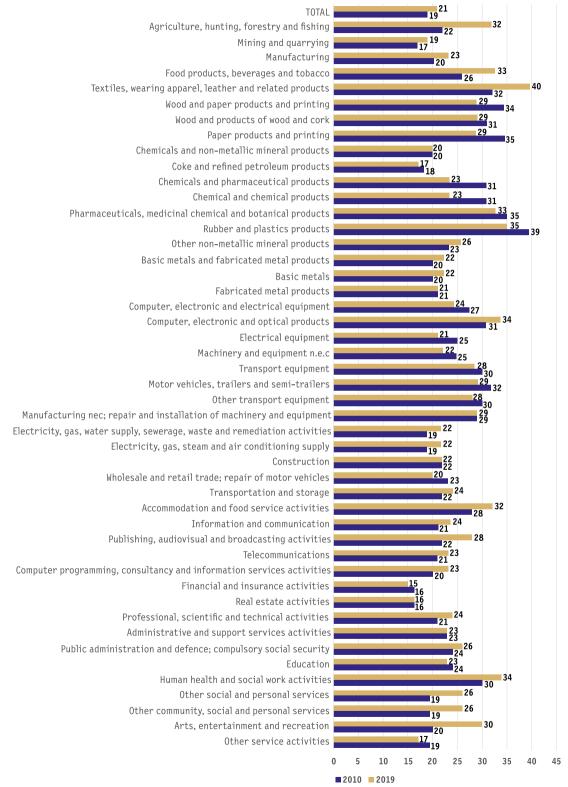
Kazakhstan's indispensable role in the global energy value chain underscores the vital significance of trade facilitation in sustaining the country's economic standing and global relevance. The establishment of robust infrastructure, comprising pipelines and transportation networks, stands as a testament to Kazakhstan's dedication to facilitating the movement of energy products to international markets. Effective trade facilitation measures play a pivotal role in enhancing the efficiency of these transportation networks, ensuring the smooth flow of energy resources, and solidifying Kazakhstan's position as a crucial link in the global energy value chain.

As the world grapples with the increasing impact of climate change, renewable energy sources are gaining prominence. However, these sources present their own set of challenges, including the variability of energy production based on environmental conditions. The transition to renewable energy underscores the need for adaptive trade facilitation strategies and innovation technologies to address the unique complexities of these emerging sectors.

Looking ahead, as the global population continues to grow, the demand for energy, both renewable and non-renewable, will intensify. Bridging the gap between stated renewable energy policies and the net-zero target, as highlighted by the International Energy Agency, will require innovative technologies, and concerted global efforts. Kazakhstan's active participation in GVCs, as reflected in OECD indicators, demonstrates the country's diverse involvement in various industries, including energy and manufacturing, highlighting the need for ongoing trade facilitation and paperless cross-border trade efforts to address challenges and harness opportunities. For example, the country's commitment to economic reforms and initiatives such as the "Nurly Zhol" infrastructure development program further underscores the role of trade facilitation in creating a conducive environment for businesses, attracting foreign investment, and fostering innovation.

<sup>&</sup>lt;sup>14</sup> Amirbekova A.S. Strategy for the Development of the Export Potential of the Republic of Kazakhstan in the Context of the WTO: monograph. — Almaty, Evero, 2019. p.316

Figure 5. Share of foreign goods and services in the structure of Kazakhstan's exports



Source: OECD

Despite these strengths, challenges persist, particularly in technological capabilities and educational reforms. Upgrading these aspects is essential for Kazakhstan to ascend the value chain and ensure sustainable development within GVCs. The lessons learned from global events, such as the COVID-19 pandemic, emphasize the need for Kazakhstan to balance efficiency with resilience in its participation in GVCs. Diversification, risk mitigation strategies, and adaptability emerge as crucial considerations for Kazakhstan's future positioning in the dynamic landscape of global production networks.

The findings presented here (Figure 5) reflect the quantity of intermediate goods and services incorporated into the exported goods and services, as a percentage of exports. For instance, this includes the value of foreign screens, batteries, research and development, and financial services utilized in the exports of computers, as a percentage of the total exports of computers.

#### II.C. Global Value Chains and the Role of Trade Costs

The intricate dynamics of Global Value Chains (GVCs) and the pivotal role of trade facilitation are closely intertwined, with the shift towards paperless trade emerging as a key element in boosting the efficiency of international production networks. Within the GVC framework, trade costs assume a central role, encompassing various factors that impact the competitiveness of these networks. Traditional trade barriers, such as tariffs and transportation expenses, have historically contributed to these costs. However, the reduction in traditional trade barriers, exemplified by a significant global decline in tariffs, has been facilitated by trade agreements and negotiations. This reduction not only promotes cost-effectiveness but also enhances the accessibility of GVCs. It is worth noting, however, that new tariffs may be implemented in the near future as a consequence of the European Union's Carbon Border Adjustment Mechanism (CBAM).

In the context of trade facilitation, the move towards paperless trade is a transformative step. Trade costs, as mentioned, extend beyond tariffs to include non-tariff barriers, regulatory requirements, and the time it takes for goods to reach their destination. Implementing paperless trade processes, such as digital documentation and electronic customs procedures, directly addresses these non-tariff barriers, streamlining the flow of goods and services across borders. The efficiency gains from paperless trade contribute significantly to reducing the time and costs associated with cross-border transactions, enhancing the overall competitiveness of countries participating in GVCs.

In grasping the impact of tariffs on imported goods and services, particularly in the context of Kazakhstan's involvement in GVCs, the concept of backward participation is pivotal (Figure 6). The Backward participation metric, which represents the foreign value-added share of gross exports, highlights the interdependence within GVCs and the reliance on other countries.

The findings related to the foreign value-added share of gross exports in 2019, where the world's average foreign value-added share was 21%, underscore the essential nature of the shift towards paperless trade for Kazakhstan. With more than 17% of Kazakhstan's

backward linkage originating from G20 countries, there is a clear emphasis on the necessity for flexible and adaptable trade facilitation strategies with these nations. The incorporation of paperless trade practices aligns closely with the objectives of trade facilitation, providing a solution to reduce non-tariff barriers and enhance the efficiency of GVCs.

25 20.8 20 18 15 13 13 12 10 8 7 5 5 0 Southeastern Asia Non-OECD economies World APEC Europe OECD EU28 China (People's Republic of) East and 620 Russia Eastern Asia

Figure 6. Backward participation in GVCs, main players (2019) for Kazakhstan

Source: OECD

Paperless trade practices contribute to expediting the movement of goods and services across borders, thereby fostering a more seamless and cost-effective participation in GVCs. As demonstrated by the varying degrees of foreign value-added participation in the results, the adoption of modern trade facilitation measures, including paperless trade, is instrumental in enabling countries to optimize their positions within the global economic landscape.

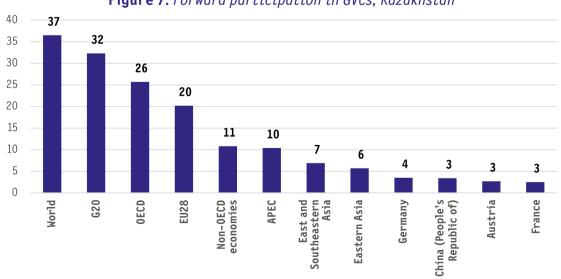


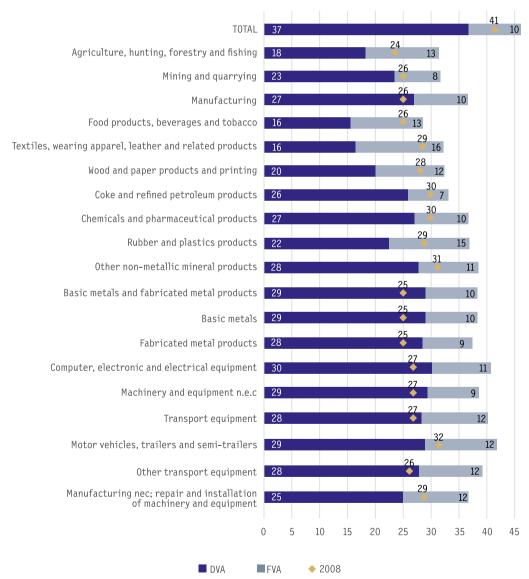
Figure 7. Forward participation in GVCs, Kazakhstan

Source: OECD

The examination of forward participation in GVCs through domestic value-added shares in foreign exports provides valuable insights into the interconnectedness of countries and the influence of trade costs on their engagement in international production networks.

The findings unveil variations in the degrees of reliance on Kazakhstan's inputs among different countries (Figure 7). Europe is positioned fourth, underscoring that any anticipated new fees and trade costs arising from the EU CBAM imposed on Kazakhstan's exports to the EU will impact its competitiveness. This emphasizes the significance of comprehending the factors contributing to trade costs, influencing the decision-making process of countries as they engage in GVCs.

**Figure 8.** The importance of services in international trade, Kazakhstan



Source: OECD

The significance of trade costs in the context of GVCs is evident in Kazakhstan's economic landscape, particularly in the services sector, where trade costs continue to play a substantial role in shaping the dynamics of international trade.

Services contribute significantly to Kazakhstan's economy, constituting 46% of the country's gross exports in 2020 (Figure 8). However, despite this significant contribution, trade costs, especially non-tariff barriers, remain a challenge. Complex customs procedures, differing regulatory standards, and varying technical specifications contribute substantially to these costs. Harmonizing non-tariff measures becomes essential to streamline GVCs, reducing impediments to the smooth flow of goods and services across borders and optimizing Kazakhstan's participation in global production networks.

Transportation costs also emerge as a vital factor shaping GVC dynamics. The efficient and cost-effective movement of goods within value chains is contingent upon well-developed transportation infrastructure. Countries with robust transportation networks are better positioned to attract and participate in GVCs, thereby enhancing their competitiveness in the global market. Efficient transportation infrastructure directly addresses trade costs, facilitating the seamless transition between different stages of production across diverse geographical locations.

Technology also plays a transformative role in reducing trade costs within GVCs. Advancements in information technology, particularly in communication and datasharing platforms, facilitate real-time information exchange. This, in turn, enhances production planning, inventory management, and coordination between different stages of the value chain. Technological advancements contribute to the overall efficiency of GVCs by reducing transaction costs and improving communication, irrespective of geographical distances.

It should be noted that the speed of transportation of goods and the flexibility of production processes also significantly affect the efficiency of GVCs. Accelerated turnaround times contribute to cost savings, allowing businesses to quickly respond to market demands and changes in consumer preferences.

Moreover, the role of trade costs extends beyond the economic realm. Environmental and social considerations, such as the carbon footprint associated with transportation and labor conditions in different regions, influence decision-making within GVCs. Sustainable and responsible practices are increasingly becoming integral factors in evaluating the overall cost-effectiveness of participating in GVCs.

#### II.D. Production Network of Kazakhstan and Trade Agreements

Kazakhstan's strategic positioning at the crossroads of Europe and Asia has propelled its active engagement in the formation of production networks, utilizing its abundant

resource base and geographic advantage. The dynamics of Kazakhstan's production network are intricately tied to its participation in various trade agreements, significantly influencing the country's economic landscape and global integration.

Trade facilitation is at the core of Kazakhstan's production network evolution. The country's participation in the Eurasian Economic Union (EAEU) and the WTO exemplifies its commitment to fostering seamless trade. The EAEU facilitates the free movement of goods, services, and capital within its member states, shaping production networks in the region. Simultaneously, WTO membership encourages Kazakhstan to align its trade policies with international standards, influencing the structure of its production networks to meet global requirements.

The Belt and Road Initiative (BRI), spearheaded by China, plays a pivotal role in shaping Kazakhstan's production landscape. As a key transit country within the BRI framework, Kazakhstan benefits from increased infrastructure development, connecting its production centers to global markets. The initiative has not only facilitated the expansion of production networks by improving transportation links but has also reduced trade costs and enhanced connectivity with countries along the Belt and Road routes.

Despite the benefits, challenges arise from participating in trade agreements. Adapting to varying regulatory standards, addressing non-tariff barriers, and ensuring compliance with international norms are critical considerations for Kazakhstan's production network. Navigating these challenges requires a strategic approach to align production processes with the diverse requirements of global markets.

Kazakhstan's efforts to diversify its production network beyond traditional sectors are evident, with a focus on innovation, technology transfer, and industrial modernization. Trade agreements provide the platform for Kazakhstan to access new markets for its diversified products, influencing the evolution of its production landscape. These agreements play a pivotal role in shaping the dynamics of Kazakhstan's production landscape. As the country navigates the complexities of global trade, strategic alignment with international standards and the pursuit of diversified, innovative industries will be essential for sustaining and enhancing its position within dynamic production networks.

# III. Trade Facilitation Measures and Paperless Trade Development

Since joining the WTO, the Kazakhstani government has successfully implemented a number of significant initiatives aimed at simplifying trade procedures. These measures had a significant positive impact on the efficiency of foreign trade operations in the country, made a significant contribution to economic development in the context of regional and international integration processes, and also contributed to the strengthening of supply chains.

