



Customs Union Formation: Impact on Changes in External Trade Policy of Kazakhstan



Belorussia



Kazakhstan



Kyrgyzstan



Russia



Tajikistan

Free trade regime

Customs Union

Single economic space

• annulment of tax duties and other restrictions to trade in goods produced in the territory of the participant states

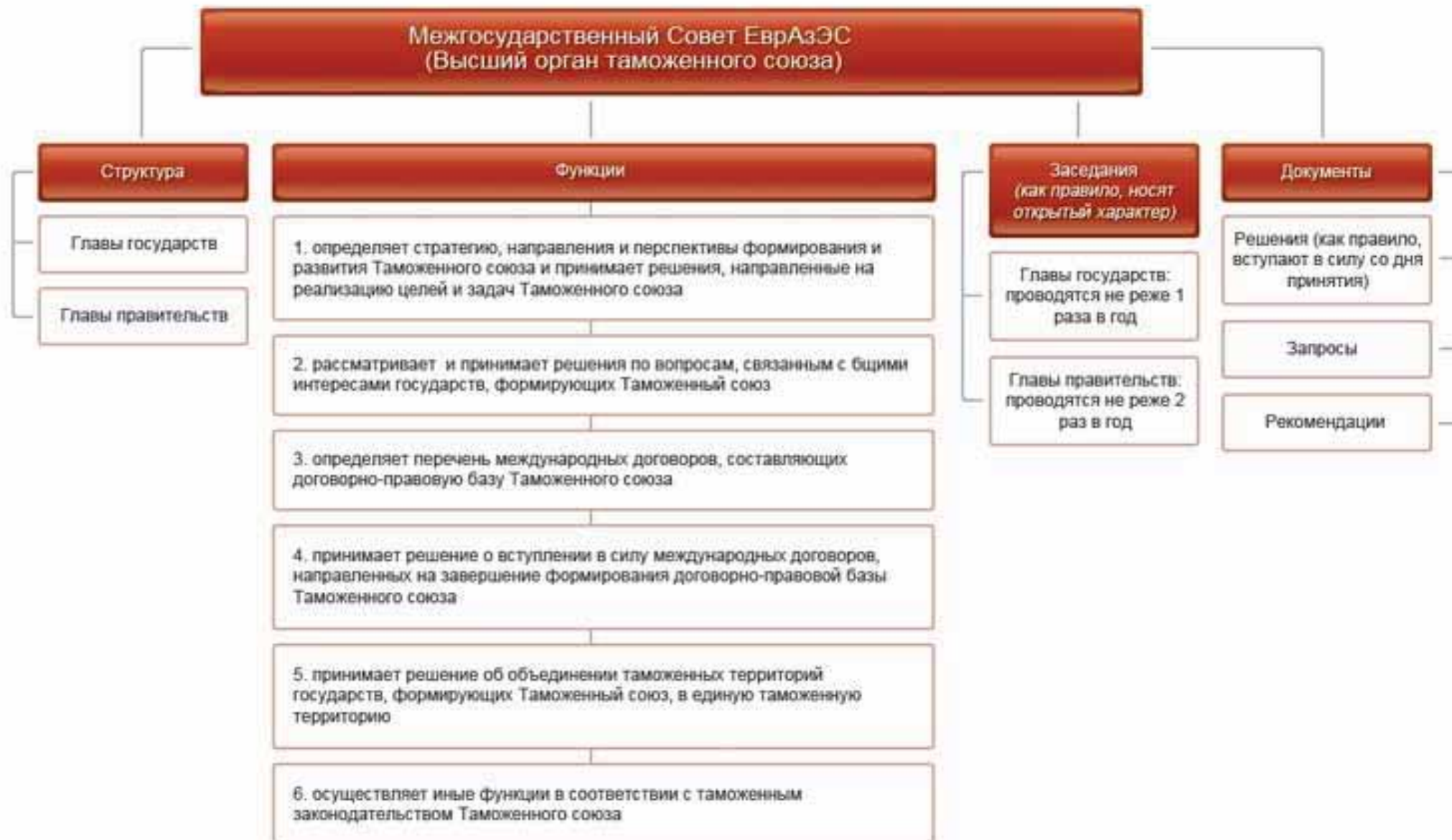
• establishment of the single customs territory for free flow of goods in this territory produced both in this territory and imported from third countries

free movement of:

- Services
- Capital
- Labor force

as soon as ready

Interstate Council of the EurAsEC (Supreme body of the Customs Union)





Elements of the Customs Union

Uniform customs
and tariff regulation

Single regulatory body
(Commission)

Single procedure for
non-tariff regulation
in relation
to third countries

Dispute Resolution
Body



Single trade regime
in relations
with third countries

Unification of
customs legislation

Single
customs
territory

Application of specific
protective, anti-dumping
and compensation measures

Customs Union Management System

Supreme body of the Customs Union
at the level of state leaders and head of governments

Establishing the strategy and directions of the Customs Union development (consensus-based decisions)

EurAsEC Court

Settlement of disputes

Customs Union Commission
deputy heads of governments

Customs Union regulatory body (decisions – 2/3 of votes or consensus)

Secretariat of the Customs Union Commission

Supporting activities of the Commission

State executive bodies

Implementation of decisions

Voting pattern

- Russia – 57%
- Kazakhstan – 21,5%
- Belarus – 21,5%



Customs Union

On the whole, the contractual and legal frameworks of the Customs Union consists of 83 international agreements, including the Customs Code, as well as 13 agreements adopted earlier under the EurAsEC.

As of today 42 international agreements have been ratified under the Customs Union.

