



## REPUBLIC OF KAZAKHSTAN: REPORT ON TRANSIT SYSTEM<sup>\*</sup>

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***Dear Ladies and Gentlemen, Colleagues!***

First of all let me express thanks to the initiators for excellent organization, afforded opportunity to share experience, enrich our mind with knowledge, and meet old friends.

Kazakhstan's is located in a space beneficial in external political strategic aspects, connecting Europe with Asian Pacific Region. However, lack of direct access to sea, remoteness from world communications makes it difficult for the republic to participate in international economic relations. Therefore, establishment of mutually beneficial relations with neighboring countries, first of all with Russia and China, based on confidence principles is extremely important for us, and will serve as **gateway to world communications**.

Efforts of the customs service of the Republic of Kazakhstan are aimed at gradual elimination of barriers in trade relations, creation of favorable environment for foreign investments, reduction of physical and non-physical barriers in customs clearance procedures, transit through the customs territories of states, development of intraregional trade relations, transport and communication infrastructure.

Since 1992 Republic of Kazakhstan is a member of the World Customs Organization. Republic's customs legislation has been harmonized with the international standards. Conditions have been provided to **increase efficiency of customs governance**; measures have been taken to ensure quality of audit and fiscal functions aimed at facilitation of international trade.

The task of customs agencies is to provide quality and fast customs clearance. Our potential carriers, trade partners do not want waist time and money because of the customs personnel's excessive fault-finding, incompetence and sluggishness. The customs authorities realize that their main task is further improvement of forms and methods of customs control.

One of the timely requirements is establishment of a single audit system at the state border of the Republic of Kazakhstan, and in particular, at the frontier railroad stations and automobile cross-roads.

Unfortunately, unsettled state of our borders becomes an impediment in development of external economic activities and negatively influences transit and economic potential of the state.

The Government of the Republic of Kazakhstan adopted a Resolution No. 1358 from September 8, 2000 “On Establishment of a Single State System of Control over Truck Trafficking through the Territory of the Republic of Kazakhstan”.

Customs Control Agency together with the Frontier Services of the National Security Committee of the Republic of Kazakhstan, Ministry of Transport and Communications of the RK, Ministry of Agriculture of RK and Ministry of Health of RK drafted Guidelines on cooperation of controlling agencies while implementing control at common checkpoints on the state border of the Republic of Kazakhstan, and it is given to related ministries and departments for concurrence.

To improve quality and reduce border and customs procedures the Customs Control Agency of RK drafted a Program of Construction and Development of Railroad Customs Terminals for 2002-2004, which envisages creation of typical railroad customs terminals and placing of all controlling bodies of the Republic of Kazakhstan in these terminals. There is also an intention taking into account available trade potential, cargo and passenger turnover and other technical characteristics.

This measure will enable the participants of foreign economic activities, transport-shipping companies, individuals to go through necessary border procedures in one place, in shortest time, e.g. “ONE WINDOW” principle.

The next step contributing to simplification of customs clearance procedures at the border can be launching of mechanism of customs and tax payments, as well as other types of other controlling agencies by application of the systems of current bank payment card technologies aimed at ensuring full control over the movement of financial flows and exclusion of human factor.

The Customs Code of the Republic of Tajikistan became effective since May 1, 2003. This document complies with the provisions of the international conventions with the purpose to harmonize and simplify customs procedures; includes new relationship principles between the participants of foreign economic activities and mechanisms to improve work efficiency of the customs bodies. To implement provisions of the Customs Code for simplification of the customs and tax payments and introduction of modern technologies in the work of customs agencies the Customs Control Agency of the Republic of Kazakhstan together with the JSC "Narodny Bank Kazakhstan" started use of card payment system by customs agencies.

Developing of the new system of customs payments by cards has been completed, and pilot systems have been tested in Astana and Almaty. The system is recognized as fully compliant with all customs and tax legislation requirements on customs and tax payments.

As on today customs and tax payments are made directly to the budget before or at the moment of submission of customs declarations. Thus, the payer must do the calculation of due payments and pay before submission of cargo customs declaration. Introduction of payment with cards promoted optimization of the customs control process. Transfers of money from cards to the necessary codes of budget classification can be done during the customs clearance, when the amount of customs and tax payments on every type of payment is known from the cargo customs declaration. POS-terminals are installed by the "Narodny Bank Kazakhstan" in the customs buildings. Special software enables customs staff to draw down due customs and tax payments from the cards. At the same time authorization checks issued by POS-terminals serve as confirmation of the payment.