However, due to recent events such as the disruption of logistics and transport routes, as well as supply chains caused by the COVID-19 pandemic and geopolitical conflicts, there is an urgent need to further improve and optimize export, import and transit procedures in Kazakhstan. All of the above factors have had a negative impact on SMEs and resellers. In light of this, a comprehensive approach to reforming trade procedures is required, which would aim at ensuring the stability and sustainability of foreign trade operations in the context of modern challenges and uncertainty.

#### III.A. Institutional Measures

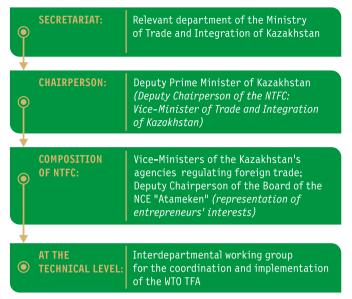
#### The Role of the National Committee for Trade Facilitation in Kazakhstan

In accordance with the obligations under Article 23.2 of the WTO TFA, the National Trade Facilitation Committee (NTFC) was established by the Order of the Prime Minister of Kazakhstan of January 25, 2018. The NTFC became the next stage in the development of the trade infrastructure of Kazakhstan and was formed on the basis of the Interdepartmental Commission of Kazakhstan on Foreign Trade Policy and Participation in International Economic Organizations (IAC).

The NTFC is the key institution responsible for implementing measures aimed at simplifying and optimizing trade procedures in Kazakhstan. The creation of the NTFC was a response to the need to comply with WTO trade facilitation standards and was carried out in accordance with the international obligations undertaken by the country.

The NTFC was formed on the basis of the IAC, which emphasizes an integrative approach to the organization of trade procedures in the country. The body has strategic competence in the field of foreign trade policy and actively participates in international economic organizations, which ensures effective interaction of Kazakhstan with the world economic community.

**Scheme 1.** Composition of the National Committee on Trade Facilitation in Kazakhstan



Source: https://adilet.zan.kz/rus/docs/R1700000114#z69

The NTFC is chaired by the Deputy Prime Minister of Kazakhstan (Scheme 1). It includes representatives of central government bodies responsible for regulating foreign trade processes, the National Chamber of Entrepreneurs of Kazakhstan "Atameken" representing the interests of the business community, as well as other governmental bodies. The working body of the Committee is the Ministry of Trade and Integration of Kazakhstan. Meetings are held once every six months. The National Committee on TF, among other things, monitors the implementation of the governmental Action Plan for the implementation of "B" and "C" category provisions of the WTO TFA, and in general is a platform for discussing initiatives to simplify trade procedures and receiving feedback from the business community.

In April 2023, the Central Asian countries, including Kazakhstan, signed a regional legal instrument on cooperation in the field of trade facilitation. This document is aimed at strengthening cooperation between the national committees of the countries of the region and provides for the joint implementation of measures to simplify regional trade.

This document will take cooperation between the national committees of the Central Asian countries to a new level, promoting the expansion of information exchange and consultations. It also provides for the joint implementation of activities to promote and facilitate regional trade.

#### Cooperation with International Organizations for Trade Development

Kazakhstan, as part of the strategy for the sustainable development of its economy and trade, actively interacts with key international institutions such as the United

<sup>&</sup>lt;sup>15</sup> The full composition of the National Committee on TF is available via the following weblink: https://adilet.zan.kz/rus/docs/R1700000114#z69

States Agency for International Development (USAID), German Agency for International Cooperation (GIZ), International Trade Center (ITC), The Economic and Social Commission for Asia and the Pacific (ESCAP), The UN Conference on Trade and Development (UNCTAD), and others. This cooperation is aimed at the successful implementation of a number of ambitious projects important for ensuring the sustainable development of the country.



Source: the Ministry of Trade and Integration of Kazakhstan https://www.gov.kz/memleket/entities/mti/press/news/details/544055?lang=ru

One of the significant areas of interaction is cooperation with UNCTAD. In this context, projects such as the "ASTANA-1" IS and the "Single Window for Export-Import Operations" are implemented, and Kazakhstani legislation in the field of e-commerce is being reformed. As part of cooperation with ESCAP, a study is conducted to assess Kazakhstan's readiness for cross-border paperless trade. ITC is implementing the "Ready4Trade Central Asia" project, aimed at supporting trade in the region.

Cooperation with USAID is focused on simplifying customs and border control procedures, as well as establishing dialogue between the government and the private sector. GIZ conducts research on average time for release of goods and expedited delivery, which is an important step towards optimizing trade processes.

These initiatives represent significant steps in ensuring the efficiency and sustainability of Kazakhstan's foreign trade operations. More detailed and complete information on the interaction of Kazakhstan's government with international organizations and donors is presented in Section IV of the Report.

#### III.B. Transparency in Foreign Trade Processes

The issue of transparency in government-administered foreign trade processes and procedures is a cornerstone in building an efficient, fair and consistent trading system. In this context, Kazakhstan, in recent years, has demonstrated significant success in the field of increasing transparency, in particular, thanks to the entry into force on January

1, 2018 of the new Customs Code of Kazakhstan. The new code establishes improved legal mechanisms, especially regarding advance rulings.

The effective work of the Kazakhstani government on the issue of transparency for trade procedures is illustrated by the example of Kazakhstan's indicator on advance rulings taken by customs authorities (classification, origin, application of methods for determining the customs value of imported goods). According to the OECD ranking, Kazakhstan scored the maximum possible 2 points (Figure 9) for advance rulings, as well as a high 1.444 points (best practice - 1.615) for the appeal procedure indicator (Figure 10).

In addition, the country has fully complied with its obligations to publish and make information available, provide opportunities for comment before laws and regulations come into force, and strengthen the principles of impartiality and non-discrimination in foreign trade processes. These achievements underscore Kazakhstan's commitment to improving transparency in its trade processes and mark an important milestone in the evolution of its foreign trade system.

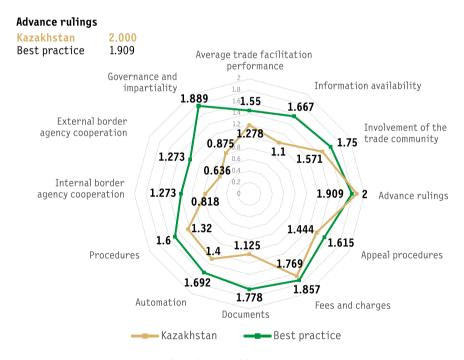
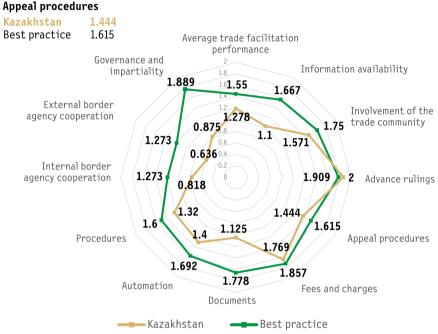


Figure 9. Kazakhstan's performance on advance rulings, 2023

Source: OECD Trade Facilitation Indicators (2022) https://www.compareyourcountry.org/trade-facilitation/en/1/KAZ/KAZ/default

In ensuring the efficiency and fairness of trading systems, an important aspect is the ability of participants of foreign economy activity to participate in law-making activities by participating and commenting before laws and regulations come into force. In Kazakhstan, issues of trade regulation are subject to publication on the portal "Open Legal Acts", 16 which is integrated into the e-government (egov.kz). This portal was created in pursuance of the law "On Access to Information" of November 16, 2015 as a platform for discussing draft regulatory legal acts until they are approved by government agencies.

Figure 10. Kazakhstan's performance on appeal procedures. 2023



Source: OECD Trade Facilitation Indicators (2022) https://www.compareyourcountry.org/trade-facilitation/en/1/ KAZ/KAZ/default

A key point in the process of modernizing the customs system of Kazakhstan was the launch of the the National Trade Facilitation Portal (Portal) (tradeinfo.kz) on trade facilitation in July 2022. The new online platform provides step-by-step information on cross-border trade processes, representing a significant tool in optimizing operations related to international trade.

The Portal provides easy access for both local and foreign entrepreneurs to clear and detailed information. This streamlines cross-border transactions and gives stakeholders the opportunity to precisely define procedures, document requirements, avoiding unnecessary paperwork and possible delays.

The Portal contains a detailed description of export, import and transit procedures and allows Kazakhstan to fulfill obligations regarding the availability of information on the Internet, publication, contact points, as well as formalities and document requirements. For detailed information on the implementation of the Portal, see Section V.A. of the Report.

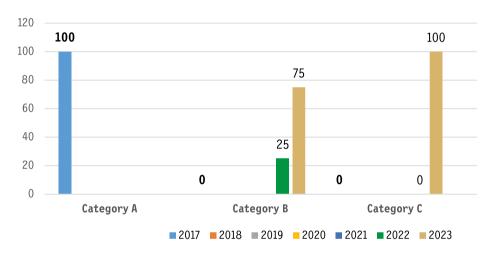
<sup>16</sup> https://legalacts.egov.kz/

In addition to the Portal, in 2020, the "Single Window of the Republic of Kazakhstan for Export-Import Operations" was put into operation. This system provides participants in foreign economic activity with a standardized mechanism for submitting the necessary documents through a single entry point. Additional details on the implementation of this initiative are available in Section IV.A. Report.

#### III.C. Customs Formalities

Given Kazakhstan's transit potential and landlocked nature, full implementation of the WTO TFA is of great importance for the country and contributes to trade facilitation, as well as improved cooperation between customs and other authorities.

**Figure 11.** Dynamics of Kazakhstan's fulfillment of obligations under the WTO TFA, 2017–2023 <sup>17</sup>



Source: https://www.tfadatabase.org/en

Accordingly, the Kazakhstan's government has done significant work in recent years in terms of simplifying customs formalities, focused on the following main areas: risk management system and post-clearance audit; studying and publication of average release times for goods; trade facilitation for authorized economic operators (AEOs); expedited deliveries; customs fees and charges; acceptance of copies of supporting documents for import, export and transit formalities; new initiatives to improve customs regulation (cases of the development of the "KEDEN" IS, the establishment of the Main Dispatch Directorate of the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan (SRC MF RK) and the establishment of the Center for Electronic Declaration).

<sup>&</sup>lt;sup>17</sup> Note: the category "A" refers to the obligations of WTO members that they have undertaken to fulfill since the entry into force of the WTO TFA (22.02.2017). In turn, the category "B" includes measures implementation of which requires time (until 22.02.2023), and the category "C" measures for which require both time and assistance from international organizations and donors, including capacity building (until 22.02.2023).

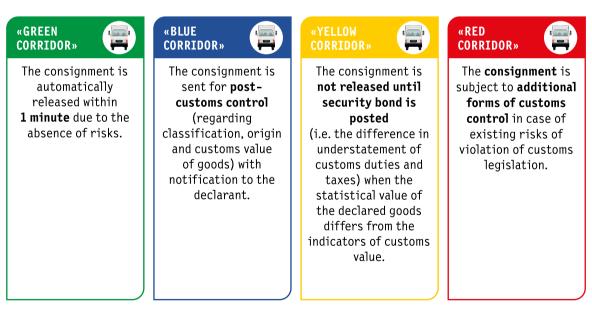
Particular attention should be paid to the effective functionality of the "ASTANA-1" information system ("ASTANA-1" IS), which has completely shifted customs declaring in Kazakhstan to electronic format since April 2018. This significant achievement is discussed in detail in Section IV.A. of the Report.

#### Risk Management System (RMS), Post-Clearance Audit, Average Release Time of Goods

In the field of customs control, the selection of control objects, forms of control, and measures aimed at ensuring the effective implementation of customs control is carried out using a risk management system (RMS). The risk management system is a set of measures implemented by customs authorities in order to achieve the goals established in Chapter 51 of the Customs Code of Kazakhstan.

In Kazakhstan, a subject-oriented model of risk management system was introduced. This model provides for the division of participants in foreign economic activity into categories of low, medium and high-risk levels, depending on the likelihood of violation of customs legislation by them. Differentiated forms of customs control are used. Forms of customs control are increasingly moving to the stage of post-customs control. Thus, in "ASTANA-1" IS, 18 the declaration after its registration is sent to one of the corridors listed below, depending on the form of customs control.

**Figure 12.** Types of "corridors" in the risk management system within the "ASTANA-1" IS



Source: SRC MF RK

In general, 82% of declarations for goods in Kazakhstan pass through the green corridor and are released within 1 minute automatically. Only 18% of customs

 $<sup>^{18}</sup>$  For more information about the "ASTANA-1" IS, see Section IV.A of the Report

declarations are subject to control of the customs value of goods. <sup>19</sup> Thus, at present, there is work going on in Kazakhstan to strengthen the principle of priority in creating comfortable conditions for law-abiding participants of foreign economic activity. In particular, for conscientious participants of foreign economic activity, the time for customs control in the form of customs inspection and documentary control according to the data of the SRC MF RK has already been reduced to 40%, with a further reduction planned.

Considering the importance of predictable average release times for participants of foreign economic activity, a study was conducted by the German Agency for International Cooperation (GIZ) in Kazakhstan in 2020–2021.

The study aimed to make recommendations on average release times of goods. The work was also carried out to develop and approve a methodology for determining the average time for releasing goods.