For reference: Agreements of the Customs Union can be conditionally classified into four blocks:

- ✓ Agreements on tariff and non-tariff regulation measures (Agreement on Uniform Customs and Tariff Regulation, Agreement on Uniform Non-Tariff Regulation Measures, Agreement on Application of Specific Protective, Anti-Dumping and Compensation Measures.)
- ✓ Agreements in the area of technical regulation, application of sanitary, veterinary and phyto-sanitary measures.
- ✓ Agreements in the area of customs and tax administration. In particular, the Agreement on the Customs Code, the Agreement on Principles of Application of Indirect Taxes, the Agreement on Determining the Customs Value.
- ✓ Institutional and technical agreements: the Agreement on the Customs Union Commission, the Agreement on the CU Secretariat, the Agreement on Maintaining Customs Statistics on External and Mutual Trade.

Uniform Customs and Tariff Regulation

Agreement on Uniform Customs and Tariff Regulation

Decision of the EurAsEC Interstate Council
dated 25.01.2008 №2

Protocol on conditions and the procedure for application of import customs duty rates different from the UCT in exceptional cases

Protocol on the Uniform Preference System of the Customs Union

Agreement on the Conditions and the Mechanism for Application of Tariff Quotas

Protocol on Provision of Tariff Preferences

Decision of the Customs Union Commission dated November 27, 2009, № 130
"On Uniform Customs and Tariff Regulation of the Customs Union of the Republic of Belarus, the Republic of Kazakhstan and the Russian Federation (effective as of January 1, 2010).

Uniform Commodity Nomenclature of External Economic Activities of the Customs Union (CN of EEA of the CU)

Single Customs Tariff of the Customs Union (SCT of the CU)

List and volumes of tariff quotas

List of tariff preferences of the Customs Union participant states

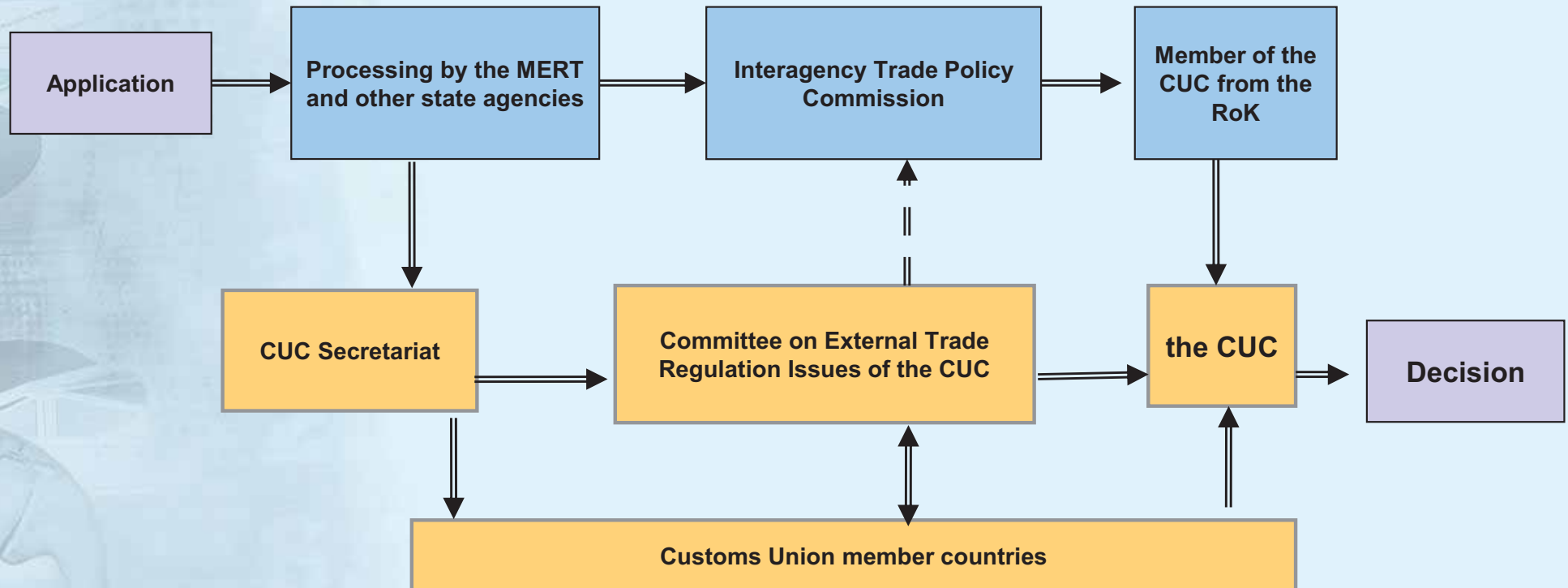
List of the least developed countries – users of the system of tariff preferences of the Customs Union

List of goods originated and imported from developing and least developed countries, which enjoy tariff preferences when imported

List of the developing countries – users of the system of tariff preferences of the Customs Union