Thus, use of payment cards available with almost every participant of foreign economic activities will allow:

- To ensure 100% reliability of money transfers;

To make customs and tax payments at the time of goods clearance at any customs agency regardless of the place of actual registration;

- To avoid customs and tax overpayment and accordingly financial losses.

At present foreign traders can use payment cards to pay for taxes and customs duties in the Customs Department in Almaty and Astana. The Customs Control Agency plans to complete introduction of the developed system by end 2003. All cards issued by the JSC "Narodny Bank Kazakhstan", as well as cards issued by the ATF Bank, Demir Kazakhstan Bank, Eurasian Bank, Neftebank, Nurbank and Temirbank can be used for payments in the system.

Introduction of new payment forms is a progressive step in the work of customs, it improves efficiency and transparency of customs procedures, improves technology of customs services, and approximates process of customs clearance to international standards.

Currently there is a complex situation on weighing procedures for transport means and goods on the customs frontiers, as well as inside the republic. Weighing facilities are not available everywhere, and if they exist, often type and technical characteristics do not coincide. The Customs Committee (ATK) considers establishment of single standards for weighers for both automobile and railroad transport means on the abovementioned common terminals.

Structural divisions on customs control over the fissile and radioactive materials, purchase and installation of stationery systems, automatic censoring systems for identification of radiating on the truck traffickers, portable radio control equipment along the state border.

Kazakhstan is a participant of nine international conventions on transits. Some of them should be given special attention.

A Decree on Kazakhstan's joining the Customs Convention on International Road Transportation of Goods Using the TIR Carnets of 1975 was issued in 1995.

Republic of Kazakhstan's joining the TIR Convention enabled the customs agencies to influence evolution of the Convention, assist road transporters of Kazakhstan in increasing of transits.

Drivers using the TIR system do not have to stay in lines to clear documents; they can apply to special windows for clearance.

However, TIR transit procedure is not being used effectively; only 10 percent of goods are transferred using TIR procedure. To become efficient this simple and internationally agreed system should consist only of issue of the TIR carnets and check of stamps. Nevertheless, many CIS countries require full set of documents for customs clearance.

The main reason of insufficient use of the TIR procedure is the fact that not all transport means of the Republic of Kazakhstan can be used for the TIR system. The other reason is high cost of membership in Kazakh Automobile Transits.

We plan to join the Convention "On Harmonization and Simplification of Customs Procedures". Some provisions of the revised Kyoto Convention have been taken into account in drafting of normative and legal documents regulating customs clearance and control procedures.

Republic of Kazakhstan joined the following conventions:

"Customs Convention on Containers" from 1972, this Convention envisages simple non-documentary acceptance of containers without paying a deposit fee or guarantee in countries members of the Convention;

"International Convention on Coordination of Terms for Control of Goods at the Border". This Convention contains all possible forms promoting simplification of procedures at borders.

Practical implementation of provisions of these conventions will allow reducing requirements to observe customs formalities, and ensure promotion of further development and improvement of transits.

## **Transit Traffic**

Transit traffic on the territory of the Republic of Kazakhstan (except for TIR transit traffic) are implemented in accordance with the national procedure of internal customs control (further – ICC) according to the delivery control document (further DCD) (Article 76 of the Customs Code of RK). This document is filled out on a letterhead of the CCD (minimal number of columns is filled out for implementation of the delivery control).

ICC terms of transit envisage ensuring delivery of goods (Article 74 of the Customs Code of the Republic of Kazakhstan). Measures include: collateral, bank guarantee, deposit in the account of the customs body, insurance agreement, transfer of goods by customs carrier, customs convoy (Articles 339, 74 of the Customs Code of RK). Persons transferring goods shall have the right to choose any of the listed measures.