Specific efforts in this direction included a study on the average release time conducted at the checkpoints "Nur Zholy" in the period from December 19 to 27, 2022 (Kazakh-Chinese border) and "B. Konysbayev" in the period from December 21 to December 27, 2022 (Kazakh-Uzbek border).

**Figure 13.** Average time for the release of goods at the Kazakhstan checkpoints "Nur Zholy" and "B. Konysbayev"





Source: SRC MF RK

As a result of the study, it was determined that the average time for releasing goods at the "Nur Zholy" checkpoint is 1 hour 30 minutes, and at the "B. Konysbayev" checkpoint-1 hour 35 minutes. This is significantly lower than the threshold established by the Customs Code of Kazakhstan (4 hours from the moment of registration of the customs declaration), during which the goods must be released.

 $<sup>^{\</sup>rm 19}$  Per the data of SRC MF RK

In general, the determination of the average time for the release of goods at checkpoints on the Kazakhstan section of the EAEU customs border is carried out once every six months. Continuous official publication on the website of the Kazakhstani customs of the average time spent on the release of goods is planned starting from this year.

It should be noted that the release of goods within the aforementioned 4 hours is possible provided that the results of checking the customs declaration do not reveal the need to request additional documents on the basis of which the declaration was completed, or to apply customs control forms.

#### **Trade Facilitation for Authorized Economic Operators**

There has been a significant progress in the development of the authorized economic operators institution (AEO) in Kazakhstan. The new Customs Code of Kazakhstan (Articles 529-543)<sup>20</sup> has contributed to increased opportunities for AEOs, providing them with a wider range of special support measures. Today, almost all participants in the supply chain of goods, including carriers, forwarders, warehouse owners, customs representatives, can obtain the AEO status.

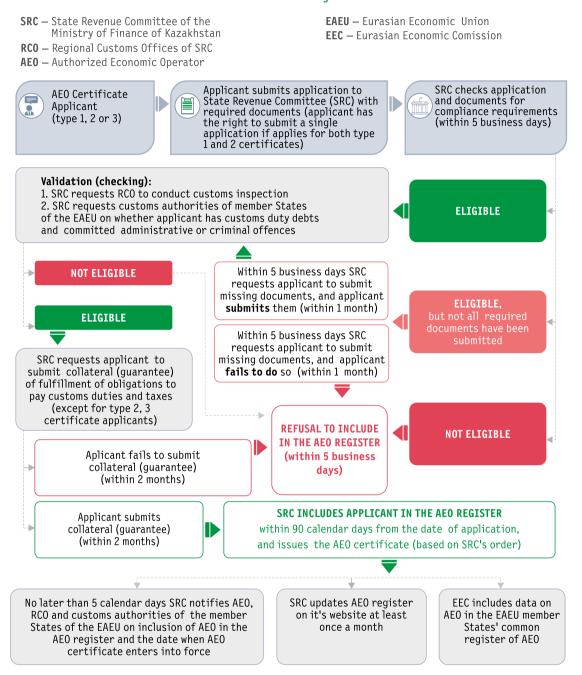
These measures include the priority of customs operations, storage and customs operations with goods in AEO warehouses, release of goods before filing a customs declaration, no requirement to provide security bonds when moving goods placed under the customs procedure of customs transit, etc.

Special AEO simplifications are categorized according to the three types of AEO certificates: Type I — special simplifications related to the transportation and transit of goods; Type II — special simplifications related to customs declaration (except for transit) and storage of goods; Type III – use of special simplifications of type 1 and 2 (security and simplification).

The possibility of applying special simplifications throughout the EAEU laid the basis for the possibility of mutual recognition of AEOs with third countries. Thus, there is work currently underway on the mutual recognition of AEOs of Kazakhstan with countries such as China, Korea and Turkey. In addition, within the framework of the EAEU negotiation processes on free trade agreements with third countries, the possibility of including relevant rules on AEO into these agreements is also being discussed. In 2019, Kazakhstan submitted a national scheme for AEO to the WTO's Committee on TFA (Scheme 2), and in 2020, MTI RK, together with GIZ, analyzed the implementation of the provisions of Kazakhstan's legislation on AEO for compliance with Article 7.7 of the WTO TFA. Thus, Kazakhstan has successfully fulfilled its AEO obligations under the WTO TFA.

<sup>20</sup> https://adilet.zan.kz/rus/docs/K1700000123

**Scheme 2.** The national scheme for AEO in Kazakhstan



Source: The Customs Code of Kazakhstan

#### **Expedited Shipments**

Expedited shipments and international mail require fast and efficient customs declaration and clearance. Automated processes, including the corresponding modules in the "ASTANA-1" IS, contribute to the accelerated completion of customs formalities. This, in turn, helps reduce delivery times and improve the overall efficiency of international trade.

In 2020, in cooperation with GIZ, a study was conducted and a report was prepared in Kazakhstan to analyze expedited shipments, including the customs declaration of goods, in order to develop recommendations for the implementation of Article 7.8 of the WTO TFA. There is work currently underway at the Eurasian Economic Commission (EEC) to improve the procedure for performing customs operations in relation to expedited shipments and international mail. In order to automate the process of declaring expedited shipments, in "ASTANA-1" IS there are implemented modules for filing the declaration for goods for expedited shipments and submitting the passenger customs declaration for expedited shipments.

In addition, Decisions of the EEC Board of August 3, 2021 No.93 and 94 define the specifics of filling out the declaration for expedited shipments in relation to goods, the declaration of which is carried out within the framework of a pilot (experimental) project<sup>21</sup> in the field of foreign electronic trade in goods in the EAEU member states.<sup>22</sup> In the context of fulfilling obligations under Article 7.8 of the WTO TFA, Kazakhstan is considered to have fully complied with the relevant requirements.

#### **Customs Fees and Charges**

One of the key aspects of the reform was the reduction of customs duty rates. Since November 2018, the fee for customs declaration of goods for cargo owners had been 20 thousand tenge per declaration, instead of the previous 19 thousand tenge for the main sheet of declaration, as well as 7 thousand tenge for each additional sheet. This was a significant reduction compared to previous rates and represented a step towards reducing the financial burden on participants in foreign economic activity.

The customs fee for advance rulings amounted to 32 thousand tenge, and the customs fee for customs escort - from 4 thousand tenge to 321 thousand tenge (for distance up to 2500 km).<sup>23</sup>

This rate differentiation created an incentive to optimize supply chains and select more efficient routes.

Furthermore, from August 15, 2023, the customs fee for customs declaration of goods has changed to 6 monthly calculation indices (MCI), $^{24}$  for making an advance rulings – 9 MCI, and for customs escort – from 1 to 93 MCI (for distance up to 2500 km). $^{25}$ 

 $<sup>^{21}</sup>$  In accordance with the Order of the EEC Council of April 5, 2021 No. 7 "On Certain Issues of Conducting a Pilot Project (Experiment) in the Field of Foreign Electronic Trade in the Member States of the Eurasian Economic Union," work on the pilot project was carried out from June 1, 2021 to December 31, 2022 . Decisions of the EEC Board of August 3, 2021 No. 93, 94 and 95 and Decision of the EEC Council of September 14, 2021 No. 81 approved a set of documents that allows the implementation of the pilot project in the EAEU countries in the field of foreign electronic trade of goods on the Internet platforms.

 $<sup>^{22}\ \</sup>text{https://eec.eaeunion.org/news/vneseny-izmeneniya-v-dokumenty-prinyatye-dlya-realizatsii-pilotnogo-proekta-v-oblasti-vneshney-elekt/}$ 

<sup>&</sup>lt;sup>23</sup> https://adilet.zan.kz/rus/docs/P1800000171: Decree of the Government of the Republic of Kazakhstan No. 171 "On Approval of Rates of Customs duties Collected by State Revenue Bodies" of April 5, 2018 (as amended on August 2, 2023 No. 631).

<sup>24</sup> In 2023, the MCI is 3 450 tenge.

<sup>&</sup>lt;sup>25</sup> \*According to data of the SRC MF RK, in 2022, customs fees in the amount of 33.9 billion tenge were paid to the country's budget, which is 22.4% higher than in 2021 (26.3 billion tenge). In general, taking into account the low rates of customs fees in Kazakhstan, this can be characterized as a positive change, since it indicates the rapidly growing trade and economic activity of traders.

**Figure 14.** The rates of customs fees for declaring goods in Kazakhstan



19 000 tenge for one declaration 7 000 tenge for each additional sheet



20 000 tenge for one declaration There is NO fee for additional sheets

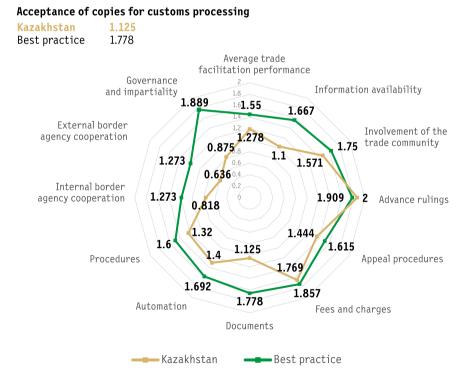


for additional sheets.

Source: SRC MF RK

Also, the scheme for the receipt of customs and tax payments into the state budget has also been changed for the better. The information payment systems of the Treasury, second-tier banks, state revenue bodies and the National Bank were modernized. As a result, the processing time for customs payments and taxes received via the E-government Payment Gateway has been reduced from 1-3 business days to 5-7 minutes. All second-tier banks in Kazakhstan are currently connected to this system.

**Figure 15.** Kazakhstan's performance on acceptance of copies of documents for customs processing, 2023



Source: OECD Trade Facilitation Indicators (2022)

https://www.compareyourcountry.org/trade-facilitation/en/1/KAZ/KAZ/default

# Acceptance of Copies of Supporting Documents for Import, Export and Transit Formalities

The introduction of the "ASTANA-1" IS represents a significant step towards the digitalization of customs processes in Kazakhstan. This system effectively manages the flow of information, eliminating the need for face-to-face interactions between customs officials and importers. Customs officers, instead of traditional methods, can request additional documents in the form of electronic copies, and this interaction can be carried out remotely. This transition to an electronic format not only ensures the security of information exchange, but also reduces time and resource costs for all parties.

In addition, Kazakhstan classified the acceptance of copies by authorized bodies for performing trade procedures as a category "A" commitment. This means that Kazakhstan fulfills this obligation in full from the moment the WTO TFA entered into force.<sup>26</sup>

According to OECD, Kazakhstan's indicator in terms of accepting copies of documents amounted to a high-1.125. This is explained by the adoption of the Customs Code of Kazakhstan which set the relevant legal basis, as well as by the introduction of the "ASTANA-1" IS.

New initiatives: Cases of Development of the "KEDEN" IS, Creation of the Main Dispatch Department and the Center for Electronic Declaration of the SRC MF RK

#### **"KEDEN" Information System**

At the beginning of 2023, the development of a new customs information platform – the "KEDEN" IS – began in Kazakhstan. This platform includes electronic customs declaration and customs administration (control), covering all foreign trade transactions. As part of this initiative, work is currently underway on machine learning of artificial intelligence, recognition and interpretation of images from X-ray equipment. These developments in the future will make it possible to significantly reduce the human factor when determining the risks of discrepancy between the X-ray image and data on the declared goods. In addition, voice recognition functionality is under development, which will be used during customs inspections. In this case, for example, the customs inspection process will be fully recorded on the video recorder of customs officers.

#### Main Dispatch Department of the SRC MF RK

Due to the need for introduction in modern conditions of foreign trade of more extensive digitization of customs control processes and further transfer of documents from paper to electronic format, the Main Dispatch Department (MDD)<sup>27</sup> was established in 2022. The purpose of the MDD is to conduct remote analysis of inspection complexes' x-ray images, as well as the control of customs inspection of goods and vehicles, protection of the national security of Kazakhstan, human life and health, flora and fauna, and

<sup>&</sup>lt;sup>26</sup> WTO document: WT/PCTF/N/KAZ/1.

<sup>&</sup>lt;sup>27</sup> Main Dispatch Department of the SRC MF RK was created as part of the implementation of the Comprehensive Plan to combat illegal trade at the borders of the State (Resolution of the Government of Kazakhstan of August 31, 2021 No. 585).

the environment. In addition, this initiative creates conditions for accelerating and simplifying the movement of goods across the customs border of the EAEU, helps to fulfill the international obligations of Kazakhstan, and contributes to the development of international treaties of Kazakhstan in the field of customs. According to the SRC MF RK and international experts, the MDD increased the efficiency of inspection complexes by 4 times, from 19% (2018) to 78% (2022), and the efficiency of customs inspections by 3 times from 23% in 2018 up to 62% in 2022.

#### **Center for Electronic Declaration**

In 2020, in order to minimize the interaction between customs authorities and declarants while performing customs operations, the Center for Electronic Declaration (CED) was established. Thanks to the creation of the CED, customs control for goods and participants in foreign trade activities with a high-risk status is concentrated at single point in terms of compliance with the rules for determining the customs value of goods, as well as ensuring the payment of customs duties and taxes, special, anti-dumping, and countervailing duties to the budget. Thus, today, CED's officials no longer contact (lively) with participants of foreign trade activities and customs checkpoints. Interaction is carried out exclusively through the "ASTANA-1" IS, which allows monitoring the legality of the actions of CED officials.