Uniform Customs and Tariff Regulation

Procedure for changing the import customs duty since January of 2010



Uniform Customs and Tariff Regulation

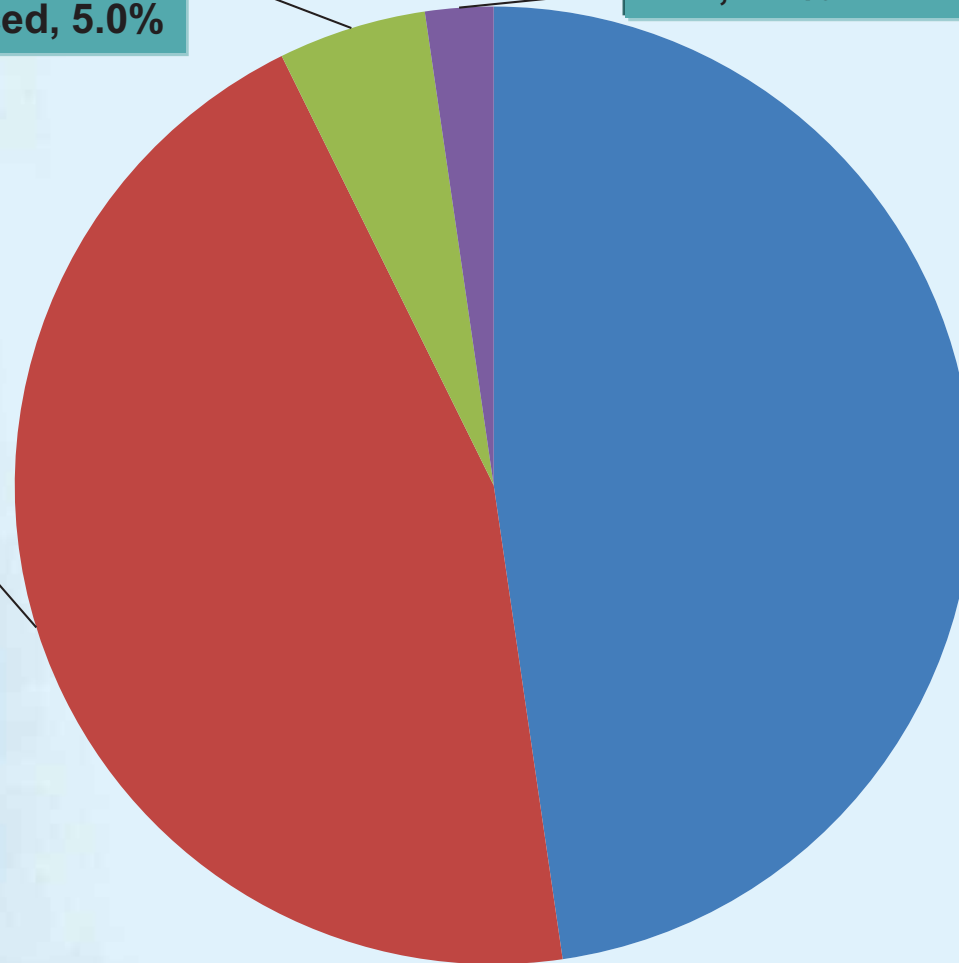
Key changes in the import tariff of Kazakhstan in connection with the formation of the Single Customs Tariff

Kazakh tariff has
been reduced, 5.0%

Change in the procedure for calculation
of rates (ad valorem rates have been
transformed into combined or specific,
etc., 2.3%

Kazakh tariff has not
been changed, 45.0%

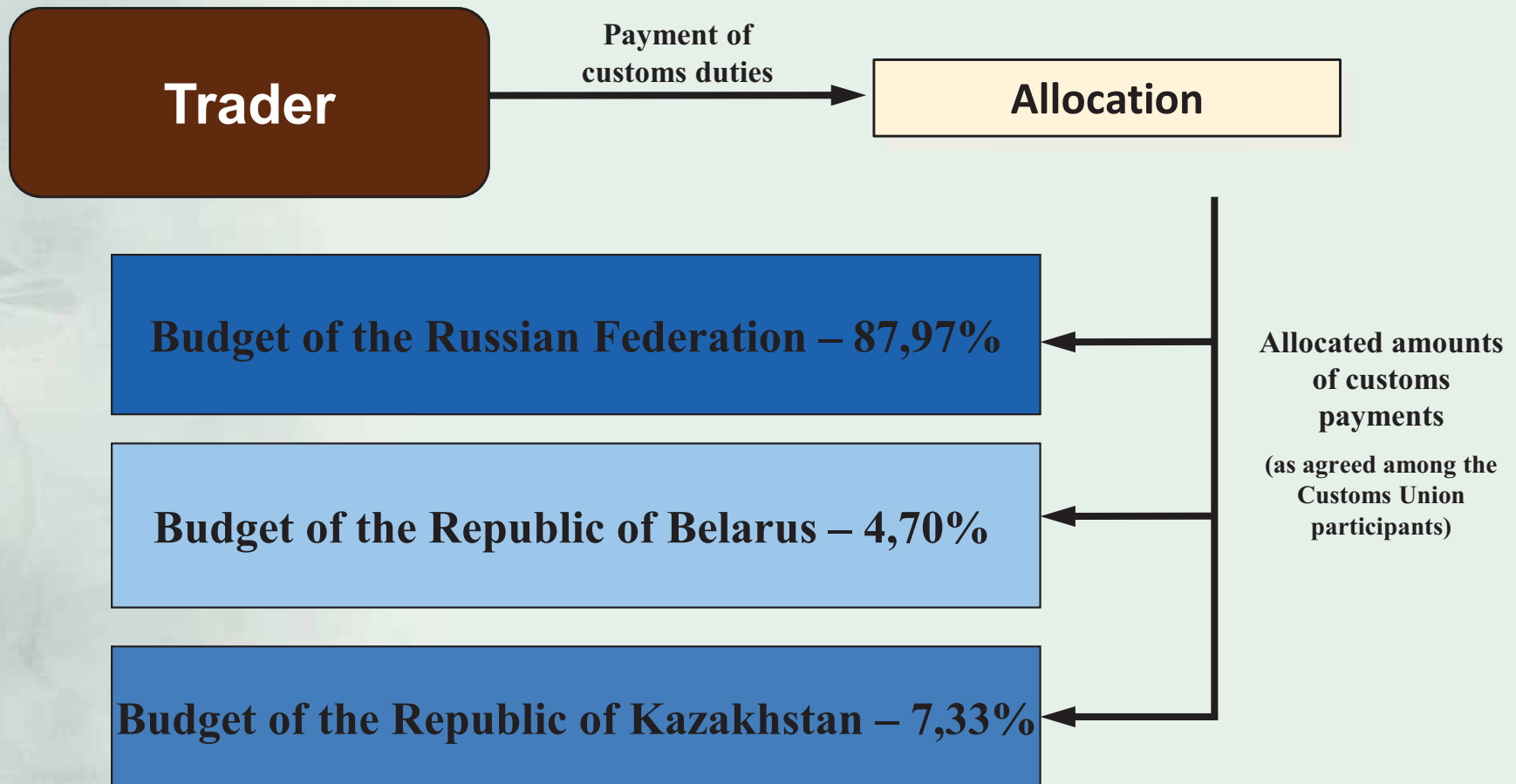
Duties have been
increased to
the Russian
level, 47.7%