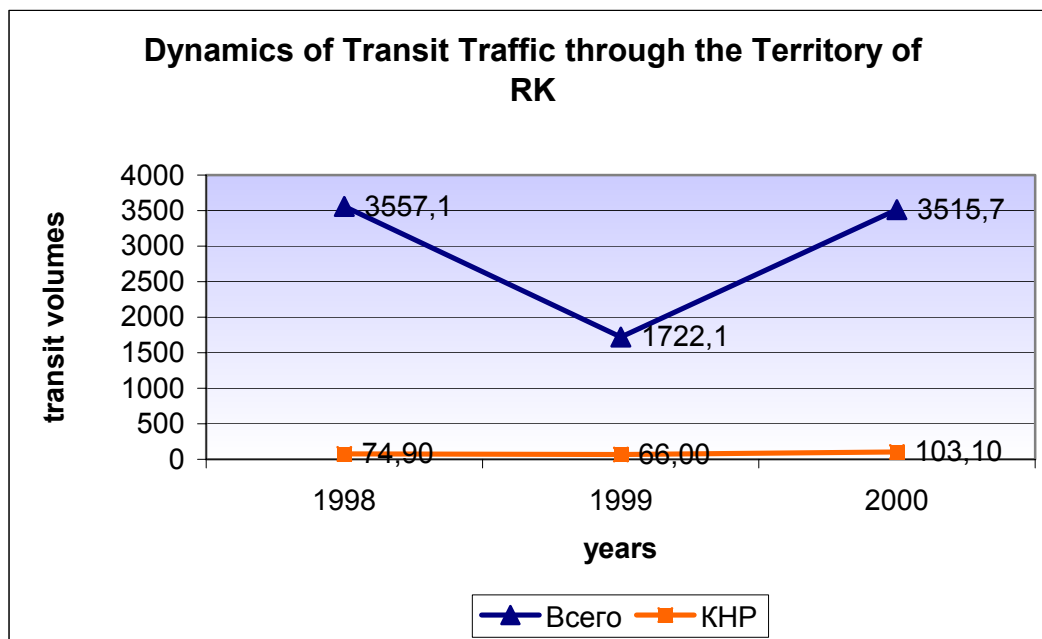
## **Special Agreements with Other Countries**

There is an Agreement on transit procedures through the territories of CIS countries between the CIS countries, and Kazakhstan is a part of it.

Under the Customs Code of the Republic of Kazakhstan there is an Agreement on common transit terms through the territories of Customs Union countries.

At present countries members of the Eurasian EC are drafting the following agreements related to transit traffic of commodities and transport means:

- on ensuring payment of customs duties by depositing of due amounts in the customs accounts or by using bank guarantees during the transfer of goods under the customs control between the customs of countries members of the Eurasian Economic Community;
- on use of microprocessor plastic cards to pay customs duties during the transfer of goods through the borders of countries members of the Eurasian Economic Community.



Analysis of transit traffic shows that the PRC uses transit services of Kazakhstan mainly in export of their goods through the third countries. Evidently, the PRC is using sea ports in the North of the country and other transport corridors to import goods from the third countries. This indicator shows that transit of Chinese imports through the territory of the Republic of Kazakhstan is not beneficial, as, first of all, it is costly and unsafe.

The major share of Chinese goods transferred through Kazakhstan comprises goods being sent from the PRC to the third countries; in 2000 their share made 99,8% or US\$ 102,9 million. Good for the total amount of US\$ 0,2 million or 0,2% was received in China from the third countries through Kazakhstan.

Research of existing practice and theory of customs and national legislation regulating foreign economic activities, transit traffic on the Central Asian states and the PRC allow making the following conclusions.

As a whole the international legal base and current national legislation comply with the necessary requirements.

Not only infrastructure (roads, border crossings), but first of all nonphysical bureaucratic barriers, caused by the government bodies influence significantly development of the transit potential. Moreover, these barriers become the main obstacles in development of international transit. The task of our governments is to change the situation and create environment for increase of transit flows through the territories of our states.

To create conditions for development of regional trade and promote transit of CARs and China it is recommended that the countries join the following conventions:

- Customs Convention on International Transits with TIR Carnets (TIR Convention) from 1975 (Only for China).
- Convention of Agreement on International Transit of Goods (CAITG) from 1956 (Only for China)
- International Convention on Coordination of Terms for Control of Goods at Borders from 1982.
- Customs Convention on Containers from 1972.
- International Convention on Simplification and Harmonization of Customs Procedures (Kyoto Convention) from 1974 (with stipulations on some procedures)

- Convention on Temporary Import (Istanbul) from 1993.