#### III.D. Facilitation of Transit Procedures

Kazakhstan, located at the junction of Europe and Asia, plays a key role in global transit. In its efforts to actively support the principle of freedom of transit and comply with international norms, including the provisions of the WTO TFA, the World Customs Organization (WCO), and the standards and recommended practices of the Revised Kyoto Convention, Kazakhstan has undertaken a number of significant regulatory and practical initiatives.

In December 2017, Kazakhstan adopted the new Customs Code,<sup>28</sup> which introduced significant changes to customs transit procedures. Analyzing the changes, several key simplifications and innovations aimed at improving transit operations in the country can be highlighted.

**Electronic submission of declarations.** Customs declarations for international transit shipments can now be completed electronically, facilitating a more efficient and expeditious process.

**Territorial recognition.** Transit declarations and forms of security<sup>29</sup> are recognized throughout the customs territory of the EAEU, which facilitates transit in the EAEU framework.

**No requirements for security with Carnet TIR.** For transit transportation using Carnet TIR, security bonds are no longer required.

<sup>28</sup> https://adilet.zan.kz/rus/docs/K1700000123

<sup>&</sup>lt;sup>29</sup> Forms of security include cash, bank guarantee, surety bond, collateral for property.

**Electronic information exchange.** Information from transit declarations within the EAEU is exchanged in electronic format, which contributes to more effective interaction.

**Reducing customs inspection time.** The time frame for customs inspection of transit cargo has been reduced from 10 to 5 days at checkpoints.

**Simplification of customs procedures when transporting to a temporary storage warehouse (TSW).** It has become possible to transport goods from the place of arrival to a temporary storage warehouse (TSW) without applying the customs procedure of customs transit, if the goods are planned to be placed in a temporary storage warehouse located within the same vicinity as the place of arrival.

**Electronic customs escort.** A new customs control measure has been introduced - 'electronic customs escort'.

**Reducing the time required to complete the customs procedure.** The time limit for completing the customs procedure of customs transit at the place of delivery of the goods is reduced from 24 to 4 hours from the moment the carrier submits the transit declaration to the customs authority of destination.

In fulfillment of Kazakhstan's obligations under Article 11 of the WTO TFA, the National Transit Coordinator was determined in 2020. It is the SRC MF RK and its territorial bodies. The National Transit Coordinator receives feedback from other countries regarding transit operations. The National Transit Coordinator performs a number of important functions, including receiving and processing feedback from other countries related to transit operations. Its tasks include effective coordination and enforcement of international standards in the field of customs transit. The National Transit Coordinator forwards feedback from other countries regarding transit operations. This ensures active international interaction and promotes the development of coordinated approaches to customs transit issues.

In 2021-2024 in order to improve the conditions for the transit movement of goods, the Kazakhstan's government has been implementing a project to modernize and technically retrofit 9 road and 1 railway checkpoints across the customs border of the EAEU and the Situation Center of the SRC MF RK in Astana.<sup>31</sup>

On April 3, 2023, the Agreement on Using Navigation Seals for Monitoring Traffic in the Eurasian Economic Union of April 19, 2022 came into force.<sup>32</sup> This Agreement establishes the legal basis for the use in the EAEU of a new technological control tool during the transportation of goods and vehicles: navigation seals. The agreement applies exclusively

<sup>&</sup>lt;sup>30</sup> To this end, the Government of Kazakhstan adopted a joint departmental order (of the next Ministries: Finance, Industry and Infrastructural Development, Trade and Development) "On Certain Issues of Functioning of the National Transit Coordinator", and also approved the Regulation on the Functioning of the National Transit Coordinator.

<sup>&</sup>lt;sup>31</sup> The project is being implemented thanks to a preferential loan of the government of China. Covered checkpoints: 9 automobile checkpoints in total: at the border with China (4) – "Alakol", "Kalzhat", "Maikapchagai", "Bakhty"; at the border with Uzbekistan (4) – "Kaplanbek", "Kazugurt", "Atameken", "Tazhen"; at the border with Turkmenistan (1) – "Temir Baba"; 1 railway checkpoint in total: at the border with China – "Dostyk".

<sup>32</sup> https://eec.eaeunion.org/comission/department/dep tamoj infr/n seals/2022.04.19%20approve agr ns.pdf

to the transportation of goods carried out across the territories of two or more EAEU countries. The use of navigation seals will allow online monitoring of the vehicle and recording of any illegal actions with goods located in the sealed cargo compartment. Through the use of navigation seals, transparency of cargo movement will be ensured. The agreement optimizes government control measures during transit, export, as well as within the framework of mutual trade in the EAEU.

In addition, the draft Agreement on a Unified Customs Transit System of the EAEU and a Third Party is at the stage of domestic approval. This agreement defines the basic principles of the functioning of the unified customs transit system of the EAEU and third parties, namely: the use of a single transit declaration when transporting goods through the customs territory of the EAEU and the customs territory of a third party; application of general security; mutual recognition of AEOs and provision of certain special simplifications to them; use of one navigation seal for the entire transportation.

### III.E. Soft Infrastructure in Trade Facilitation

An important driver for increasing trade flows is the developed transport and logistics infrastructure and services, including international transport corridors that can ensure sustainable exports and transit potential.

In connection with the restructuring of global logistics chains, the role of the Middle Corridor has increased, since it is becoming a full-fledged alternative to the Northern Corridor. The numbers clearly demonstrate this. In 2022, there was a twofold increase in the volume of cargo transportation along the Trans-Caspian International Transport Route (TITR) – from 840 thousand tons in 2021 to 1.7 million tons. For 9 months of 2023, the volume of transshipment through the seaports of Aktau and Kuryk amounted to 2 million tons of cargo, which was 89% higher than in the same time period of 2022. At the same time, by the end of December this year, the volume of transshipment is expected to be  $3.5 \, \text{million}$  tons in accordance with the plan.

In order to strengthen the transit status of the Middle Corridor and expand the activities of the participating states, last year Azerbaijan, Georgia and Turkey signed a Roadmap for the Development of the Trans-Caspian International Transport Route. The main directions of its development have been determined.

It must be taken into account that the transit and export capabilities of Kazakhstan are also dependent on the infrastructure capabilities of neighboring countries. In this regard, TITR's participants discuss issues of end-to-end tariff formation, cargo declaration, the use of unified IT solutions and the consolidation of transit cargo.

<sup>33</sup> https://kapital.kz/economic/116285/kachestvennaya-infrastruktura-kriticheski-vazhna-dlya-mezhdunarodnoy-torgovli-i-ekonomicheskogo-rosta.html

In addition to the development of "hard infrastructure" in the Caspian trade region, the sustainable and consistent development of 'soft' infrastructure is necessary. This means strengthening trade connectivity, including the digitalization of customs procedures and trade facilitation in general. Thus, in 2022, the Ministry of Trade and Integration of Kazakhstan, together with QazTrade, for the first time carried out work on documenting trade procedures (export, import, transit) in the Aktau Sea Port, Kuryk Port and Aktau Marine Northern Terminal.



During the visit to seaports, the practical aspects of various types of controls, such as border, export-import, veterinary, phytosanitary, sanitary and transport, were studied and analyzed in detail, and step-by-step procedures for importing and exporting certain types of goods were documented.

This initiative makes it possible to improve the 'soft' infrastructure in the Caspian region, increasing the efficiency of trade procedures through their optimization and identification of bottlenecks. Ultimately, Kazakhstan's mutual trade with partner countries in the Caspian region will receive many advantages due to improved trade connectivity.<sup>34</sup>

Consequently, the relevance of increasing the volume of cargo transportation across the Caspian Sea and ensuring the smooth operation of the transport and logistics hub is emphasized as a strategically significant task. To achieve this goal, it is proposed to

 $<sup>^{34}</sup>$  https://astanatimes.com/2023/11/un-speca-celebrates-25-years-of-regional-integration/

introduce efficient, uninterrupted and unhindered transportation, for example, through the creation of a single digital window, which will help speed up trade between states.

Improving the port operations process plays a key role in ensuring smooth cargo transportation and requires proactive measures to speed up these processes. Developing an expansion strategy in port-adjacent sectors highlights the importance of close collaboration with cargo owners and active participation in the global supply chain.

Improving the quality of logistics services is becoming a key factor in the attractiveness and reliability of transit cargo from China and Europe, which in turn can contribute to the growth of cargo transportation volumes. In general, taken together, all this will make the Caspian Sea a more attractive and efficient transport corridor, promoting the development of international trade.

## III.F. Paperless and Cross-Border Paperless Trade

#### Paperless Trade in Kazakhstan

Automation of the paperless trade system in Kazakhstan largely depends on the functioning of the "Automated System of Customs and Tax Administration "ASTANA-1" information system (for more details, see Section IV.A of this Report), as well as the "E-license" platform. $^{35}$ 

It is important to note that network connectivity in Kazakhstan is available at all border points, including seaports, airports and customs posts.

Connection is carried out through a unified transport environment of government agencies and in the E-Government System. $^{36}$ 

A structured approach to business process reengineering in Kazakhstan involves simplifying and optimizing each business process before its digitalization. The creation of the Center for Digital Transformation, which brought together experts from government agencies, international financial institutions and the private sector, is aimed at changing approaches to business processes and their rationalization.

The processes of harmonization and standardization of government services in electronic format are important for trade. Data can be easily integrated into other information systems for further processing, facilitating the introduction of electronic gateways in the context of customs and tax legislation.

As can be seen in Figures 16 and 17, Kazakhstan in 2021-2023 exceeds the average of other landlocked developing countries in almost all parameters of paperless trade.

<sup>35</sup> https://elicense.kz/

<sup>&</sup>lt;sup>36</sup> The unified transport environment of government agencies is a telecommunications network that is part of the information and communication infrastructure of "E- Government" and is designed to ensure the interaction of local, departmental and corporate telecommunications networks of government agencies, their subordinate organizations, as well as other subjects of informatization. All border points, as well as the E-Government system, have plans in place to ensure the continuity of all processes.

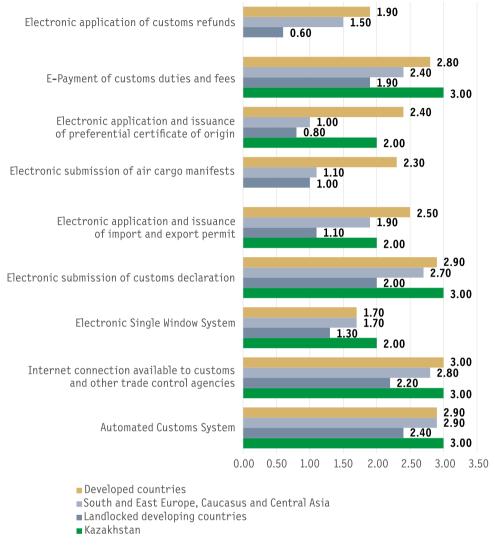


Figure 16. Implementation of Paperless Trade Measures in Kazakhstan. 2021

Source: UN Global Survey on Digital and Sustainable Trade Facilitation, 2023. Available at https://www.untfsurvey.org/.

Moreover, Kazakhstan's level of implementation on paperless trade measures such as an automated customs system; access to the Internet for customs and other border control authorities; electronic "Single Window" system; filing customs declarations electronically; electronic application and issuance of a preferential certificate of origin; electronic payment of customs duties and fees is above the average for the countries of Southern and Eastern Europe, the Caucasus and Central Asia. In the meantime, these indicators of Kazakhstan are at the level of developed countries of the world. However, work in such areas as filing electronic applications for refund of customs duties, as well as filing electronic applications and issuing import/export permits still requires the attention of the Kazakhstan's government.

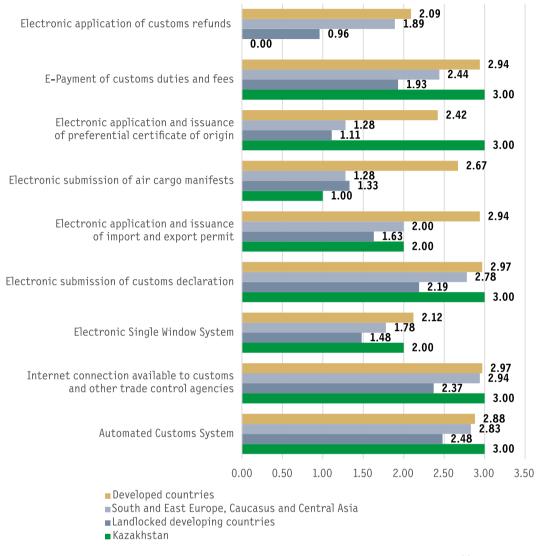
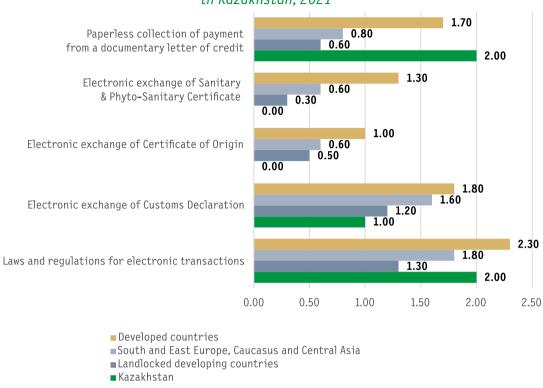


Figure 17. Implementation of Paperless Trade Measures in Kazakhstan, 2023

Source: UN Global Survey on Digital and Sustainable Trade Facilitation, 2023. Available at https://www.untfsurvey.org/.