Based on the results of the negotiations on formation of the Single Customs Tariff, **the arithmetic mean value of import customs duties of Kazakhstan and Russia has been changed as follows:**

	Kazakhstan	Russia	SCT
Arithmetic mean value	6,2%	10,6%	10,6%
For industrial goods	4,6%	9,4%	8,5%
For agricultural goods	12,1%	15,1%	16,7%

Allocation of Customs Payments among the budgets of the Customs Union participant states



Uniform Customs and Tariff Regulation

When forming the Single Customs Tariff of the customs Union to support domestic production **of certain commodities, which are needed as raw materials for production of products**, or to saturate the domestic market, the transition periods have been established, and once they are expired, it is assumed that the republic's market has been saturated with domestic products.

Commodity	Transition period	RoK Tariff	ETT
Medications	5 years	0%	10-15%
Medical equipment	4 years	0%	10-15%
Some commodities made of aluminum (wire, bars, plates, metal furnishings)	1,5 years	0-5%	20%
Aluminum foil	3 years	0%	20%
Rail cars	3 years	0%	10%
Raw materials for chemical industry, polymeric materials	4 years	0%	10%
Cellulose	4 years	0%	5-10%
Copying paper	4 years	5%	15%
Pneumatic tools	3 years	0%	10%
Electromagnets and safety devices	3 years	0%	15%
Green houses	3 years	0%	20%

Uniform procedures for non-tariff regulation

Measures of non-tariff regulation

Agreement on Uniform Measures of Non-Tariff Regulation in Relation to Third Countries

Agreement on the Procedure for Introduction and Application of Measures Related to External Trade in Goods in the Customs Territory in Relation to Third Countries, June 9, 2009

Agreement on the Licensing Rules in external Trade in Goods

Decision of the Interstate Council of the Eurasian Economic Community (the supreme body of the Customs Union) dated November 27, 2009, №19 and Decision of the Customs Union Commission dated November 27, 2009, №132, which approved the List of Goods Subject to Quantitative Restrictions for Export and (or) Import

The Uniform List of goods subject to bans or restrictions for import or export by the Customs Union member states under the Eurasian Economic Community when trading with third countries and the Regulation on Application of Restrictions

Non-tariff regulation measures include:
ban on export;
quantitative restrictions on export and (or) import;
provision of an exclusive right for export and (or) import;
licensing in the sphere of external trade;
monitoring of export and (or) import.

Trade Measures for Domestic Market Protection when Importing Goods

Special Protection, Anti-Dumping and Compensation Measures

Agreement on Application of Special Protection, Anti-Dumping and Compensation Measures in Relation to Third Countries

Became effective as of July 1, 2010 by Decision of the Interstate Council of the Eurasian Economic Community (the Customs Union supreme body) №37 dated May 21, 2010

The following documents have been developed to implement the Agreement

The Agreement on the Procedure of Application of Special Protection, Anti-Dumping and Compensation Measures during the Transition Period

Temporary Regulation for Conducting Investigations Prior to Introduction of Special Protection, Anti-Dumping and Compensation Measures and Making Proposals on Investigation Findings to the Customs Union Commission

Protocol on the Procedure for Formulation and Use of Information, which also Contains Confidential Information for Investigation Purposes Prior to the Introduction of Special Protection, Anti-Dumping and Compensation Measures in Relation to Third Countries

Special Protective, Anti-Dumping and Compensation Measures

The work is underway to unify national special protective and anti-dumping measures

Until the complete unification of these measures it is necessary to administrate the movement of goods subject to national measures across internal borders of the Customs Union

In Belarus:
1 anti-dumping and
1 protective measures;

In the Russian Federation:
6 anti-dumping and
2 protective measures;

In Kazakhstan
4 investigations on protective
measures have been completed

Article 2 of the Protocol of Forfeitures establishes customs declaration for such goods crossing the internal border of the Customs Union to prevent opportunities for evading protective and anti-dumping measures

Bilateral agreements with third countries

Russia – 130

Kazakhstan – 50

Belarus – 40
(non-market status)

- Review of existing trade regimes
- Negotiations with third countries

Uniform Trade Regime of the Customs Union

Single Customs Territory

November 27, 2009

- The Agreement on the CU Customs Code signed

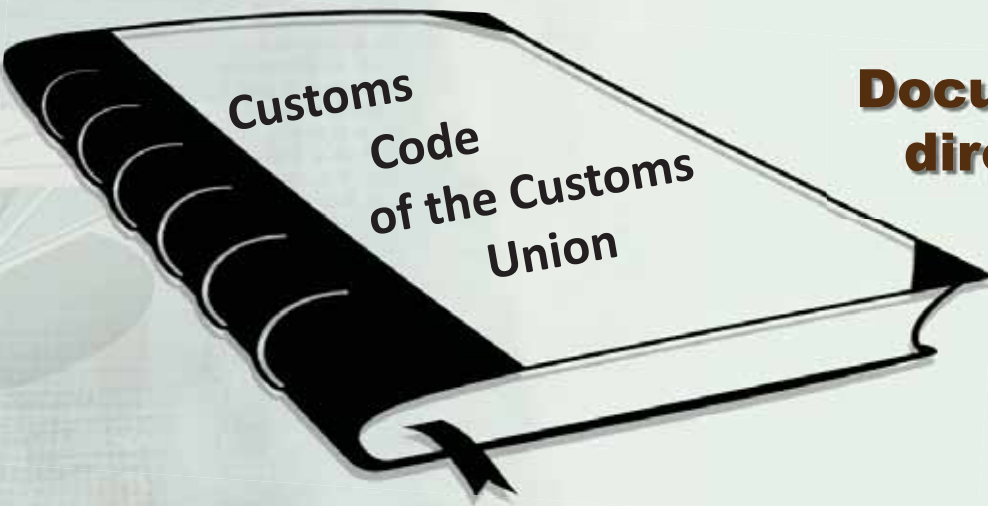
July 1, 2010

- The Customs Code of the Customs Union was put in effect

- Kyoto Convention on Simplification and Harmonization of Customs Procedures
- Customs Codes of third countries
- WTO agreements BTO
- WTO SAFE Framework