The following conventions are recommended for joining in the mid-term perspective:

- International Convention on Simplification and Harmonization of Customs Procedures (Kyoto Convention), revised and amended edition from 2000.
- Customs Convention on Temporary import of road carriers for commercial purposes from 1956.
- Convention of the Customs Regime Applied to Containers transferred to pools and used for international traffic, 1994.
- International Convention on Mutual Administrative Assistance to Prevent, Investigate and Preclude Customs Delinquency (Nairobi Convention), 1980.

Trying to generalize narrow points leading to delays in customs clearance, additional difficulties, financial costs, can be characterized by the following:

1. Absence of test sampling.
2. Too many departments implementing control at the border. Lack of coordination between the departments, common network for creation of a database.
3. All border departments collect the same information. Excess information is caused by constant collection of information, which is not always needed.
4. Very complicated procedure of customs clearance for transit goods, necessity to submit the same documents as for market introduction.
5. Compulsory storage for temporary keeping in warehouses.
6. One lane for clearance of individuals, Одна полоса для оформления физических лиц, loaded and empty vehicles.
7. Payment for customs convoy, which is actually not implemented.
8. Detention of goods while crossing borders caused by artificial complications aimed at getting payment.
9. Insufficient number of staff.
10. Customs legislation is not always observed.
11. Poor quality of broker services, high costs.
12. Isolation and interdepartmental barriers with other law-enforcement bodies.
13. Lack of modern technologies for customs control.
14. Lack of training in different fields of customs operations. Lack of professional staff.
15. Large volume of goods is subject to physical examination. Lack of risk analysis.
16. Lack of control over intellectual property.
17. Lack of data exchange between the customs departments of the Central Asian Countries.
18. Frequent changes in personnel. Lack of flexibility and responsiveness in management system.
19. Discordance of the legislative base, undeveloped customs infrastructure.
20. Problems with training of the staff in working with computers, software, as well as with TSTK and communication means. Lack of qualified experts to repair equipment and programmers. The main reason is low salaries of customs personnel.

0,2% of the customs cost is withdrawn for **customs clearance** in the customs transit regime (I 80) for **vehicle transport**. US\$ 14 per one carriage is paid for **customs clearance** of transit goods following by **railroad transport**.

Duties and fees for customs clearance are not withdrawn in the following cases:

- Transit through the territories of foreign states;
- Transit of goods in accordance with the TIR procedure;
- In cases identified by international treaties.

Transfer of excise group of goods is made in cases when payments of custom duties and taxes are ensured by depositing of due amounts to the account of customs bodies, or a bank guarantee or customs convoy are provided.

**Customs Convoy** makes the average amount of USD 200.

In case of absence of entry, exit and transit permit for automobile transport means through the territory of the Republic of Kazakhstan **a transit fee** equal to 30 monthly accounting indicators (1 MRP = Tenge 823 for 2002, which is equal to \$ 5,4) is charged.

**Fees for Veterinary Services and Ecologic Fees** make in average US Dollars 30.

Through fare in Almaty and Taldy-Kurgan or their by-pass highways (**ecologic fees**) make US Dollars 2.

**Liability Insurance** is compulsory. The Size of insurance payments per one cargo transport:

- Lift capacity to 2 tones – US\$ 35;
- - Lift capacity above 2 tones – US \$ 45.

**Fee for Change of the Route** of the transport (**local fee**) for foreign cargo carriers is US Dollars 100 (Decision of the Akim of the Almaty Region from March 9, 1999 No. 3-91).

**The fee for transit through bridges** is established at: US\$ 16,5 – through the Ural River, US\$ 25 – through the Akhtuba River, US\$ 3 – through the Irtysh River in Semipalatinsk, US\$ 2 – through the Yli River.

**Fee for prior decision** of the customs costs ECU 50. Getting of a prior decision of the customs body in Kazakhstan is compulsory.

**Customs broker service** makes from US\$ 30 to US\$ 50.

**Cost of an electronic copies of the CCD** is from US\$ 17 to US\$ 50.