#### **Cross-Border Paperless Trade in Kazakhstan**

In turn, as can be seen below in Figures 18 and 19, the level of implementation of cross-border paperless trade in Kazakhstan in 2023 reached 50%, while in the previous analyzed period (2021) this figure was 38.9%. The overall progress in the implementation of cross-border paperless trade mechanisms in Kazakhstan in recent years is noticeably significant, given that in 2015 and 2017 the corresponding figure was only 11.11%.



**Figure 18.** Implementation of Cross-Border Paperless Trade Measures in Kazakhstan. 2021

Source: UN Global Survey on Digital and Sustainable Trade Facilitation, 2023. Available at https://www.untfsurvey.org/.

Kazakhstan's performance in terms of paperless collection of payment under a documentary letter of credit is ahead of the average of the developed world, landlocked developing countries, as well as the region of Southern and Eastern Europe, the Caucasus and Central Asia.

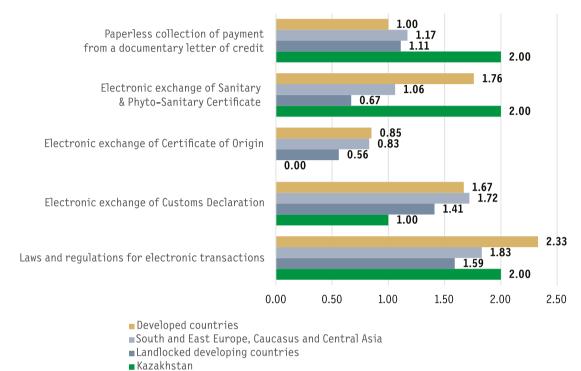
Kazakhstan's score on the indicator of adopted regulations governing electronic transactions is above the average of landlocked developing countries and the region of Southern and Eastern Europe, the Caucasus and Central Asia, but below the average of developed countries. At the same time, it is also necessary to strengthen further work on the indicators "electronic exchange of certificates of origin" and "electronic exchange of customs declarations".

According to the study of QazTrade and ESCAP "Kazakhstan's Readiness Assessment on Cross-Border Paperless Trade",<sup>37</sup> the level of technical readiness of Kazakhstan for cross-border paperless trade is satisfactory. It is noted that this became possible thanks to the thoughtful and consistent policy of the Kazakhstan's government on the digitalization of trade procedures. In particular, the introduction of the "Single Window for Export-Import Operations" system, cross-border data exchange with neighboring countries on import, export and transit, as well as the improvement of the electronic

<sup>&</sup>lt;sup>37</sup> Available at: https://www.unescap.org/kp/2022/readiness-assessment-cross-border-paperless-trade-kazakhstan

payment system and the use of electronic digital signatures<sup>38</sup> led to a reduction in financial and time costs for the business community.

**Figure 19.** Implementation of Cross-Border Paperless Trade Measures in Kazakhstan, 2023



Source: UN Global Survey on Digital and Sustainable Trade Facilitation, 2023. Available at https://www.untfsurvey.org/.

In addition, Kazakhstan, with the assistance of the ITC and the UNCTAD, is currently considering the possibility of developing a new legal framework for e-commerce and digital economy. The aim of the new legislation and associated commercial and regulatory practices is to bring it into line with international standards as Kazakhstan moves towards paperless processes. In this regard, Kazakhstan should follow best global and regional experience in the field of electronic communications in order to harmonize its legal regime with the legal regime of its trading partners.

It can be noted that Kazakhstan has achieved significant success in the field of simplification of trade procedures, which directly contributes to facilitating the processes of export, import and transit. Thus, the country faithfully fulfills its obligations under the WTO TFA. In addition, there has been significant improvement in paperless and cross-border trade.

However, the outdated physical and technical infrastructure of checkpoints in Kazakhstan in need of modernization and retrofitting is still a significant issue. By optimizing and automating business processes, it is necessary to speed up the time of passage of cargoes

<sup>&</sup>lt;sup>38</sup> Kazakhstan uses the generally accepted "Rivest-Shamir-Adleman" (RSA) public-key cryptosystem.

through the checkpoints and eliminate unnecessary and redundant requirements for participants of foreign trade activity (such as, for example, the obligation of foreign trade activity to have the so-called "slider" form stamped by border authorities while in the territory of checkpoints).

One of the key directions for improvement is to increase the attractiveness of the job for customs and other border authorities' officers. This not only would prevent corruption risks, but improve their professional qualifications and skills as well, including the use of modern types of inspection equipment and less invasive methods of cargo control.

According to the QazTrade study,<sup>39</sup> in Kazakhstan there are still not enough effective legal provisions to regulate paperless and cross-border paperless trade. However, exceptions to this statement should be noted, which are some provisions of the customs codes of the EAEU and Kazakhstan, as well as certain provisions of the WTO and WCO.

<sup>&</sup>lt;sup>39</sup> Available at: https://www.unescap.org/kp/2022/readiness-assessment-cross-border-paperless-trade-kazakhstan

# IV. Facilitation of Trade Procedures within the Framework of International Projects

Effective management of trade procedures is a priority direction for the development of Kazakhstan. In this context, cooperation between the Government of Kazakhstan and leading international organizations and institutions specializing in assistance in the field of foreign and cross-border trade, as well as e-commerce, plays an important role.

As part of the partnership with UNCTAD, the "Single Window for Export-Import Operations" project was successfully implemented (for more details, see Section IV.A. of the Report), and the information system "Automated System of Customs and Tax Administration "ASTANA-1" was introduced (in Section IV.A of the Report).

ESCAP, as previously noted, is also providing significant support by conducting large-scale studies on Kazakhstan's readiness for cross-border paperless trade. These efforts help create an enabling environment for the development of efficient cross-border commercial operations (see Section IV.B of the Report).

USAID has been working with Kazakhstan through assistance in simplifying customs and border control procedures and promoting government-private sector dialogue (see Section IV.D. of the Report). GIZ has assisted Kazakhstan through a joint research on expedited shipments (see Section IV.E. of the Report).

Jointly with OECD, there was the project "Improving Trade Connectivity in Kazakhstan and Central Asia and Promotion of Exports in Kazakhstan" launched in 2022 (see Section IV.C. of the Report). This project aims to expand trade opportunities and stimulate exports.

In the period from 2020 to 2023, ITC is implementing an important project "Ready4Trade Central Asia" in Kazakhstan and the countries of Central Asia. (see Section IV.F. of the Report). The project aims to remove regulatory and procedural barriers to international trade, strengthen the capacity of SMEs to comply with cross-border trade requirements, increase the readiness of SMEs to engage in cross-border e-commerce, and enhance the ability of women-led businesses to participate in international trade. In addition, Kazakhstan continues to cooperate with ITC in reforming e-commerce legislation (see Section IV.A of the Report).



#### Single Window for Export-Import Operations

In Kazakhstan, the Single Window for Export-Import Operations  $^{40}$  (Single Window) has been functioning since 27 March 2019 in an experimental mode and from 31 December 2019 in a full capacity.  $^{41}$ 

<sup>&</sup>lt;sup>40</sup> Order of the SRC MF RK No. 591 "On Putting into Commercial Operation of the Information System "Single Window for Export-Import Operations" of December 31, 2019.

<sup>41</sup> https://eokno.gov.kz/

**Figure 20.** The main functionality of the Single Window of Kazakhstan for Export-Import Operations



Source: https://eokno.gov.kz/

The single window was implemented by the SRC MF RK together with UNCTAD. Thanks to the Single Window, participants of foreign economy activity in Kazakhstan submit in a standardized form through a single access channel the information necessary to carry out export-import operations, and can also receive the preliminary information they need on the import/export of goods. The Single Window also contains directories and useful registers (lists); search and viewing of regulatory documents is available, too.

At the same time, the main government services that can be obtained through the Single Window are: obtaining electronic permits and licenses; electronic services for obtaining the status of an individual performing activities in the field of customs; electronic customs declaration; electronic services for obtaining customs advance rulings; as well as integrated customs tariff.

Through the Single Window various useful services and functions can be obtained, such as, checking the fact of customs clearance of a vehicle using its VIN code or integration of the Single Window with the Electronic Certification system of Origin of the National Chamber of Entrepreneurs "Atameken" (NCE "Atameken") using "Single Sign On" technology.

#### "ASTANA-1" Information System

The Automated Customs and Tax Administration System "ASTANA-1" $^{42}$  was developed by the joint efforts of the SRC MF RK and UNCTAD. The main goal for the creation of "ASTANA-1" is to effectively implement para. No. 3 "Industrialization and Economic Growth" of the Nation Plan – 100 Concrete Steps" of the Kazakhstan's President's Program of May 20, 2015. $^{43}$ 

Full operability of ASTANA-1, taking into account the implementation of all necessary components, was achieved on January 1, 2018, i.e. by the time the new Customs Code of Kazakhstan came into force. The "ASTANA-1" IS has been implemented based on

<sup>42</sup> http://212.154.167.54:8080/index.jsf

<sup>43</sup> https://adilet.zan.kz/rus/docs/K1500000100

the "ASYCUDA" software platform while taking into account the specifics of customs regulation in Kazakhstan.

The choice in favor of the "ASYCUDA" platform was made as this platform is a well-proven, comprehensive, advanced customs management system in the context of international trade and transport operations in an automated environment. The platform has been successfully implemented in 90 countries (Georgia, Moldova, Ukraine, the U.K., France, the Netherlands, etc.).

Figure 21. Main simplifications in the "ASTANA-1" information system 44



Source: https://kgd.gov.kz/ru/content/astana-1-1

The main objectives of the implementation of "ASTANA-1" IS are: optimization of customs policies and procedures in accordance with WTO norms, international standards and best practices; introduction of an electronic declaration system; helping to reduce the number of documents for export and import and their processing time; implementation of advanced risk management and post-audit techniques; simplification of customs formalities.

In order to solve the aforementioned problems, "ASTANA-1" IS includes such functions as: self-registration of participants of foreign economy activity; remote electronic declaration; ensuring 'paperlessness' of supporting documents; making electronic payments; the ability to choose a customs checkpoint and place of clearance of goods; providing the basis for the Single Window, as well as system modules providing for the reliability of the documents and the authenticity of stamps and seals.

According to the SRC MF RK,<sup>45</sup> thanks to the implementation of the "ASTANA-1" IS, 100% of customs declarations are submitted remotely. Moreover, since the introduction of the

<sup>44</sup> Source: SRC MF RK

<sup>&</sup>lt;sup>45</sup> https://www.primeminister.kz/ru/news/s-2022-goda-v-rk-polnostyu-zavershena-centralizaciya-tamozhennyh-funkciy-v-chasti-kontrolya-i-vypuska-deklaraciy-na-tovary-minfin-2213649

"ASTANA-1" IS, over 4 million customs declarations have been issued, 82% of which were issued in 1 minute automatically. The deadline for issuing documents has been reduced by 2 times and they are issued remotely during customs clearance. In addition, the implementation of the "ASTANA-1" IS, among other things, contributed to the fulfillment by Kazakhstan of key obligations under the WTO TFA. Central and territorial customs authorities, customs checkpoints and participants of foreign economy activity are all connected to the "ASTANA-1" IS. "ASTANA-1" IS is integrated with IS "E-license", within the framework of which information is exchanged on issued licenses and permits in the field of export and import. Currently, there are 461 automated services on the E-license portal (87 licenses, 323 permits, 50 notifications, 1 SSP certificate (service software product)).

Currently, there is ongoing work in Kazakhstan to improve the "ASTANA-1" IS, including in the context of the agreements with UNCTAD. Thus, UNCTAD will be supplying goods, works and services to provide technical support and modernization of the "ASTANA-1" IS until 11 November 2023.<sup>46</sup>



# ESCAP IV.B. Cooperation with the Economic and Social Commission Commission for Asia and the Pacific

#### Assessment of Kazakhstan's Readiness for Cross-Border Paperless Trade

In a rapidly developing world, especially the pandemic period has shown how important the digitalization of all business processes and the accelerated transition to electronic cross-border trade are. The transfer of traditionally paper document flow into electronic format helps to speed up trade procedures, reduce the costs of doing business and increase export revenue, which will have a positive impact on the economic development of the country.

QazTrade, together with ESCAP, in 2021-2022, conducted a large-scale case study on the topic of "Kazakhstan's Readiness for Cross-Border Paperless Trade".<sup>47</sup> The purpose of the study was to assess the technical and legal readiness of Kazakhstan for cross-border paperless trade. The analysis was carried out to identify existing gaps, develop recommendations and draw up a roadmap to eliminate these gaps with a subsequent transition to effective cross-border paperless trade.

ESCAP actively promotes and supports its members to develop cross-border paperless trade in the Asia-Pacific region. The national report presented as part of the study not only gave an idea of the current situation, but also provided an objective assessment of Kazakhstan's readiness for paperless trade, and also identified the steps that need to be taken to further develop this area. The report on the study and assessment of

<sup>&</sup>lt;sup>46</sup> Decree of the Government of the Republic of Kazakhstan No. 830 "On Determining the Entity from Whom Goods, Works, Services Will Be Purchased to Provide Technical Support and Modernization of the Integrated Customs Component of the Automated Customs and Tax Administration System (IS "ASTANA-1")", of November 5, 2019: https://adilet.zan.kz/rus/docs/P1900000830.