Single Customs Territory



Document with direct effect



- uniform rules for goods declaration
- uniform customs procedures
- uniform rules for assessment and collection of tax payments
- uniform rules for customs clearance and customs control

Code Norms

Basic Norms

- Relations among the parties participating in the movement of goods across the customs border
- Rights and obligations of traders
- Lists of documents required for customs operations
- Timelines for customs operations

Innovations

- Concept of the Single Customs Territory
- Uniform transit conditions
- Abolishment of customs clearance for the goods in the territory of the CU member states
- Mutual recognition of measures securing the payment of customs duties and taxes across the CU territory
- Introduction of the institute of an AEO, who enjoys specific simplifications

Single Customs Territory Formation Stages

Launching implementation of plans on transfer of all types of control, except for the border control, to external border of the Customs Union

Adoption of the Customs Code of the Customs Union. Adoption of agreements on excise, VAT.

Introduction of uniform customs and tariff and non-tariff regulation.
Abolishment of customs clearance at the KAZ border for goods originating from RUS and KAZ

Testing the mechanism of depositing and allocating import customs duties and excise

Putting in effect the Customs Code of the Customs Union

Transfer of control to the external border of the BEL

Introduction of the mechanism of depositing and allocating import customs duties and excise

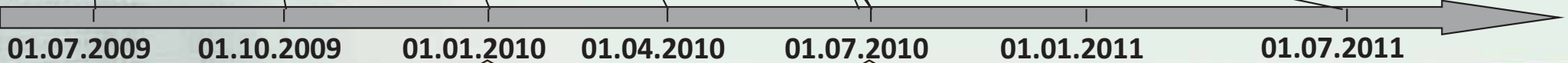
Abolishment of customs clearance for the goods of third countries moved from the territory of RUS to the territory of KAZ

Transfer of control to external border of the RoK while preserving border control at the RUS-KAZ border

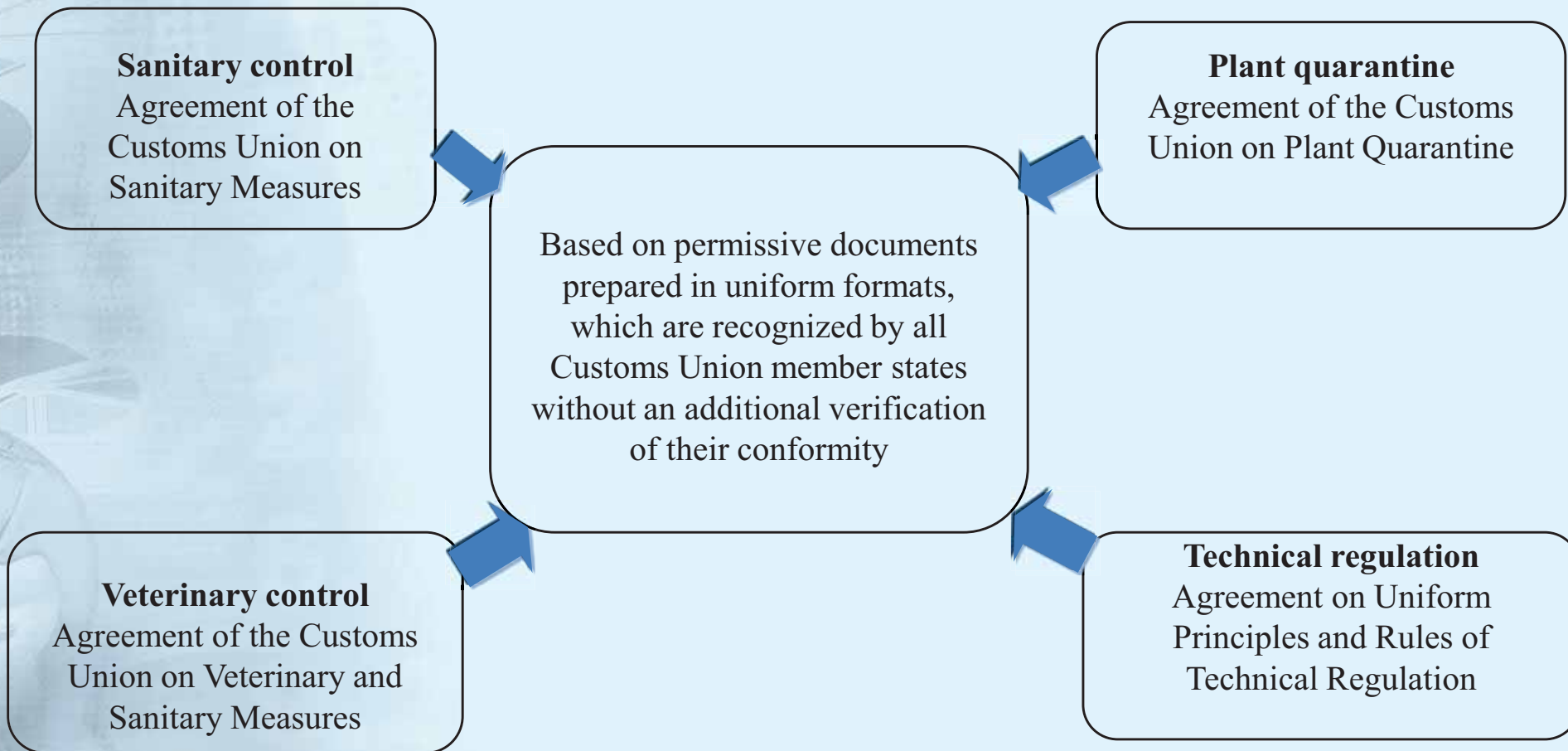
Preliminary stage

Stage I

Stage II



Technical regulation and application of sanitary, veterinary and phyto-sanitary measures:





Agreement on conducting the coordinated policy in the area of technical regulation, sanitary and phyto-sanitary measures

Developed give the provisions of the WTO Agreement on Technical Barriers to Trade and the WTO Agreement on Application of WTO Sanitary and Phyto-Sanitary Measures

Application of technical, sanitary, veterinary and phyto-sanitary measures under the EurAsEC shall be based on EurAsEC technical regulations.

Agreement on Uniform Principles and Rules of Technical Regulation in BEL, KAZ and RUS

The Agreement gives the following authority to the Customs Union Commission

- approval of plans for development of technical regulations;
- consensus-based adoption of technical regulations;
- approval of list of standards related to technical regulations;
- approval of standard schemes and document forms of conformity assessment (verification);
- approval of the image of the single logo for circulation of products.

Mechanisms

1. Uniform technical regulations of the CU will be developed by government agencies exclusively with involvement of businesses

2. Single interstate standards

3. Uniform permissive documents (certificates, declarations and the circulation logo)

4. State control

- ✓The plan for development of technical regulations includes 47 technical regulations
- ✓Technical regulations will be adopted on a basis of a consensus and have a direct effect in the CU territory

Для целей оценки соответствия продукции будут приниматься межгосударственные стандарты (ГОСТ)

- ✓Uniform lists of products subject to verification of conformity, sanitary and epidemiological supervision, veterinary, phyto-sanitary control, registers of accredited bodies of conformity assessment, test laboratories and issued uniform documents
- ✓Uniform certificate forms are to be introduced

The unified information system to exchange information on hazardous products similar to the one in the EU
Unification of corpus delicti, the scope and extent of responsibility for offences

Circulation of Products under the Customs Regime

KAZ conformity certificate

+

KAZ sanitary and epidem. statement

+

KAZ sanitary and epid. registration

when exporting to BEL and RUS

BEL/RUS conformity certificate

+

BEL/RUS sanitary and epidem. statement

+

BEL/RUS sanitary and epidem. registration

For foods, perfume and cosmetic, household cleaning products

For specific products (baby's food, treatment and preventive products, biologically active food additives)

since July 1, 2010

Uniform Conformity Certificate of the Customs Union

+

Uniform Certificate of Goods Registration of the Customs Union

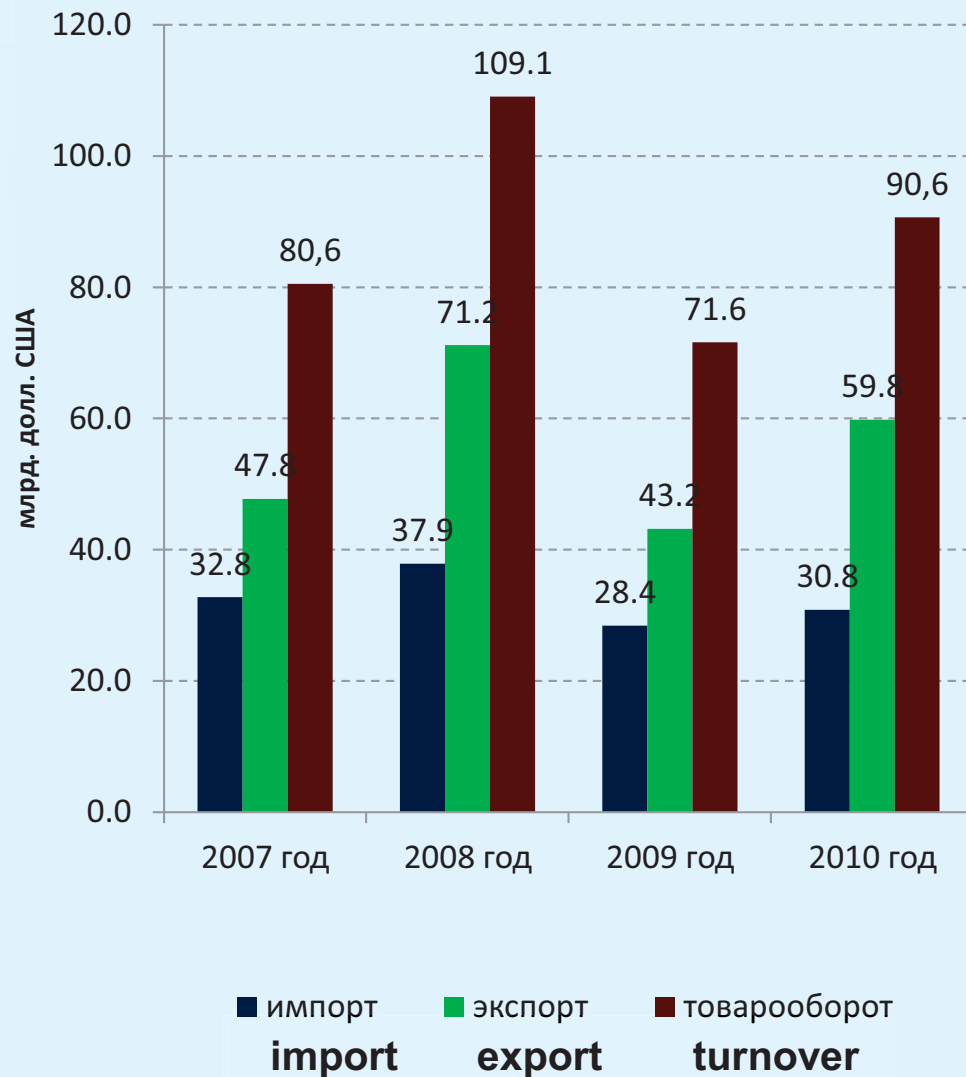
С принятием Технических регламентов Таможенного союза

Declaration on Conformity of Products issued by producer (manufacturer)

Impact of changes in external trade regime on external trade of Kazakhstan

- ✓ Commodity turnover in 2010 against 2009 has increased by 26.6% (US\$19.1 billion)
- ✓ The external trade balance is still positive and totaled US\$29 billion in 2010
- ✓ Export has increased as prices for major exported commodities (oil and ferrous metals) increased in 2010 compared to 2009: average price for oil increased by 38,8% (from US\$394.6 to US\$548 per ton); average price for ferrous alloys increased by 24%, rolled iron – 31,8%.