<sup>&</sup>lt;sup>47</sup> Available at: https://www.unescap.org/kp/2022/readiness-assessment-cross-border-paperless-trade-kazakhstan

Kazakhstan's readiness for cross-border paperless trade was officially published on March 28, 2022 on the ESCAP website. 48 Currently, Kazakhstan is actively joining the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific.

Figure 22. Analyzed aspects of Kazakhstan's technical and legal readiness for cross-border paperless trade

# **TECHNICAL READINESS**

- Harmonization and Standardization of Data
- Technology Infrastructure
- Security
- Capacity Building
- Competent Authorities
- Re-engineering of Business Processes
- Level of Automation

#### **LEGAL READINESS**

- Data Storage and Electronic Evidence
- General Principles
- Dispute Settlement
- E-Signatures
- Data Transfer
- Confidentiality and Data Protection
- Cross-Border Aspects
- Liability Matters
- Competition Legislation

Source: https://www.unescap.org/kp/2022/readiness-assessment-cross-border-paperless- trade- kazakhstan

The second stage of the QazTrade project examined the requirements and priorities of the private sector of Kazakhstan in the context of trade facilitation. An in-depth study was conducted in the form of a survey of representatives of the business community using readiness checklists developed by the ESCAP Interim Intergovernmental Steering Group on Promoting Cross-Border Paperless Trade.

Based on the survey results, it was recommended to improve the mechanisms for government agencies to provide information on trading procedures to the private sector. Particular attention in the recommendations is paid to ensuring effective coordination of government bodies, further integration of information systems of these bodies, as well as the digitalization of business processes and the widespread implementation of an electronic queuing system.



# IV.C. Cooperation with the Organization for Economic OFCD Cooperation and Development

The development of trade connectivity is one of the most acute problems facing Kazakhstan. The country's trade integration is limited by low population density, bottlenecks in the infrastructure and remoteness from the main sales markets. Simplification of trade procedures and increase in exports are important factors in increasing the competitiveness of the country's economy, thus contributing to its diversification and strengthening. This, in turn, brings its fruits in the form of a greater variety of goods

<sup>48</sup> https://www.unescap.org/kp/2022/readiness-assessment-cross-border-paperless-trade-kazakhstan

or services, lower costs for producers and participants of foreign trade activity, as well as strengthening competition and reducing unemployment.

In order to achieve the aforementioned goals, the OECD provides Kazakhstan with analytical guidance and helps build capacity in the development of economic policies aimed at facilitating trade in the Central Asia and promoting Kazakhstan's exports.

Thus, in May 2022, with financial support from the Kazakhstani government, the OECD launched the "Improving Trade Connectivity in Kazakhstan and Central Asia and Promotion of Exports in Kazakhstan" project. This project is a continuation of efforts undertaken as part of a study conducted by the OECD and the International Transport Forum in 2019 and dedicated to increasing trade and transport connectivity and developing freight transportation in Central Asia.

According to the interim assessment of the OECD, <sup>49</sup> in the context of 11 indicators of trade facilitation, the indicators of Kazakhstan in many positions, such as transparency and predictability, automation of customs procedures, duties and fees are at the level above the average and are ahead of their neighbors in the region. In particular, significant progress has been made in the field of optimization of requirements for the submission of documents, the possibility of their electronic submission and the creation of the "Single Window" service in the field of trade.

At present, the Kazakhstani government continues its cooperation with the OECD in order to achieve further goals in the areas of trade facilitation and improving trade connectivity in Kazakhstan and the Central Asian region. In particular, the Kazakhstani government is considering a possibility of initiating the project "Middle Corridor: Challenges and Opportunities of the Regional Development".



In October 2021, USAID announced the launch of a new five-year Trade in Central Asia (TCA) program in Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan. The project's trade development efforts build on USAID's decades of accomplishments in promoting regional trade, entrepreneurship development, and regional connectivity. USAID's Central Asia Trade Program aims to improve trade connectivity in the region to promote economic growth and economic opportunity in Central Asia by harmonizing customs and border control procedures to reduce financial and time costs and strengthen public-private partnerships on trade issues and investment, as well as strengthening cross-border interaction between commercial enterprises in order to increase the volume of cross-border trade both within the Central Asian region and beyond. The program will help achieve three main goals:

**Goal 1:** Simplification of customs and border control procedures. As part of the program, the signing of the "Agreement on the Exchange of Preliminary Information Between the

<sup>49</sup> https://www.oecd.org/trade/topics/trade-facilitation

Countries of Central Asia" was initiated, which is necessary to determine and control the customs value of goods, which will help the Central Asian countries take advantage of simplified regional trade.

**Goal 2:** Increase dialogue between the public and private sectors on cross-border trade and investment attraction. To achieve this goal, USAID continues to support regional trade dialogue by organizing the 12th Central Asia Trade Forum in Astana, which was held on October 12-13, 2022, on the topic of digitalization of customs services.

**Goal 3:** Strengthen business-to-business collaboration. The program is aimed at developing an ecosystem of trade promotion service providers, such as certification, marketing, financial, transport and logistics and other services necessary for the export of goods. Trade events and marketing support will help strengthen the capacity of Central Asia's businesses to meet customer requirements regarding the cost and quality of goods.

Trade facilitation underpins all TCA Program activities, which aim to reduce the time and cost of moving goods and help increase trade. TCA assists the Governments of Central Asian countries in changing the regulatory framework, and also in the practical implementation of further reforms. TCA technical assistance covers reform areas such as customs procedures, border control processes, export-import operations, transport and logistics processes.

**Table 1.** Coverage of TCA Program measures to assist the Kazakhstan's government

Measures	TCA technical support
Trade measures	Using standard formats:  - Implementation of a tracking system of phytosanitary certificates to ensure full compliance with the requirements of the International Standards for Phytosanitary Measures 7 "Phytosanitary Certification System" (e-Phyto).
Official control measures	Cost-benefit analysis:  - Monitoring and analysis of time spent on two corridors: at the Yallama-Konysbyaev border crossing and at the Trans-Caspian International Transport Corridor.  Preliminary submission of documents:  - Development of an Agreement on Preliminary Information for the Customs administrations of five Central Asian countries.  Coordination of government bodies for physical examination:  - Conducting meetings of customs administrations on recognition of customs control during transit.  Dangerous goods, hazardous waste:  - Technical assistance to the Kyrgyz Republic in the development of the draft Law "On the Accession of the Kyrgyz Republic to

the The European Agreement Concerning the International Carriage of Dangerous Goods by Road (ADR), concluded in the city of Geneva on September 30, 1957."

- Assistance in the implementation of ADR in the Kyrgyz Republic.

# Measures related to transportation

Ratification of the International Maritime Organization Convention on Facilitation of International Maritime Traffic (FAL):

- Trainings for maritime administrations on Single Window for Maritime Transport

Transport services and unification of documents:

- Development of the Concept for the Development of Transport and Logistics Potential of Kazakhstan until 2030

Source: USAID

# **giz** IV.E. Cooperation with the German Agency for International Cooperation

GIZ is implementing a regional project "Trade Facilitation in Central Asia". The project aims to assist in facilitating trade procedures in Kazakhstan, Kyrgyzstan, Uzbekistan and Tajikistan.

The project is aimed at simplifying procedures and processes of international trade in Central Asian countries. The introduction of measures to simplify trade procedures has a direct positive impact on participants in foreign trade activities by reducing time costs, as well as optimizing the processes of state regulation of foreign trade activities. As a result, cost reductions on the part of companies contribute to increased international competitiveness and, consequently, increased economic efficiency of the private sector. During the implementation of the project, GIZ works closely with the authorities responsible for economic development and foreign trade, customs services and other regulatory authorities.

In particular, in 2018, the GIZ project supported the activities of the NTFC, created on the basis of the IAC, by participating in the development of the Action Plan for the implementation of categories "B" and "C" commitments of the WTO TFA. The GIZ project initiated the creation of the previously mentioned regional platform for the national trade facilitation committees of the Central Asian countries. In November of this year, the 8th regular meeting of the Committees was held with the support of the GIZ project.

In 2019, with the assistance of GIZ, international experts conducted a study to assess Kazakhstan's compliance with international standards under Article 10.3 of the WTO TFA. As a result of the analysis, it was determined that the provisions of this article are sufficiently implemented by Kazakhstan. In addition, as previously indicated in the period

2020-2021. GIZ conducted a study on the accelerated release of goods at customs posts in Kazakhstan, the results of which provided relevant recommendations for amending the Customs Code of Kazakhstan.

In August 2021, the GIZ project developed a methodology for determining the average time for the release of goods based on existing international methods, which was agreed upon with all involved authorities and approved by order of the Chairman of the SRC MF RK.

Also, the GIZ project over the course of two years carried out an analysis of business processes at border checkpoints of Central Asian countries and training for methodologists of customs authorities of four countries. The results of the analyzes were transferred to government agencies to take appropriate measures to optimize and speed up processes at the border. The last study was carried out in 2021 at 8 checkpoints: Saryagash station, named after. "B. Konysbaeva", "Tazhen", Customs Clearance Center "Shymkent", station "Syrym", station "Zhaisan", station "Altynkol", station "Karasu".



## IV.F. Cooperation with the International Trade Center

ITC is one of the main and reliable partners of Kazakhstan in facilitating trade procedures and increasing the potential of small and medium-sized businesses.

Particularly noteworthy is the "Ready4Trade Central Asia" project launched by ITC in 2020 with financial support from the European Union, implemented by ITC in close cooperation with national partners, which is aimed at stimulating intraregional and international trade.

The "Ready4Trade Central Asia" project is operable until 2023 inclusive and operates in five countries of Central Asia: Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. The beneficiaries of the project are governments, small and medium-sized enterprises. The main national partner of the "Ready4Trade Central Asia" project in Kazakhstan is the MTI RK and QazTrade.

# MTI RK and QazTrade cooperate with ITC to implement the main goals of the project, such as:

- increasing the transparency of cross-border requirements;
- elimination of regulatory and procedural barriers;
- strengthening business capabilities to comply with trade formalities and standards;
- improving cross-border e-commerce;
- increasing the potential of women entrepreneurs.

In this context, the following ITC initiatives implemented in Kazakhstan are especially worthy of attention.

### Launch of the National Trade Facilitation Portal (tradeinfo.kz)

The portal, officially launched in July 2022, contains a detailed and step-by-step description of export, import and transit procedures. Thanks to the Portal, more than 4.5 thousand beginning exporters from both Kazakhstan and foreign countries have a common understanding of foreign trade processes. (See details in Section V.A. of the Report).





#### Launch of the Central Asia Gateway Regional Trade Portal (infotradecentralasia.org)

Central Asia Gateway launched in May 2023 and integrates information from each national trade facilitation portal in Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. Central Asia Gateway provides users with easy access to information on cross-border trade formalities for specific products. Central Asia Gateway is also notable for providing an online solution that will help benchmark cross-border trade formalities and promote their harmonization. Central Asia Gateway was recognized by the UN as the best trade information portal in the world in the Digital Government Awards category.

#### **Trade Facilitation Roadmap**

ITC, with the assistance of government agencies of Kazakhstan, has prepared a large-scale analysis of the simplification of foreign trade procedures. As a result of the analysis, a Trade Facilitation Roadmap was developed. This document sets out specific actions to optimize the time, number of steps and number of documents required to complete cross-border transactions. The analysis was based on information displayed on the National Trade Facilitation Portal of Kazakhstan in the context of the following bilateral trade flows: exports of wheat flour to Uzbekistan, imports of fresh fruits and vegetables from Tajikistan, imports of dairy products from Kyrgyzstan, imports of juices from Uzbekistan and exports of vegetable oils to the European Union. Based on the results of the analysis, recommendations were developed to simplify cross-border trade procedures. The analysis determined that if the recommendations are implemented, Kazakhstan's export-import operations will be optimized by almost 30%, and the amount of time required to complete a cross-border trade operation- by 35%. In turn, the number of steps will be reduced by 30%, and the number of required documents by 45%.

#### **Electronic Queue Management**

The issue of effective electronic queue management is extremely important in the context of optimizing cross-border trade flows. ITC sponsored business trips for employees of the authorized bodies of Kazakhstan in the field of foreign trade to France and Estonia in order to study best international practices in the implementation of an electronic queue management system (e-QMS). Trips to Latvia and Lithuania were also carried out to familiarize themselves with European practices in managing phytosanitary and veterinary risks. According to information from the SRC MF RK, which is the owner of the national service for booking a queue at the border in Kazakhstan "Qoldau.kz", the experience and recommendations gained during the study tour were used to modernize the existing electronic booking system.

#### **Export Management Coaching**

The Export Management Coaching Project provided on-the-job consulting and capacity building services to SMEs in Kazakhstan. This ITC initiative is designed to help business owners solve the day-to-day problems that arise when managing their export operations.