External trade of Kazakhstan, 2007-2010 (US\$ bln.)



Impact of changes in external trade regime on external trade of Kazakhstan

Structure of KAZ export in 2009

Other goods

товары (3 484,2 млн.\$)

8.1%

Metals and Products of Metals

из них (5 484,8 млн.\$)

12.7%

Chemical products

отрасли (2 274,4 млн.\$)

5.3%

Ores, salts

(1 925,2 млн.\$)

4.5%

Fuel and energy commodities

(30 027,2 млн.\$)

69.5%

Structure of KAZ export in 2010

Other goods

товары (3 948,5 млн.\$)

6.6%

Metals and Products of Metals

из них (8 098,7 млн.\$)

13.5%

Chemical products

химическо й отрасли (3 049,2 млн.\$)

5.1%

Ores, salts

(2 958,2 млн.\$)

4.9%

Fuel and energy commodities

товары (41 778,5 млн.\$)

69.8%

When compared to 2009, there are no qualitative changes in the structure of export in 2010

Impact of changes in external trade regime on external trade of Kazakhstan

KAZ Import structure in 2009

Metals and Products of Metals

них (5 713,7 млн.\$)
20.1%

Machinery and equipment

ние (11 225,2 млн.\$)
39,5%

Chemical products

(3 446,3 млн.\$)
12,1%

Fuel and energy products

товары (2 834,8 млн.\$)
10.0%

Foodstuff

ственные товары (2 462,7 млн.\$)
8,7%

KAZ Import structure in 2010

Metals and Products of Metals

них (5 729,9 млн.\$)
12.1%

Machinery and equipment

ие (11 717,5 млн.\$)
38,0%

Chemical products

отрасли (4 309,3 млн.\$)
14,0%

Fuel and energy products

товары (4 197,6 млн.\$)
13.6%

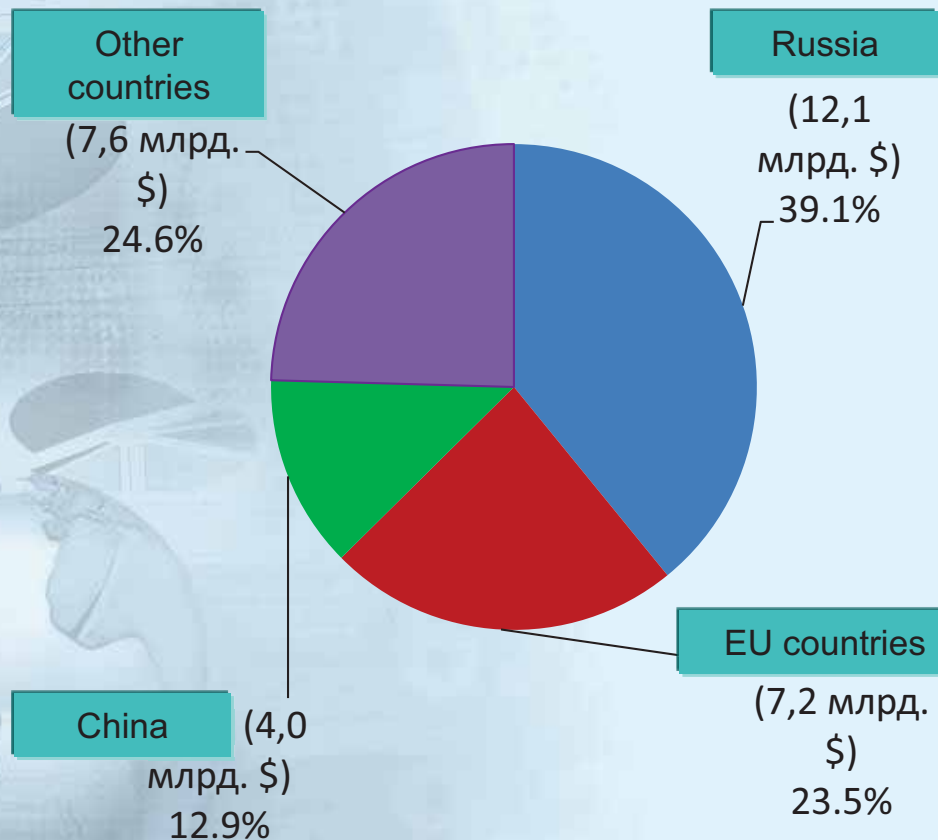
Foodstuff

ственные товары (3 198,4 млн.\$)
10,4%

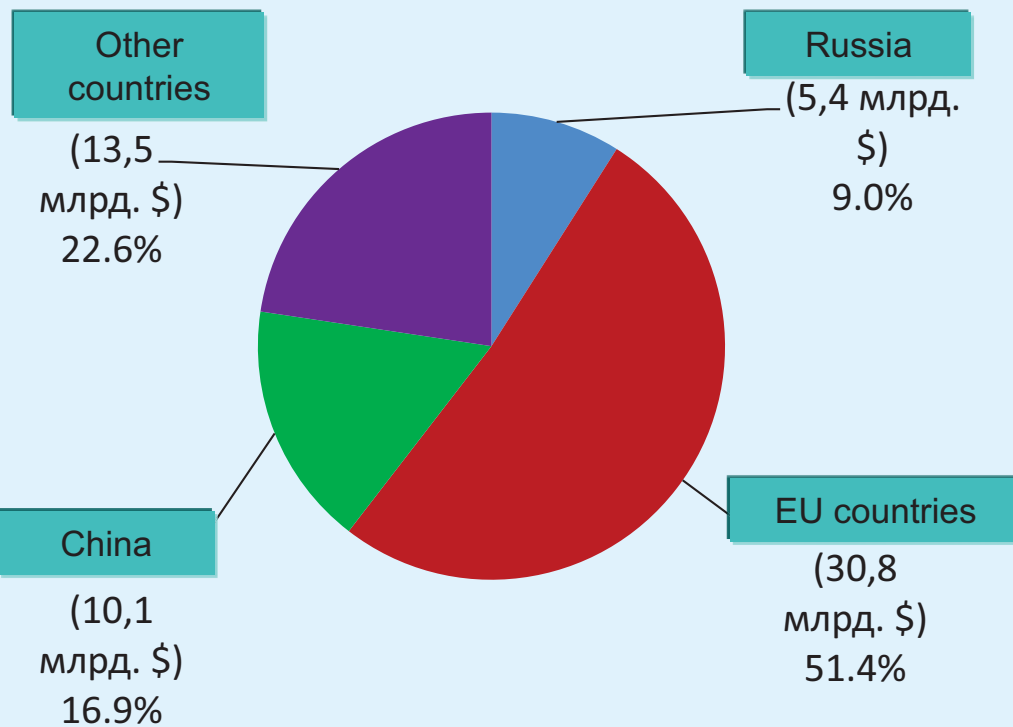
When compared to 2009, there are no qualitative changes in the structure of import in 2010.

Impact of changes in external trade regime on external trade of Kazakhstan

Countries – major importers of KAZ in 2010



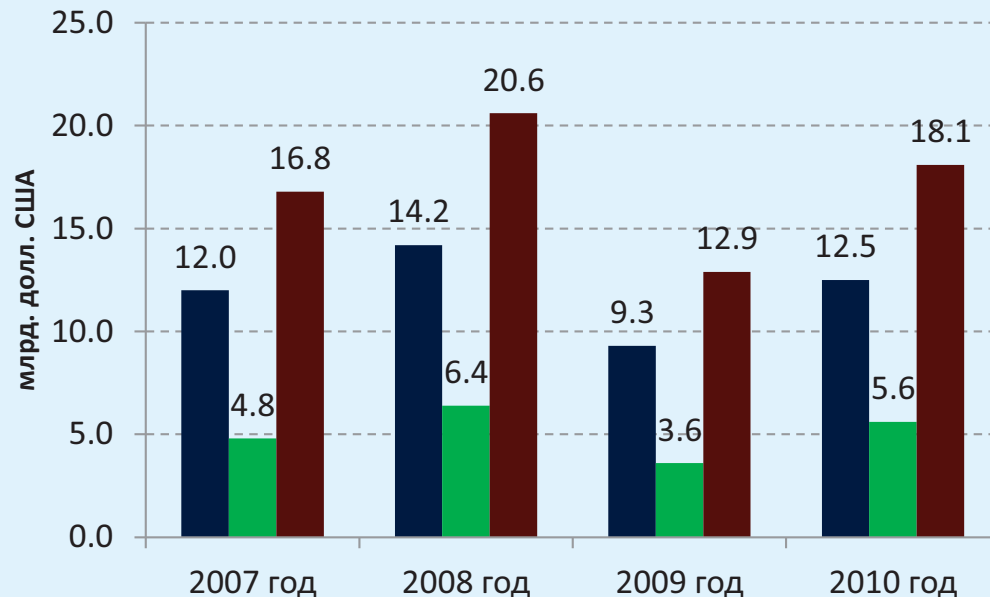
Countries - major consumers of KAZ export in 2010



Impact of changes in external trade regime on external trade of Kazakhstan

- ✓ Developments in external trade with the CU countries are correlated with the overall developments in external trade
- ✓ Commodity turnover with the Customs Union countries in 2010 as compared to 2009 has increased by 40.3% (US\$5.2 billion) and totaled US\$18.1 billion.

External trade of Kazakhstan with the CU members, 2007-2010 (US\$ bln.)



■ импорт ■ экспорт ■ товарооборот
import export turnover

List of Agreements forming the Single Economic Space (SES) of the Republic of Belarus, the Republic of Kazakhstan and the Russian Federation:

Free movement of services and capital

1. Agreement on Uniform Rules for Provision of Industrial Subsidies
2. Agreement on Uniform Rules for State Support to Agriculture
3. Agreement on Public (Municipal) Procurement
4. Agreement on Uniform Principles and Rules of Competition
5. Agreement on Uniform and Rules for Regulation of Activities of Natural Monopoly Subjects
6. Agreement on Uniform Principles and Rules of Technical Regulation
7. Agreement on Coordinated Macroeconomic Policy
8. Agreement on Uniform Principles of Regulation in Safeguarding and Protection Intellectual Property Rights
9. Agreement on Trade in Services and Investments in the SES member states
10. Agreement on Coordinated Principles of Foreign Exchange Policy
11. Agreement on Creating Conditions in Financial Markets to Ensure Unimpeded Capital Flows

Free Movement of Labor

Regulation of systemic issues to provide access to infrastructure

12. Agreement on the Legal Status of Labor Migrants and Their Family Members;
13. Agreement on Cooperation in Counteracting Illegal Labor Migration from Third Countries;
14. Agreement on Providing Access to Services of Natural Monopolies in the Sphere of Electric Power, Including the Fundamentals of Pricing and Tariff Policy;
15. Agreement on Regulating Access to Services of Railway Transport, Including Tariff Policy Fundamentals;
16. Agreement on the Procedure of Organization, Management, Operations and Development of Common Oil and Oil Products Markets;
17. Agreement on the Rules of Access to Services of Natural Monopoly Subjects in the Area of Gas Transportation by Gas Transport Systems, Including Pricing and Tariff Policy Fundamentals.