The program consists of 5 days of individual training. In total, 44 coaching sessions were carried out in partnership with QazTrade as part of the Initiative, including 23 coaching sessions for businesses led and managed by women. Beneficiaries come from the agriculture, food processing and textile sectors. The missions took place in 10 regions of Kazakhstan and were carried out in person directly on the territory of the enterprises.

#### Training Program on Cross-Border Management

As part of the cross-border management training program, a customized virtual learning space (VLS) platform was created for the institutional partner QazTrade called "QazTradeAcademy". The QazTradeAcademy platform covers all the necessary educational materials on exports and international trade rules. QazTrade, while being the administrator of the platform at the moment, fully supports the operation of the platform, supplementing it with new useful online courses and improving its functionality (see more details in the V.A. Section of the Report).



# Increasing the readiness of Central Asian Women entrepreneurs for cross-border e-commerce

Such a useful and socially important project aims to build the capacity of small and medium-sized businesses led by women to strengthen their online trading and access to international markets. Kazakhstani women entrepreneurs received training in e-commerce and also received individual consultations. The project especially promotes textile and clothing artisans of Kazakhstan on various international trading platforms, such as eBay, Alibaba, Etsy, NOVICA and others. The interesting format of the project allowed 8 national trainers to train 40 businesses in the entire e-commerce process, from identifying markets and customers, developing a value proposition, registering on online platforms, connecting with payment and logistics providers, to customer support and digital marketing. 30 of the participating companies completed the entire 18-month

program and collectively reported nearly \$500,000 in online sales since joining the program and opening or improving their online channels.

# SPECA

# IV.G. Cooperation with the UN Special Program for the Economies of Central Asia

Kazakhstan, as a participant in the UN Special Program for the Economies of Central Asia (SPECA) since its creation in 1998, makes a significant contribution to its activities in such areas of the economy as trade facilitation, trade statistics, information and communication technologies, gender aspects of trade and implementation of Sustainable Development Goals (SDGs).

In particular, Kazakhstan pays special attention to the implementation of specific measures to simplify trade procedures in the form of developing transport and transit infrastructure, promoting digitalization and green technologies. Within the framework of SPECA, in recent years, a Program has been adopted for the implementation of specific projects, within the framework of which the most notable project is the implementation of information exchange within the framework of the Trans-Caspian International Transport Route, which is the result of the synergy of national initiatives and regional efforts of the SPECA countries using the expert potential of the UN.

It should also be noted that Kazakhstan, advocating the further institutionalization and consolidation of SPECA, was one of the first in the region to conduct an independent assessment of the compliance of the regulatory regime of Kazakhstan with the principles of SPECA.

In particular, in the context of the first principle of SPECA - "Mainstream trade into national and sector strategies to achieve the SDGs, and relevant SDGs into trade development strategies", Kazakhstan decided that the entire hierarchy of the state planning system documents must comply with the principles of the SDGs.

Based on the results of the analysis of the twenty SPECA principles of sustainable trade, it was determined that Kazakhstan has already implemented most of them into national legislation, implementing these principles in full, which directly has a beneficial effect on the facilitation of trade procedures.

To summarize, Kazakhstan has established long-term relationships with leading international trade facilitation institutions that help Kazakhstan facilitate cross-border trade. As part of its interaction with these organizations, Kazakhstan receives a large number of recommendations aimed at simplifying trade, which are based on international standards and the positive experience of developed countries. All these recommendations are considered, discussed with government agencies and the business community and are subsequently implemented by introducing changes to legislation or to procedures and processes for cross-border trade. Kazakhstan will continue its active cooperation with international organizations not only within the framework of ongoing projects, but also future ones.

### V. Trade Facilitation for Sustainable Trade

Kazakhstan, realizing the high importance of implementing the UN Sustainable Development Goals and, in particular, Goal 17 "Partnership for Sustainable Development", which also covers various aspects of the economy and trade, has taken a number of effective measures in recent years. These measures are aimed at the capacity building of the business community and participants of foreign economy activity, eliminating trade barriers, and supporting agriculture.

In order to achieve the target 17.11 and 17.9 on partnership for sustainable development, Kazakhstan has undertaken concrete steps, such as the launch of the School for Exporters with the virtual learning platform "QazTrade Academy" (qaztradeacademy.kz), the creation of the National Trade Facilitation Portal (tradeinfo.kz), the launch of the Export Acceleration Program, as well as the Program to support domestic manufacturers' access to foreign markets, including online trading platforms.

In the context of achieving the target 17.C on eliminating trade barriers for the least developed countries, Kazakhstan has simplified customs procedures for perishable goods. This measure not only helps ensure food security in Kazakhstan, but also facilitates access of agricultural goods from least developed countries to the Kazakhstan's market.

In terms of ensuring gender equality - Goal 5 - Kazakhstan has taken measures that result in a significant increase in the representation of women in many aspects of the economy of Kazakhstan in general, and in trade in particular. Kazakhstan has significantly improved its position in the Global Gender Gap Index as a proof for this statement (see Section V.B. of the Report).

# V.A. Capacity Building for Small and Medium-Sized Entrepreneurs in Cross-Border Trade

In recent years, a number of effective measures have been implemented in Kazakhstan to build the capacity of small and medium-sized business entrepreneurs. Among the most significant events are the following:

**Export Acceleration Program.** This Program<sup>50</sup> is aimed at stimulating the export of highly processed products. It provides support to small and medium-sized businesses in the field of deep processing, helping to increase their competitiveness in global markets. The program includes the selection of Kazakhstani producers in the manufacturing industry and service providers, training and assistance in initial exports through B2B meetings, as well as the search for potential buyers of the selected companies' products.

**Promotion of Kazakhstani goods on international online trading platforms.** Kazakhstan provides direct support in promoting beginning and existing entrepreneurs on international online trading platforms.<sup>51</sup> Thanks to the service support of exporters

<sup>50</sup> https://www.export.gov.kz/

<sup>51</sup> https://www.export.gov.kz/

and enterprises by the Government of Kazakhstan, Kazakh companies wishing to promote their products on foreign online sites have the opportunity to create new sales channels in a fairly short time and learn to use them effectively. For example, today on the Alibaba. com platform, 4 thousand domestic goods are available to international partners, such as pasta, flour, honey, confectionery, meat, drinks, vegetable oils, furniture, clothing, children's products, etc.

Training for exporters. One of the key elements of supporting small and medium-sized entrepreneurs is training in the export process and knowledge of international trade rules. In this context, QazTrade opened a school for exporters and launched the virtual learning platform QazTrade Academy (qaztradeacademy.kz), which provides extensive knowledge on the rules and requirements of international trade. The task of QazTrade as an authorized operator for service support of exporters is to increase the level of knowledge of businessmen regarding conducting foreign economic activity, exporting and competition in foreign markets. The company provides domestic producers with free courses on various aspects of export activities.<sup>52</sup>

In particular, QazTrade Academy, launched in September 2022, is a significant educational portal created as part of the "Ready4Trade Central Asia" project. This non-financial support tool is a joint effort of experts from ITC and QazTrade. Training on the portal is systematized by courses, which makes it accessible and convenient for small and medium-sized businesses. The platform includes detailed descriptions of international trade rules, providing practical knowledge for successfully participating in global trade chains.

Moving from the category of small business to a promising exporter is not an easy task, but if certain conditions are created, it is quite doable. In just one year, 3,000 certificates issued on export management through the Academy. How many of them have increased production and exported remains to be calculated, says Ainur Amirbekova, head of the educational center QazTrade Academy.<sup>53</sup>

National Trade Facilitation Portal. The launch of the National Trade Facilitation Portal (tradeinfo.kz) is aimed at simplifying trade procedures by providing access to information on customs procedures for small and medium-sized businesses. Developed by the ITC together with MTI RK and QazTrade within the framework of the "Ready4Trade Central Asia" project, the portal supports reforms in the field of trade facilitation and the implementation of the WTO TFA. In particular, the Portal contributes to the implementation of the following key provisions of the WTO TFA: Article 1.2 "Information Available Through the Internet", Article 1.1 "Publications", Article 1.3 "Enquiry Points", and Article 10.1 — "Formalities and Documentation Requirements".

In addition, the Portal allows to identify opportunities for simplification, harmonization, standardization and automation of formalities. Also, the Portal is a tool for modernizing the customs system, which leads to the optimization of cross-border operations and enables stakeholders to accurately identify procedures and documentation requirements

<sup>52</sup> https://kapital.kz/economic/109860/chto-nado-znat-eksporteram.html

<sup>&</sup>lt;sup>53</sup> https://kapital.kz/economic/120176/kak-iz-malogo-predprinimatelya-vyrastit-perspektivnogo-eksportera.html

that are potentially redundant or create unnecessary delays, thereby leading to reforms aimed at improving procedures.

The Portal increases transparency and predictability of border formalities. Local and foreign participants of foreign economy activity have access to clear and detailed information – rules and procedures applicable to imports and exports, including all forms and documents. The Portal helps improve business competitiveness by reducing transaction costs associated with collecting and understanding trade information, and by enhancing compliance capabilities.

The official launch of the Portal took place on July 4, 2022. To date, the Portal provides a description of trade procedures for the export and import of more than 80 product groups using 6 types of transport (road, railway and air, water, water-road, water-rail) and in 2 directions of trade flow (within the EAEU and outside the EAEU). The portal is constantly updated with information on new product groups. Since its official launch, the Portal has been visited by more than 4,500 users from 103 countries, both near and far, which contributes to the development of international and intra-regional trade.

Moreover, on May 18, 2023, the "Central Asia Gateway" Regional Trade Portal (infotradecentralasia.org) was launched, which integrated five trade facilitation portals the Central Asian countries, including Kazakhstan. From this platform, users can learn description of trade procedures in the context of trade between Central Asian countries, from Central Asian to third countries, as well as from third countries to Central Asian countries. In October 2023, the "Central Asia Gateway" portal was recognized by the UN as the best information trade portal in the world in the "Digital Government Awards" category.

### V.B. The Role of Women in Trade Facilitation

### Measures to Increase Women's Participation in Trade

Gender equality is one of the most important human rights, which plays a key role in ensuring peace and harmony in society and the full realization of human potential based on sustainable development.<sup>54</sup> A legal and institutional framework for ensuring gender equality has been created in Kazakhstan. The legislation provides for the elimination of discrimination against women and the promotion of equality between men and women. Among Central Asian countries, Kazakhstan is a leader in progress in the field of gender equality. Kazakhstan improved its position and moved up 15 places, taking 65th place in the Global Gender Gap Index 2022, developed to assess gender equality among 146 countries.<sup>55</sup>

The country has closed the gender gap in education, demonstrated improvements in economic opportunity and pay equality, and has seen an increase in the proportion of women in leadership positions. However, the report highlights that although the number of women in Government and Parliament continues to grow, progress is still limited.<sup>56</sup>

<sup>54</sup> https://www.un.org/ru/global-issues/gender-equality

<sup>55</sup> https://eca.unwomen.org/ru/where-we-are/kazakhstan

<sup>&</sup>lt;sup>56</sup> https://eca.unwomen.org/ru/where-we-are/kazakhstan

103 106 120 94 93 100 74 80 65 60 52 65 63 55 60 48 44 42 <del>37</del> 32 30 36 40 27 30 20 0 **Overall Rank** Health **Political Economic** Educational **Participation** Attainment and Survival **Empowerment** and Opportunity **2022 2021 2020 2018** 2017

**Figure 23.** Dynamics of women's involvement in various sectors of the economy, 2017–2022

Source: https://www.undp.org/ru/kazakhstan/gendernoe-ravenstvo

Women's participation in various sectors, including the labor market, contributes to increased productivity and economic diversification. Trade plays a key role in driving growth by supporting women's empowerment and promoting gender equality. There is a relationship between gender equality and economic growth. Economic growth and gender equality mutually influence each other, influencing macroeconomic indicators.

Gender-sensitive trade policies can overcome inequality, opening up new opportunities for employment and growth. Assessing the impact of trade helps to understand its varied impact on women and men. The limited number of women entrepreneurs in international trade has negative consequences for the economy, including unemployment, increased poverty and deterioration in the well-being of women and their families.

In total, there are 4.3 million employed women in Kazakhstan, which is 48% of the total employed population, of which 35% of women work in trade and services. Today, women make a great contribution to the prosperity of Kazakhstan, including actively participating in the development of entrepreneurship. In Kazakhstan, there is a fairly high level of the share of women among owners of MSMEs - 45%. At the same time, among individual entrepreneurs, women represent 54%. The most common types of business for women are education and real estate. In them, the share of female managers is 69% and 59%, respectively. Most women entrepreneurs supported by the Government through the Damu Fund are employed in the areas of trade (52%), agriculture (13%), services (8%) and manufacturing (6%).<sup>57</sup>

Over the past decade, gender equality issues have been included on the agenda of many international organizations, for example, OECD, UNCTAD, WTO, etc. At the 12th WTO Ministerial Conference, the co-chairs of the Informal Working Group on Trade and Gender Issues made a statement, emphasizing the achievements of the joint work of WTO

<sup>&</sup>lt;sup>57</sup> https://primeminister.kz/ru/news/v-kazakhstane-dolya-zhenshchin-vladeltsev-biznesa-sostavlyaet-45-23342

members and reaffirming its commitment to promoting gender equality in trade. Gender-responsive trade policies can create an ecosystem that supports women's economic empowerment, thereby strengthening women's resilience to crises. Therefore, gender equality and women's economic empowerment are essential to maintaining sustainable peace and development.

Kazakhstan is monitoring and monitoring the progress of the informal working group on trade and gender issues established in 2020. The working group's goal is to integrate gender perspectives into the regular work of WTO bodies, provide trade assistance to women entrepreneurs by mainstreaming gender issues into programs and policies, enhancing data collection and coordinating research. In Kazakhstan, despite the progressive measures taken to combat gender inequality, the problem of inequality still remains relevant and requires further effective work. In this regard, Kazakhstan is committed to all WTO initiatives that provide sufficient flexibility for adaptation.

#### **Increasing Women's Representation in the NTFC**

WTO Members undertake to establish or maintain (where some form of mechanism already exists) a National Trade Facilitation Committee that can improve coordination of trade facilitation reforms at the national level and facilitate implementation of the WTO TFA provisions.

As previously stated, members of the IAC are also members of the NTFC. IAC consists of deputy first heads of state bodies in charge of foreign trade issues, and of Deputy Chairperson of the Board of the NCE "Atameken", representing the interests of the business community, without specifying any personal data. There are no requirements in the WTO TFA regarding the gender composition for the national trade facilitation committees.

In the meantime, according to statistics from the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of Kazakhstan, the share of women in the public service is growing, if in 2010 it was 52.7%, then in 2022 it reached 55.4%, with 39.2% of them occupy leadership positions. 59 women work in political positions, including ministers, chairpersons of agencies, the Supreme Audit Chamber and the Constitutional Court, vice ministers, as well as deputy akims of regions and cities. Thus, women's representation in the National Committee on TF may increase in near future as their overall number in political positions increases.

## V.C. Trade Facilitation and Agriculture

#### Availability of Laboratories to Comply with SPS Measures

Each country takes measures aimed at ensuring the safety of products for the life and health of people, animals, plants and the environment. In this regard, product suppliers must ensure that their products comply with mandatory requirements by conducting appropriate tests in laboratories and obtaining documents confirming their safety. The availability of testing laboratories simplifies trade and affects the competitiveness of domestic products in foreign markets. Depending on the type of agricultural and food

<sup>58</sup> https://www.zakon.kz/sobytiia/6386349-v-kazakhstane-pochti-40-zhenshchin-na-gossluzhbe--nachalnitsy.html

products, safety is confirmed by the presence of a veterinary, phytosanitary certificate or certificate of conformity.

However, if for domestic export products veterinary or phytosanitary certificates are issued by the authorized bodies of Kazakhstan, which accompany the products to their destination, then in order to obtain a certificate of conformity of products it is necessary to undergo tests in the importing country due to the lack of recognition of test results and certificates of conformity between countries, with the exception of the EAEU member states and the CIS countries.

Today, about 400 testing laboratories that carry out testing of food products are accredited in Kazakhstan. All testing laboratories are accredited by the National Accreditation Center for compliance with the requirements of the GOST ISO/IEC 17025-2019 standard "General Requirements for the Competence of Testing and Calibration Laboratories". At the same time, despite the large number of testing laboratories, there is a need to update their testing equipment, which will allow testing on a wider list of indicators and increase the accuracy and quality of testing. Increasing the reliability of test results and modernizing laboratory facilities will protect the market from lowquality products, and will also simplify the entry of domestic products into foreign markets.

#### SPS Certificates Issued in Electronic Form

Currently, in Kazakhstan, individuals and legal entities can apply for a phytosanitary or veterinary certificate online through the Electronic Government web portal egov. kz. The procedure for obtaining a phytosanitary and veterinary certificate is regulated by Order of the Minister of Agriculture of Kazakhstan of June 29, 2015 No. 15-08/590<sup>59</sup> and Order of the Minister of Agriculture of Kazakhstan of May 21, 2015 No. 7-1/45360, respectively. To obtain SPS certificates, the applicant must submit an application for a veterinary or phytosanitary certificate in his personal account, as well as attach the necessary relevant documents.

Issuance of a phytosanitary certificate takes from 3 (three) hours to 3 (three) working days, depending on the product and the availability of a document confirming the compliance of the declared batch of regulated products with the guarantine phytosanitary requirements of the destination country. The time frame for obtaining a veterinary certificate should not exceed 2 (two) working days. If it is necessary to obtain a veterinary certificate for finished dairy, oil and fat and fish products, the certificate is issued on the day of application.

The issued certificates will have an electronic version in the Unified Automated System for Managing Industries of the Agricultural Complex of Kazakhstan "E-Agriculture" (UASM), however, when exporting products outside the country, exporters must have

<sup>59</sup> https://adilet.zan.kz/rus/docs/V1500012032

<sup>60</sup> https://adilet.zan.kz/rus/docs/V1500011898

a paper version due to the lack of integration of information systems that allows the exchange of data on issued certificates in electronic format.

#### **Special Treatment for Perishable Goods**

Kazakhstan, as a leading agricultural producer in the region and a conscious international player contributing to the food security of other countries, took effective measures even before the WTO TFA came into force. Kazakhstan has classified its obligations under Article 7.9 "Perishable goods" as category "A", that is, it has been fulfilling them since the entry into force of the WTO TFA. The corresponding notification was sent to the WTO on February 24, 2016.  $^{61}$ 

In legislation, provisions for the accelerated release of perishable goods are enshrined in paragraph 3 of Article 81 of the EAEU Customs Code. It is indicated that the EEC determines the list of categories of goods subject to rapid deterioration, and before its determination by the commission – the legislation of the member states<sup>62</sup> Accordingly, on October 17, 2022, the EEC Council adopted Decision No. 160 "On Approval of the List of Categories of Perishable Goods in Respect of Which Customs Operations are Carried out as a Matter of Priority,"<sup>63</sup> which entered into force on December 7, 2022.

This list contains more than 60 types of products subject to rapid spoilage, including: meat, sausages; fish, eggs; dairy products, cheeses and cottage cheese; vegetables and fruits; flowers, bulbs and tubers, etc. In accordance with the Customs Code of the EAEU, in relation to these goods, customs operations are carried out as a matter of priority. Before the approval of this single list, the lists approved by the national legislation of the EAEU member States had been in effect. It should be noted that the single list is valid until December 31, 2023 inclusive, after which it will be updated on an ongoing basis. Thus, we can conclude that Kazakhstan has significantly simplified customs clearance and release procedures for perishable goods in recent years.

Thus, although there have been positive developments in the recent years in the Kazakhstani Government's work in facilitating trade procedures for agriculture, there are still problems such as, for example, the lack of integration of information systems and electronic exchange of documents between Kazakhstan and third countries in the field of agriculture. This negatively affects the total time spent on trade procedures, since participants of foreign trade activities have to submit paper documents to the competent bodies.

### V.D. Trade Facilitation Measures during the COVID-19 Pandemic

The COVID-19 pandemic has caused major changes to the global economy, causing travel restrictions, border closures and supply chain disruptions. To ensure stability and support for businesses in times of crisis, in 2020-2021 the Government of Kazakhstan

<sup>61</sup> WTO document: WT/PCTF/N/KAZ/1.

<sup>62</sup> https://adilet.zan.kz/rus/docs/Z1700000115

<sup>63</sup> https://www.alta.ru/tamdoc/22sr0160/

took a number of measures focused on facilitating trade and ensuring efficiency in supply chains.

In response to the challenges of the COVID-19 pandemic, Kazakhstan has taken the following key trade facilitation measures useful for businesses:

**Reduced customs duties.** Kazakhstan has reduced or eliminated customs duties on critical agricultural and industrial goods. This decision contributed to supporting domestic producers and improving access to necessary goods considering restricted international trade.

**Introduction of the "green corridor".** To ensure smooth movement of most food products and supplies, a green corridor has been introduced to combat the pandemic. This made it possible to speed up customs control processes and ensure the unhindered flow of urgent goods.

**Simplifications for providing certificates of origin.** In order to facilitate access of developing and least developed countries to the country's market in the context of the global crisis, Kazakhstan has provided the opportunity for importers of these countries to provide copies of certificates of origin when declaring customs. This contributed to an increase in trade flows and simplified trade with these countries.

Participation in multilateral WTO agreements. Kazakhstan actively participated in the development and discussion of the WTO Multilateral Decision to respond to COVID-19. One of the areas of the document being developed was the simplification of trade procedures. As part of this effort, the WTO Members agreed to expedite the implementation of the WTO TFA, including Article 7.1 (Pre-arrival processing), Article 7.3 (Separation of release from final determination of customs duties, taxes, fees and charges) and Article 7.8 (Expedited shipments), to accelerate the export and import of essential COVID-19 products to address the ongoing public health crisis and ensure the efficient functioning of supply chains for both input materials and final products.

To summarize, Kazakhstan, being an active supporter of the development of sustainable trade, has taken a number of measures in recent years. These measures have had a positive impact on building the capacity of domestic producers and exporters, strengthening gender equality and increasing the representation of women in trade, as well as simplifying measures in the context of agriculture.

However, taking into account modern challenges in global trade, in the form of disruption of the supply chain due to the COVID-19 pandemic, protectionist sentiments, as well as the geopolitical crisis, Kazakhstan should further strengthen the institution of gender equality in the context of trade, develop new effective programs to increase the trade potential of foreign trade participants, as well as encourage initiatives to simplify trade procedures for participants in the agro-industrial market.

## VI. Conclusion and Way Forward

Kazakhstan has made significant progress in trade facilitation in the recent years in general and in the implementation of the WTO TFA in particular. At the same time, areas not directly covered by the WTO TFA are also paid attention by Kazakhstani government, which include paperless and cross-border paperless trade, sustainable trade issues in the context of trade facilitation to support agriculture, the role of women in trade, capacity building of enterprises and exporters, and measures during a crisis.

However, much remains to be done to further improve the efficiency of the country's foreign trade procedures, especially in terms of paperless and paperless cross-border trade.

This report presented the measures of the Kazakhstani government to simplify trade procedures since Kazakhstan's accession to the WTO in terms of institutional measures, simplification of customs formalities and transit procedures, transparency within the framework of the WTO TFA, which Kazakhstan has now fully implemented. The position of Kazakhstan in global supply chains, as well as achievements and existing shortcomings in terms of the development of paperless and cross-border paperless trade are also analyzed.

In addition, the Report provides the current state of play in Kazakhstan to strengthen the institution of sustainable trade. In particular, the Report analyzes current measures to support exporters and manufacturers, measures to increase women's participation in trade and representation in NTFC, as well as measures on trade facilitation for agriculture. In addition, the Report pays attention to the work carried out by the Kazakhstani government jointly with international organizations and donors to promote many aspects of trade facilitation.

However, in order to further improve the work done by the Kazakhstani government on trade facilitation, it is necessary to:

- Reduce the overall number of steps, documents, and time spent on trading procedures, which should be carried out in parallel with the implementation of the recommendations below.
- Abandon the practice of authorized bodies requiring participants in foreign economic activity to provide paper originals or copies of shipping documents, while simultaneously developing systems for electronic issuance of documents.
- Eradicate the practice of authorized bodies requiring documents from participants in foreign economic activity issued by other authorities, despite the possibility of extracting them from interdepartmental integrated systems.
- Minimize further live contact between participants in foreign economic activity and government officials during preparation and during the performance of trade procedures in order to eradicate corruption risks, bureaucracy and increase efficiency.

- Modernize and optimize the operation of checkpoints in order to speed up the passage of goods, as well as introduce the practice of joint inspection at checkpoints.
- Conclude intergovernmental and interdepartmental agreements with third countries on the electronic exchange of documents in the field of agriculture and transport.
- Consistently improve all affected aspects of paperless and cross-border paperless trade.
- Strengthen further cooperation with international organizations, regional economic entities, as well as third countries, with an emphasis on obtaining practical assistance in simplifying trade procedures and adopting positive experience in the administration of foreign trade processes.
- Strengthen the principle of gender equality, including by increasing the representation of Kazakhstani women in international trade by improving the conditions for carrying out foreign trade procedures and building their capacity.
- Implement digital transformation of all operational links and channels along the Trans-Caspian International Transport Route (Middle Corridor) in order to develop 'soft' infrastructure, using advanced paperless trade technologies and carrying out institutional reforms, including the development and implementation of a data exchange system between TCTR ports using the best world practices/standards and the "single window".
- Standardize the requirements and benefits of the mutual recognition of the status of AEO with the countries of Central Asia, as well as create a regional system of AEO in order to increase the benefits on a regional scale.
- Such National Report should become a key self-assessment tool in the field of trade facilitation. Regular mandatory national reviews aimed at trade facilitation are recommended. Such reports will serve as a basis for the development and implementation of strategies to facilitate more efficient cross-border trade, promoting the development of the business environment and stimulating economic growth.

Thus, Kazakhstan, while fulfilling its obligations under the WTO TFA, despite the results achieved, needs to continue to work, taking into account modern challenges, such as supply chain disruptions caused by current geopolitical conflicts and the COVID-19 pandemic.

Kazakhstan will not stop there and will continue to constantly improve trade facilitation procedures. Kazakhstan will also monitor this progress, striving to achieve new high standards.